Risk Factors Comparison 2024-04-11 to 2023-05-08 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to Our Business and Industry ● Our business could be materially harmed by the ongoing coronavirus (COVID-19) pandemic (see " Risk Factors ~~—~~ **-** Risks Related to Our Business and Industry ~~—~~ **-** We face risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt our operations. " on page ~~32~~ **33** of this annual report); ● Changes in the economic and credit environment could have an adverse effect on demand for our projects, which would in turn have a negative impact on our results of operations, our cash flows, our financial condition, our ability to borrow and our stock price (see " Risk Factors ~~—~~ **-** Risks Related to Our Business and Industry ~~—~~ **-** Changes in the economic and credit environment could have an adverse effect on demand for our projects, which would in turn have a negative impact on our results of operations, our cash flows, our financial condition, our ability to borrow and our stock price. " on page ~~28~~ **29** of this annual report); ● Changes in the growth of demand for or pricing of electricity could reduce demand for our waste energy recycling projects, which could materially harm our ability to grow our business (see " Risk Factors ~~—~~ **-** Risks Related to Our Business and Industry ~~—~~ **-** Changes in the growth of demand for or pricing of electricity could reduce demand for our waste energy recycling projects, which could materially harm our ability to grow our business " on page 29 of this annual report); ● We operate in an emerging competitive industry and if we are unable to compete successfully our revenue and profitability will be adversely affected (see " Risk Factors ~~—~~ **-** Risks Related to Our Business and Industry ~~—~~ **-** We operate in an emerging competitive industry and if we are unable to compete successfully our revenue and profitability will be adversely affected " on page ~~30~~ **31** of this annual report); Risks Related to Doing Business in China (for a more detailed discussion, see " Item 1A. Risk Factors ~~—~~ **-** Risks Related to Doing Business in China " on page ~~33~~ **34** of this annual report) ● We may rely on dividends paid by our subsidiaries for our cash needs. Any limitation on the ability of our subsidiaries to make dividend payments to us, or any tax implications of making dividend payments to us, could limit our ability to pay our parent company expenses or pay dividends to holders of our common stock (see " Risk Factors ~~—~~ **-** We are a holding company, and will rely on dividends paid by our subsidiaries for our cash needs. Any limitation on the ability of our subsidiaries to make dividend payments to us, or any tax implications of making dividend payments to us, could limit our ability to pay our parent company expenses or pay dividends to holders of our common stock " on page ~~33~~ **34** of this annual report); ● The Chinese government exerts substantial influence over the manner in which we conduct our business activities and may intervene or influence our operations at any time with little advance notice, which could result in a material change in our operations and the value of our common stock (see " Risk Factors ~~—~~ **-** The Chinese government exerts substantial influence over the manner in which we must conduct our business activities and may intervene or influence our operations at any time with little advance notice, which could result in a material change in our operations and the value of our common stock " on page ~~34~~ **35** of this annual report); ● The M & A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China (see " Risk Factors ~~—~~ **-** The M & A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China " on page 38 of this annual report); ● China' s legal system is evolving and has inherent uncertainties that could limit the legal protection available to you (see " Risk Factors ~~—~~ **-** Risks Related to Doing Business in China ~~—~~ **-** Uncertainties with respect to the PRC legal system could adversely affect us " on page 43 of this annual report); ● We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti- corruption law (see " Risk Factors ~~—~~ **-** Risks Related to Doing Business in China ~~—~~ **-** We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti- corruption law " on page 41 of this annual report); ● The joint statement by the SEC and the Public Company Accounting Oversight Board (United States), or the " PCAOB, " proposed rule changes submitted by Nasdaq and the Holding Foreign Companies Accountable Act (" HFCAA ") 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 which are not inspected by the PCAOB. These developments could add uncertainties to the trading of our common stock (see " Risk Factors ~~—~~ **-** Risks Related to Doing Business in China ~~—~~ **-** The recent joint statement by the SEC and PCAOB, proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable 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 which are not inspected by the PCAOB. These developments could add uncertainties to the trading of our common stock " on page 46 of this annual report); Risks Related to Our Common Stock (for a more detailed discussion, see " Item 1A. Risk Factors ~~—~~ **-** Risks Related to Our Common Stock " on page ~~33~~ **48** of this annual report) ● The market price of our common stock may be volatile or may decline regardless of our operating performance (see " Risk Factors ~~—~~ **-** Risks Related to Our Common Stock ~~—~~ **-** The market price for our common stock may be volatile " on page 48 of this annual report); Transfers of Cash to and from Our Subsidiaries Smart Powerr Corp. is a holding company with no operations of its own. We conduct our operations in China primarily through our subsidiaries in China. We may rely on dividends to be paid by our subsidiaries in China to fund our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Our equity structure is a direct holding company structure. Within our direct holding company structure, the cross- border transfer of funds between our corporate entities is legal and compliant with the laws and regulations of the PRC. After the foreign investors' funds enter CREG, the funds can be directly transferred to the PRC operating companies through its subsidiaries. Specifically, Smart Powerr Corp. is permitted under the Nevada laws to provide funding to our subsidiary, Sifang Holdings, in Cayman Islands through loans or capital contributions without restrictions on the amount of the funds, subject to satisfaction of applicable government registration, approval and filing requirements. Sifang Holdings is also permitted under the laws of Cayman Islands to provide funding to Smart Powerr Corp. through dividend distribution without restrictions on the amount of the funds. As of the date hereof, there have not been any transfers, dividends or distributions made between the holding company, its subsidiaries, and to investors. We currently intend to retain all available funds and future earnings, if any, for the operation and expansion of our business and do not anticipate declaring or paying any dividends in the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our Board of Directors after considering our financial condition, results of operations, capital requirements, contractual requirements, business prospects and other factors the Board of Directors deems relevant, and subject to the restrictions contained in any future financing instruments. Subject to the Nevada Business Corporation Act and our bylaws, our Board of Directors may authorize and declare a dividend to shareholders at such time and of such an amount as it thinks fit if they are satisfied, on reasonable grounds, that immediately following the dividend the value of our assets will exceed our liabilities and we will be able to pay our debts as they become due. To address persistent capital outflows and the RMB' s depreciation against the U. S. dollar in the fourth quarter of 2016, the People' s Bank of China and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for China- based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any. Furthermore, if our subsidiaries in the PRC incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive all of the revenues from our operations, we may be unable to pay dividends on our common stock. Cash dividends, if any, on our common stock will be paid in U. S. dollars. If we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China- sourced income and as a result may be subject to PRC withholding tax at up to 10 %. To pay dividends to our shareholders, we will rely on payments made from our PRC subsidiaries, i. e., Shanghai Yinghua Financial Leasing Co., Ltd, Shanghai TCH Energy Technology Co., Ltd., Huahong New Energy Technology Co., Ltd., Xi' an TCH Energy Technology Co., Ltd., Erdos TCH Energy Saving Development Co., Ltd., Xi' an Zhonghong New Energy Technology Co., Ltd., and Zhongxun Energy Investment (Beijing) Co., Ltd., to Smart Powerr Corp. As of the date hereof, our PRC subsidiaries have not made any transfers or distributions. As of the date hereof, no cash or asset transfers have occurred between the Company and its subsidiaries. We do not expect to pay any cash dividends in the foreseeable future. Furthermore, as of the date hereof, no cash generated from one subsidiary is used to fund another subsidiary' s operations and we do not anticipate any difficulties or limitations on our ability to transfer cash between subsidiaries. We have also not installed any cash management policies that dictate the amount of such funds and how such funds are transferred. Implications of Holding Foreign Company Accountable Act On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. An identified issuer will be required to comply with these rules if the SEC identifies it as having a " non- inspection " year under a process to be subsequently established by the SEC. On June 22, 2021, U. S Senate passed the Accelerating Holding Foreign Companies Accountable Act, which was signed into law on December 29, 2022, amending the HFCAA and requiring the SEC to prohibit an issuer' s securities from trading on any U. S. stock exchange if its auditor is not subject to PCAOB inspections for two consecutive years instead of three consecutive years. If our auditor cannot be inspected by the PCAOB, PCAOB, for two consecutive years, the trading of our securities on any U. S. national securities exchanges, as well as any over- the- counter trading in the U. S., will be prohibited. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCAA, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the PCAOB 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 issued 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 PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions. 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 mainland China and in Hong Kong, because of positions taken by PRC authorities in those jurisdictions. Kreit & Chiu CPA LLP (" Kreit & Chiu, " formerly Paris Kreit & Chiu CPA LLP), the independent registered public account firm that issued the audit report for the fiscal year ended December 31, 2022 and 2021 included elsewhere in this annual report, as an auditor of companies that are traded publicly in the U. S. and a firm registered with the PCAOB, is subject to laws in the U. S pursuant to which the PCAOB conducts regular inspections to assess such auditor' s compliance with the applicable professional standards. Kreit & Chiu is headquartered in New York, New York, and is subject to inspection by the PCAOB on a regular basis. **Enrome LLP, our independent registered public accounting firm for the fiscal year ended December 31, 2023, is based in Singapore and is registered with PCAOB and subject to PCAOB inspection.** Therefore, we believe **neither** Kreit & Chiu **, our previous auditor, nor Enrome LLP, our current auditor,** is ~~not~~ subject to the determinations as to the inability to inspect or investigate registered firms completely announced by the PCAOB on December 16, 2021. However, as more stringent criteria have been imposed by the SEC and the PCAOB, recently, which would add uncertainties to future offerings, and we cannot assure you whether

Nasdaq or other regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor' s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. On August 26, 2022, the **CSRC** ~~China Securities Regulatory Commission~~ , the Ministry of Finance of the PRC (the " MOF "), and the PCAOB signed a Statement of Protocol (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 U. S. Securities and Exchange Commission (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. See " The recent joint statement by the SEC and PCAOB, proposed rule changes submitted by Nasdaq, and the HFCAA 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 which are not inspected by the PCAOB. These developments could add uncertainties to the trading of our common stock " on page 46 of this annual report. PRC Regulatory Permissions We and our operating subsidiaries currently have received all material permissions and approvals required for our operations in compliance with the relevant PRC laws and regulations in the PRC, including the business licenses of our operating subsidiaries. The business license is a permit issued by Administration for Market Regulation that allows the company to conduct specific business within the government' s geographical jurisdiction. Each of our PRC subsidiaries has received its business license. As of the date hereof, except for the business licenses mentioned here, Smart Powerr Corp. and our PRC subsidiaries are not required to obtain any other permissions or approvals from any Chinese authorities to operate the business. However, applicable laws and regulations may be tightened, and new laws or regulations may be introduced to impose additional government approval, license, and permit requirements. If we or our subsidiaries fail to obtain and maintain such approvals, licenses, or permits required for our business, inadvertently conclude that such approval is not required, or respond to changes in the regulatory environment, we or our subsidiaries could be subject to liabilities, penalties, and operational disruption, which may materially and adversely affect our business, operating results, financial condition and the value of our common stock, 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. On August 8, 2006, six PRC regulatory agencies jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M & A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M & A Rules require that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC Citizens shall obtain the approval of the China Securities Regulatory Commission (" CSRC ") prior to overseas listing and trading of such special purpose vehicle' s securities on an overseas stock exchange. Based on our understanding of the Chinese laws and regulations in effect at the time of this annual report, we will not be required to submit an application to the CSRC for its approval of future offerings and the trading of common stock on the Nasdaq under the M & A Rules. However, there remains some uncertainty as to how the M & A Rules will be interpreted or implemented, and the requirement standard may change when new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M & A Rules are installed. We cannot assure you that relevant Chinese government agencies, including the CSRC, would reach the same conclusion. Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down on Illegal Securities Activities, which were made available to the public on July 6, 2021. The Opinions on Strictly Cracking Down on Illegal Securities Activities emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Pursuant to the Opinions, Chinese regulators are required to accelerate rulemaking related to the overseas issuance and listing of securities, and update the existing laws and regulations related to data security, cross- border data flow, and management of confidential information. Numerous regulations, guidelines and other measures are expected to be adopted under the umbrella of or in addition to the Cybersecurity Law and Data Security Law. As of the date hereof, no official guidance or related implementation rules have been issued. As a result, the Opinions on Strictly Cracking Down on Illegal Securities Activities remain unclear on how they will be interpreted, amended and implemented by the relevant PRC governmental authorities. On December 28, 2021, the CAC and other relevant PRC governmental authorities jointly promulgated the Cybersecurity Review Measures (the " new Cybersecurity Review Measures ") which took effect on February 15, 2022 and replaced the original Cybersecurity Review Measures. Pursuant to the new Cybersecurity Review Measures, if critical information infrastructure operators purchase network products and services, or network platform operators conduct data processing activities that affect or may affect national security, they will be subject to cybersecurity review. A network platform operator holding more than one million users / users' individual information also shall be subject to cybersecurity review before listing abroad. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or a large amount of personal information being influenced, controlled or maliciously used by foreign governments and risk of network data security after going public overseas. We believe that neither we nor our subsidiaries are currently required to obtain permission from any of the PRC authorities to operate and issue our common stock to foreign investors, or required to obtain permission or approval from the CSRC, CAC or any other governmental agency. Recently, however, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the " Opinions on Severely Cracking Down on Illegal Securities Activities According to Law, " or the " Opinions, " which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China- concept overseas listed companies, cybersecurity, data privacy protection requirements, and similar matters. The Opinions and any related implementing rules to be enacted may subject us to compliance requirements in the future. Given the current regulatory environment in the PRC, we are still subject to the uncertainty of different interpretation and enforcement of the rules and regulations in the PRC adverse to us, which may take place quickly with little advance notice. See “ The Opinions recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future ” on page 46 of this annual report. We believe we will not be subject to the Cybersecurity Review Measures that became effective on February 15, 2022 under the CAC, because we currently do not have over one million users' personal information and do not anticipate that we will be collecting over one million users' personal information in the foreseeable future, which we understand might check subject us to the Cybersecurity Review Measures. We are also not subject to network data security review by the CAC if the Draft Regulations on the Network Data Security Administration are enacted as proposed, since we currently do not have over one million users' personal information and do not collect data that affects or may affect national security and we do not anticipate that we will be collecting over one million users' personal information or data that affects or may affect national security in the foreseeable future, which we understand might otherwise subject us to the Security Administration Draft. Moreover, we believe that no relevant laws or regulations in the PRC explicitly require us to seek approval from the CSRC for our overseas listing plan. As of the date of this annual report, we and our PRC subsidiaries have not received any inquiry, notice, warning, or sanctions regarding our planned overseas listing from the CSRC or any other PRC governmental authorities. However, on February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (the “ Overseas Listing Trial Measures ”) and five relevant guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (1) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) 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; (3) the domestic company intending to make the securities offering and listing, or its controlling shareholder (s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the domestic company' s controlling shareholder (s) or by other shareholder (s) that are controlled by the controlling shareholder (s) and / or actual controller. The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (1) 50 % or more of any of the issuer' s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (2) the issuer' s main business activities are conducted in China, or its main place (s) of business are located in China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place (s) of residence located in China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. In addition, the Overseas Listing Trial Measures provide that the direct or indirect overseas listings of the assets of domestic companies through one or more acquisitions, share swaps, transfers or other transaction arrangements shall be subject to filing procedures in accordance with the Overseas Listing Trial Measures. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer (s) who have completed overseas offerings and listings. At a press conference held for these new regulations (“ Press Conference ”), officials from the CSRC clarified that the domestic companies that have already been listed overseas on or before March 31, 2023 shall be deemed as existing issuers (the “ Existing Issuers ”). Existing Issuers are not required to complete the filling procedures immediately, and they shall be required to file with the CSRC upon occurrences of certain subsequent matters such as follow- on offerings of securities. According to the Overseas Listing Trial Measures and the Press Conference, the existing domestic companies that have completed overseas offering and listing before March 31, 2023, such as us, shall not be required to perform filing procedures for the completed overseas securities issuance and listing. However, from the effective date of the regulation, any of our subsequent securities offering in the same overseas market or subsequent securities offering and listing in other overseas markets shall be subject to the filing requirement with the CSRC within three working days after the offering is completed or after the relevant application is submitted to the relevant overseas authorities, respectively. If it is determined that any approval, filing or other administrative procedures from other PRC governmental authorities is required for any future offering or listing, we cannot assure you that we can obtain the required approval or accomplish the required filings or other regulatory procedures in a timely manner, or at all. If we fail to fulfill filing procedure as stipulated by the Trial Measures or offer and list securities in an overseas market in violation of the Trial Measures, the CSRC may order rectification, issue warnings to us, and impose a fine of between RMB1, 000, 000 and RMB10, 000, 000. Persons- in- charge and other persons that are directly liable for such failure shall be warned and each imposed a fine from RMB500, 000 to RMB5, 000, 000. Controlling shareholders and actual controlling persons of us that organize or instruct such violations shall be imposed a fine from RMB1, 000, 000 and RMB10, 000, 000. On February 24, 2023, the CSRC published the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (the “ Provisions on Confidentiality and Archives Administration ”), which came into effect on March 31, 2023. The Provisions on Confidentiality and Archives Administration requires that, in the process of overseas issuance and listing of securities by domestic entities, the domestic entities, and securities companies and securities service institutions that provide relevant securities service shall strictly implement the provisions of relevant laws and regulations and the requirements of these provisions, establish and improve rules on confidentiality and archives administration. Where the domestic entities provide with or publicly disclose documents, materials or other items related to the state secrets and government work secrets to the relevant securities companies, securities service institutions, overseas regulatory authorities, or other entities or individuals, the companies shall apply for approval of competent departments with the authority of examination and approval in accordance with law and report the matter to the secrecy administrative departments at the same level for record filing. Where there is unclear or controversial whether or not the concerned materials are related to state secrets, the materials shall be reported to the relevant secrecy administrative departments for determination. However, there remain uncertainties regarding the further interpretation and implementation of the Provisions on Confidentiality and Archives Administration. As of the date of this annual report, we and our PRC subsidiaries have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our PRC subsidiaries. In addition, as of the date of this annual report, we and our PRC subsidiaries are not required to obtain approval or permission from the CSRC or the CAC or any other entity that is required to approve our PRC subsidiaries' operations or required for us to offer securities to foreign investors under any currently effective PRC laws, regulations, and regulatory rules. If it is determined that we are subject to filing requirements imposed by the CSRC under the Overseas Listing Regulations or approvals from other PRC regulatory authorities or other procedures, including the cybersecurity review under the revised Cybersecurity Review Measures, for our future offshore offerings, it would be uncertain whether we can or how long it will take us to complete such procedures or obtain such approval and any such approval could be rescinded. Any failure to obtain or delay in completing such procedures or obtaining such approval for our offshore offerings, or a rescission of any such approval, if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to file with the CSRC or failure to seek approval from other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our common stock. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the securities offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our common stock. Since these statements and regulatory actions by the PRC government are newly published and official guidance and related implementation rules have not been issued, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, the ability to accept foreign investments and list on an U. S. or other foreign exchange. The Standing Committee of the National People' s Congress, or the SCNPC, or other PRC regulatory authorities may in the future promulgate laws, regulations or implementing rules that requires our company or any of our subsidiaries to obtain regulatory approval from Chinese authorities before future offerings in the U. S. In other words, although the Company is currently not required to obtain permission from any of the PRC federal or local government to obtain such permission and has not received any denial to list on the U. S. exchange, our operations could be adversely affected, directly or indirectly; our ability to offer, or continue to offer, securities to investors would be potentially hindered and the value of our securities might significantly decline or be worthless, by existing or future laws and regulations relating to its business or industry or by intervene or interruption by PRC governmental authorities, if we or our subsidiaries (i) do not receive or maintain such permissions or approvals, (ii) inadvertently conclude that such permissions or approvals are not required, (iii) applicable laws, regulations, or interpretations change and we are required to obtain such permissions or approvals in the future, or (iv) any intervention or interruption by PRC governmental with little advance notice. For more details, see " Risk Factors ~~—~~- Risks Related to Doing Business in China ~~—~~- The Chinese government exerts substantial influence over the manner in which we must conduct our business activities. We are currently not required to obtain approval from Chinese authorities to list on U. S exchanges, however, if our subsidiaries or the holding company were required to obtain approval or filing in the future and were denied permission from Chinese authorities to list on U. S. exchanges, we will not be able to continue listing on U. S. exchange, which would materially affect the interest of the investors " on page ~~34~~ **35** of this annual report. As of the date hereof, we and our PRC subsidiaries have received from PRC authorities all requisite licenses, permissions or approvals needed to engage in the businesses currently conducted in China, and no permission or approval has been denied. The following table provides details on the licenses and permissions held by our PRC subsidiaries. Approval Recipient Issuing body Validity Business License Shanghai Yinghua Financial Leasing Co., Ltd. China (Shanghai) Pilot Free Trade Zone Market Supervision Administration May 10, 2045 Business License Shanghai TCH Energy Technology Co., Ltd. China (Shanghai) Pilot Free Trade Zone Market Supervision Administration May 24, 2029 Business License Huahong New Energy Technology Co., Ltd. Shaanxi Provincial Industry and Commerce Administration Indefinite Business License Xi' an TCH Energy Technology Co., Ltd. Xi ' an Market Supervision Administration Indefinite Business License Erdos TCH Energy Saving Development Co., Ltd. Market Supervision administration of Etok Banner April 13, 2029 Business License Xi' an Zhonghong New Energy Technology Co., Ltd. Xi ' an Industry and Commerce Administration Indefinite Business License Zhongxun Energy Investment (Beijing) Co., Ltd Dongcheng Branch of Beijing Industry and Commerce Administration March 23, 2044 Business License Beijing Hongyuan Recycling Energy Investment

Center Beijing Haidian District Market Supervision Administration July 17, 2063 Our Projects We design, finance, construct, operate and eventually transfer waste energy recycling projects to meet the energy saving and recovery needs of our customers. Our waste energy recycling projects use the pressure, heat or gas, which is generated as a byproduct of a variety of industrial processes, to create electricity. The residual energy from industrial processes, which was traditionally wasted, may be captured in a recovery process and utilized by our waste energy recycling projects to generate electricity burning additional fuel and additional emissions. Among a wide variety of waste- to- energy technologies and solutions, we primarily focus on waste pressure to energy systems, waste heat to energy systems and waste gas power generation systems. We do not manufacture the equipment and materials that are used in the construction of our waste energy recycling projects. Rather, we incorporate standard power generating equipment into a fully integrated onsite project for our customers. Waste Heat to Energy Systems Waste heat to energy systems utilize waste heat generated in industrial production to generate electricity. The waste heat is trapped to heat a boiler to create steam and power a steam turbine. Our waste heat to energy systems have used waste heat from cement production and from metal production. Shanghai TCH and its Subsidiaries Shanghai TCH was established as a foreign investment enterprise in Shanghai under the laws of the PRC on May 25, 2004 and has a registered capital of $ 29. 80 million. Xi' an TCH was incorporated in Xi' an, Shaanxi Province under the laws of the PRC on November 8, 2007. In February 2009, Huahong was incorporated in Xi' an, Shaanxi province. Erdos TCH was incorporated in April 2009 in Erdos, Inner Mongolia Autonomous Region. On July 19, 2013, Xi' an TCH formed Xi' an Zhonghong New Energy Technology Co., Ltd (" Zhonghong "). Xi' an TCH owns 90 % and Shanghai TCH owns 10 % of Zhonghong, which provides energy saving solutions and services, including constructing, selling and leasing energy saving systems and equipment to customers. Erdos TCH —- Joint Venture On April 14, 2009, the Company formed Erdos TCH as a joint venture (the " JV " or " Erdos TCH ") with Erdos Metallurgy Co., Ltd. (" Erdos ") to recycle waste heat from Erdos' metal refining plants to generate power and steam to be sold back to Erdos. The JV has a term of 20 years with a total investment for the project estimated at $ 79 million (RMB 500 million) and an initial investment of $ 17. 55 million (RMB 120 million). Erdos contributed 7 % of the total investment for the project, and Xi' an TCH contributed 93 %. According to Xi' an TCH and Erdos' agreement on profit distribution, Xi' an TCH and Erdos will receive 80 % and 20 %, respectively, of the profit from the JV until Xi' an TCH receives the complete return of its investment. Xi' an TCH and Erdos will then receive 60 % and 40 %, respectively, of the profit from the JV. On June 15, 2013, Xi' an TCH and Erdos entered into a share transfer agreement, pursuant to which Erdos transferred and sold its 7 % ownership interest in the JV to Xi' an TCH for $ 1. 29 million (RMB 8 million), plus certain accumulated profits as described below. Xi' an TCH paid the $ 1. 29 million in July 2013 and, as a result, became the sole stockholder of Erdos TCH. In addition, Xi' an TCH is required to pay Erdos accumulated profits from inception up to June 30, 2013 in accordance with the supplementary agreement entered on August 6, 2013. In August 2013, Xi' an TCH paid 20 % of the accumulated profit (calculated under PRC GAAP) of $ 226, 000 to Erdos. Erdos TCH currently has two power generation systems in Phase I with a total of 18 MW power capacity, and three power generation systems in Phase II with a total of 27 MW power capacity. The power generation systems were built in 2009, and it is now 13 years old. The equipment is obsolete and the efficiency of the power generation systems is declining year by year. The current power generation efficiency can only reach 30 %, and the equipment needs to be upgraded. The Erdos government has requested the Erdos to carry out a comprehensive technical upgrade of its ferrosilicon production line to meet the city' s energy- saving targets. Erdos is researching the technical rectification scheme. After the scheme is determined, the Company will carry out supporting technical transformation for our waste heat power station project. Before it goes into production, the Company is still entitled to a compensation of RMB 1 million per month. After considering the challenging economic conditions facing Erdos, and to maintain the long- term cooperative relationship between the parties, which we believe will continue to produce long- term benefits, on April 28, 2016, Erdos TCH and Erdos entered into a supplemental agreement, effective May 1, 2016. Under the supplemental agreement, Erdos TCH cancelled monthly minimum lease payments from Erdos, and agreed to charge Erdos based on actual electricity sold at RMB 0. 30 / KWH, which such price will be adjusted annually based on prevailing market conditions. The Company evaluated the modified terms for payments based on actual electricity sold as minimum lease payments as defined in ASC 840- 10- 25- 4, since lease payments that depend on a factor directly related to the future use of the leased property are contingent rentals and, accordingly, are excluded from minimum lease payments in their entirety. The Company wrote off the net investment receivables of these leases at the lease modification date. Pucheng Biomass Power Generation Projects On June 29, 2010, Xi' an TCH entered into a Biomass Power Generation (" BMPG ") Project Lease Agreement with PuchengXinHeng Yuan Biomass Power Generation Co., Ltd. (" Pucheng "), a limited liability company incorporated in China. Under this lease agreement, Xi' an TCH leased a set of 12MW BMPG systems to Pucheng at a minimum of $ 279, 400 (RMB 1, 900, 000) per month for a term of 15 years. (" Pucheng Phase I "). On September 11, 2013, Xi' an TCH entered into a BMPG Asset Transfer Agreement (the " Pucheng Transfer Agreement ") with Pucheng Xin Heng Yuan Biomass Power Generation Corporation (" Pucheng "), a limited liability company incorporated in China. The Pucheng Transfer Agreement provided for the sale by Pucheng to Xi' an TCH of a set of 12 MW BMPG systems with the completion of system transformation for a purchase price of RMB 100 million ($ 16. 48 million) in the form of 8, 766, 547 shares of common stock of the Company at $ 1. 87 per share (the share and per share numbers were not adjusted for the Reverse Stock Split). Also on September 11, 2013, Xi' an TCH also entered into a BMPG Project Lease Agreement with Pucheng (the " Pucheng Lease "). Under the Pucheng Lease, Xi' an TCH leases this same set of 12 MW BMPG system to Pucheng, and combines this lease with the lease for the 12 MW BMPG station of Pucheng Phase I project, under a single lease to Pucheng for RMB 3. 8 million ($ 0. 63 million) per month (the " Pucheng Phase II Project "). The term for the consolidated lease is from September 2013 to June 2025. The lease agreement for the 12 MW station from Pucheng Phase I project terminated upon the effective date of the Pucheng Lease. The ownership of two 12 MW BMPG systems will transfer to Pucheng at no additional charge when the Pucheng Lease expires. Shenqiu Yuneng Biomass Power Generation Projects On May 25, 2011, Xi' an TCH entered into a Letter of Intent with Shenqiu YuNeng Thermal Power Co., Ltd. (" Shenqiu ") to reconstruct and transform a

Thermal Power Generation System owned by Shenqiu into a 75T / H BMPG System for $ 3. 57 million (RMB 22. 5 million). The project commenced in June 2011 and was completed in the third quarter of 2011. On September 28, 2011, Xi' an TCH entered into a Biomass Power Generation Asset Transfer Agreement with Shenqiu (the " Shenqiu Transfer Agreement "). Pursuant to the Shenqiu Transfer Agreement, Shenqiu sold Xi' an TCH a set of 12 MW BMPG systems (after Xi' an TCH converted the system for BMPG purposes). As consideration for the BMPG systems, Xi' an TCH paid Shenqiu $ 10. 94 million (RMB 70 million) in cash in three installments within six months upon the transfer of ownership of the systems. By the end of 2012, all the consideration was paid. On September 28, 2011, Xi' an TCH and Shenqiu also entered into a Biomass Power Generation Project Lease Agreement (the " 2011 Shenqiu Lease "). Under the 2011 Shenqiu Lease, Xi' an TCH agreed to lease a set of 12 MW BMPG systems to Shenqiu at a monthly rental rate of $ 286, 000 (RMB 1. 8 million) for 11 years. Upon expiration of the 2011 Shenqiu Lease, ownership of this system will transfer from Xi' an TCH to Shenqiu at no additional cost. In connection with the 2011 Shenqiu Lease, Shenqiu paid one month' s rent as a security deposit to Xi' an TCH, in addition to providing personal guarantees. On October 8, 2012, Xi' an TCH entered into a Letter of Intent for technical reformation of Shenqiu Project Phase II with Shenqiu for technical reformation to enlarge the capacity of the Shenqiu Project Phase I (the " Shenqiu Phase II Project "). The technical reformation involved the construction of another 12 MW BMPG system. After the reformation, the generation capacity of the power plant increased to 24 MW. The project commenced on October 25, 2012 and was completed during the first quarter of 2013. The total cost of the project was $ 11. 1 million (RMB 68 million). On March 30, 2013, Xi' an TCH and Shenqiu entered into a BMPG Project Lease Agreement (the " 2013 Shenqiu Lease "). Under the 2013 Shenqiu Lease, Xi' an TCH agreed to lease the second set of 12 MW BMPG systems to Shenqiu for $ 239, 000 (RMB 1. 5 million) per month for 9. 5 years. When the 2013 Shenqiu Lease expires, ownership of this system will transfer from Xi' an TCH to Shenqiu at no additional cost. On January 4, 2019, Xi' an Zhonghong, Xi' an TCH, and Mr. Chonggong Bai, a resident of China, entered into a Projects Transfer Agreement (the " Agreement "), pursuant to which Xi' an TCH transferred two Biomass Power Generation Projects in Shenqiu (" Shenqiu Phase I and II Projects ") to Mr. Bai for RMB 127, 066, 000 ($ 18. 55 million). Mr. Bai agreed to transfer all the equity shares of his wholly owned company, Xi' an Hanneng Enterprises Management Consulting Co. Ltd. (" Xi' an Hanneng ") to Beijing Hongyuan Recycling Energy Investment Center, LLP (the " HYREF ") as repayment for the loan made by Xi' an Zhonghong to HYREE as consideration for the transfer of the Shenqiu Phase I and II Projects (See Note 10). The transfer was completed on February 15, 2019. Yida Coke Oven Gas Power Generation Projects On June 28, 2014, Xi' an TCH entered into an Asset Transfer Agreement (the " Transfer Agreement ") with Qitaihe City Boli Yida Coal Selection Co., Ltd. (" Yida "), a limited liability company incorporated in China. The Transfer Agreement provided for the sale to Xi' an TCH of a 15 MW coke oven WGPG station, which was converted from a 15 MW coal gangue power generation station from Yida. As consideration for the Transfer Asset, Xi' an TCH paid Yida RMB 115 million ($ 18. 69 million) in common stock of the Company at the average closing price per share of the Stock for the 10 trading days prior to the closing date of the transaction. The exchange rate between US Dollar and Chinese RMB in connection with the stock issuance was the rate equal to the middle rate published by the PBOC on the closing date of the assets transfer. On June 28, 2014, Xi' an TCH also entered into a Coke Oven Gas Power Generation Project Lease Agreement (the " Lease Agreement ") with Yida. Under the Lease Agreement, Xi' an TCH leased the Transfer Asset to Yida for RMB 3 million ($ 0. 49 million) per month, from June 28, 2014 to June 27, 2029. Yida will also provide an RMB 3 million ($ 0. 49 million) security deposit (without interest) for the lease. Xi' an TCH will transfer the Transfer Asset back to Yida at no cost at the end of the lease. The Fund Management Company and the HYREF Fund On June 25, 2013, Xi' an TCH and Hongyuan Huifu Venture Capital Co. Ltd (" Hongyuan Huifu ") jointly established Hongyuan Recycling Energy Investment Management Beijing Co., Ltd (the " Fund Management Company ") with registered capital of RMB 10 million ($ 1. 45 million). With respect to the Fund Management Company, voting rights and dividend rights are allocated 80 % and 20 % between Hongyuan Huifu and Xi' an TCH, respectively. The Fund Management Company is the general partner of Beijing Hongyuan Recycling Energy Investment Center, LLP (the " HYREF Fund "), a limited liability partnership established July 18, 2013 in Beijing. The Fund Management Company made an initial capital contribution of RMB 5 million ($ 830, 000) to the HYREF Fund. An initial amount of RMB 460 million ($ 77 million) was fully subscribed by all partners for the HYREF Fund. The HYREF Fund has three limited partners: (1) China Orient Asset Management Co., Ltd., which made an initial capital contribution of RMB 280 million ($ 46. 67 million) to the HYREF Fund and is a preferred limited partner; (2) Hongyuan Huifu, which made an initial capital contribution of RMB 100 million ($ 16. 67 million) to the HYREF Fund and is an ordinary limited partner; and (3) the Company' s wholly- owned subsidiary, Xi' an TCH, which made an initial capital contribution of RMB 75 million ($ 11. 6 million) to the HYREF Fund and is a secondary limited partner. The term of the HYREF Fund' s partnership is six years from the date of its establishment, expiring on July 18, 2019. The term is four years from the date of contribution for the preferred limited partner, and four years from the date of contribution for the ordinary limited partner. The size of the HYREF Fund is RMB 460 million ($ 76. 66 million). The HYREF Fund was formed for the purpose of investing in Xi' an Zhonghong New Energy Technology Co., Ltd., a then 90 % owned subsidiary of Xi' an TCH, for the construction of two coke dry quenching (" CDQ ") waste heat power generation (" WHPG ") stations with Jiangsu Tianyu Energy and Chemical Group Co., Ltd. (" Tianyu ") and one CDQ WHPG station with Boxing County Chengli Gas Supply Co., Ltd. (" Chengli "). On December 2018, Xi' an TCH transferred its 40 % ownership of the Fund Management Company to Hongyuan Huifu, pursuant to an equity transfer agreement signed by both sides. Chengli Waste Heat Power Generation Projects On July 19, 2013, Xi' an TCH formed a new company, " Xi' an Zhonghong New Energy Technology Co., Ltd. " (" Zhonghong "), with registered capital of RMB 30 million ($ 4. 85 million). Xi' an TCH paid RMB 27 million ($ 4. 37 million) and owns 90 % of Zhonghong. Zhonghong is engaged to provide energy saving solution and services, including constructing, selling and leasing energy saving systems and equipment to customers. On December 29, 2018, Shanghai TCH entered into a Share Transfer Agreement with HYREF, pursuant to which HYREF transferred its 10 % ownership in Xi' an Zhonghong to Shanghai TCH for RMB 3 million ($ 0. 44 million). The transfer was completed on January 22, 2019. The Company owns 100 % of Xi' an Zhonghong after the transaction. On July 24, 2013, Zhonghong entered into a Cooperative Agreement of CDQ and CDQ WHPG Project (Coke Dry Quenching Waste Heat Power Generation Project) with Boxing County Chengli Gas Supply Co., Ltd. (" Chengli "). The parties entered into a supplement agreement on July 26, 2013. Pursuant to these agreements, Zhonghong will design, build and maintain a 25 MW CDQ system and a CDQ WHPG system to supply power to Chengli, and Chengli will pay energy saving fees (the " Chengli Project "). On December 29, 2018, Xi' an Zhonghong, Xi' an TCH, HYREF, Guohua Ku, and Mr. Chonggong Bai entered into a CDQ WHPG Station Fixed Assets Transfer Agreement, pursuant to which Xi' an Zhonghong transferred Chengli CDQ WHPG station as the repayment for the loan of RMB 188, 639, 400 ($ 27. 54 million) to HYREF. Xi' an Zhonghong, Xi' an TCH, Guohua Ku and Chonggong Bai also agreed to buy back the CDQ WHPG Station when conditions under the Buy Back Agreement are met (see Note 9). The transfer of the Station was completed January 22, 2019, the Company recorded $ 624, 133 loss from this transfer. Since the original terms of Buy Back Agreement are still valid, and the Buy Back possibility could occur; therefore, the loan principal and interest and the corresponding asset of Chengli CDQ WHPG station cannot be derecognized due to the existence of Buy Back clauses (see Note 5 for detail). Tianyu Waste Heat Power Generation Project On July 19, 2013, Zhonghong entered into a Cooperative Agreement (the " Tianyu Agreement ") for Energy Management of CDQ and CDQ WHPG Projects with Jiangsu Tianyu Energy and Chemical Group Co., Ltd. (" Tianyu "). Pursuant to the Tianyu Agreement, Zhonghong will design, build, operate and maintain two sets of 25 MW CDQ systems and CDQ WHPG systems for two subsidiaries of Tianyu —- Xuzhou Tian' an Chemical Co., Ltd. (" Xuzhou Tian' an ") and Xuzhou Huayu Coking Co., Ltd. (" Xuzhou Huayu ") —- to be located at Xuzhou Tian' an and Xuzhou Huayu' s respective locations (the " Tianyu Project "). Upon completion of the Tianyu Project, Zhonghong will charge Tianyu an energy saving fee of RMB 0. 534 ($ 0. 087) per kilowatt hour (excluding tax). The term of the Tianyu Agreement is 20 years. The construction of the Xuzhou Tian' an Project was completed by the second quarter of 2020. The Xuzhou Huayu Project has been on hold due to a conflict between Xuzhou Huayu Coking Co., Ltd. and local residents on certain pollution- related issues. On January 4, 2019, Xi' an Zhonghong, Xi' an TCH, and Mr. Chonggong Bai entered into a Projects Transfer Agreement (the " Agreement "), pursuant to which Xi' an Zhonghong transferred a CDQ WHPG station (under construction) located in Xuzhou City for Xuzhou Huayu Coking Co., Ltd. (" Xuzhou Huayu Project ") to Mr. Bai for RMB 120, 000, 000 ($ 17. 52 million). Mr. Bai agreed that as consideration for the transfer of the Xuzhou Huayu Project to him (Note 9), he would transfer all the equity shares of his wholly owned company, Xi' an Hanneng, to HYREF as repayment for the loan made by Xi' an Zhonghong to HYREF. The transfer of the project was completed on February 15, 2019. The Company recorded $ 397, 033 loss from this transfer during the year ended December 31, 2019. On January 10, 2019, Mr. Chonggong Bai transferred all the equity shares of his wholly owned company, Xi' an Hanneng, to HYREF as repayment for the loan. Xi' an Hanneng was expected to own 47, 150, 000 shares of Xi' an Huaxin New Energy Co., Ltd for the repayment of Huayu system and Shenqiu system. As of September 30, 2019, Xi' an Hanneng already owned 29, 948, 000 shares of Huaxin, but was not able to obtain the remaining 17, 202, 000 shares due to halted trading of Huaxin stock by NEEQ for not filing its 2018 annual report. On December 20, 2019, Mr. Bai and all the related parties agreed to have Mr. Bai instead pay in cash for the transfer price of Huayu (see Note 9 for detail). On January 10, 2020, Zhonghong, Tianyu and Huaxin signed a transfer agreement to transfer all assets under construction and related rights and interests of Xuzhou Tian' an Project to Tianyu for RMB 170 million including VAT ($ 24. 37 million) in three installment payments. The 1st installment payment of RMB 50 million ($ 7. 17 million) to be paid within 20 working days after the contract is signed. The 2nd installment payment of RMB 50 million ($ 7. 34 million) was to be paid within 20 working days after completion of the project construction but no later than July 31, 2020. The final installment payment of RMB 70 million ($ 10. 28 million) was to be paid before December 31, 2020. In December, 2020, the Company received payment in full for Tian' an Project. Zhongtai Waste Heat Power Generation Energy Management Cooperative Agreement On December 6, 2013, Xi' an TCH entered into a CDQ and WHPG Energy Management Cooperative Agreement (the " Zhongtai Agreement ") with Xuzhou Zhongtai Energy Technology Co., Ltd. (" Zhongtai "), a limited liability company incorporated in Jiangsu Province, China. Pursuant to the Zhongtai Agreement, Xi' an TCH was to design, build and maintain a 150 ton per hour CDQ system and a 25 MW CDQ WHPG system and sell the power to Zhongtai, and Xi' an TCH is also to build a furnace to generate steam from the smoke pipeline' s waste heat and sell the steam to Zhongtai. The construction period of the Project was expected to be 18 months from the date when conditions are ready for construction to begin. Zhongtai is to start to pay an energy saving service fee from the date when the WHPG station passes the required 72- hour test run. The payment term is 20 years. For the first 10 years, Zhongtai shall pay an energy saving fee at RMB 0. 534 ($ 0. 089) per kilowatt hour (KWH) (including value added tax) for the power generated from the system. For the second 10 years, Zhongtai shall pay an energy saving fee at RMB 0. 402 ($ 0. 067) per KWH (including value added tax). During the term of the contract the energy saving fee shall be adjusted at the same percentage as the change of local grid electricity price. Zhongtai shall also pay an energy saving fee for the steam supplied by Xi' an TCH at RMB 100 ($ 16. 67) per ton (including value added tax). Zhongtai and its parent company will provide guarantees to ensure Zhongtai will fulfill its obligations under the Agreement. Upon the completion of the term, Xi' an TCH will transfer the systems to Zhongtai for RMB 1 ($ 0. 16). Zhongtai shall provide waste heat to the systems for no less than 8, 000 hours per year and waste gas volume no less than 150, 000 Normal Meter Cubed (Nm3) per hour, with a temperature no less than 950 ° C. If these requirements are not met, the term of the Agreement will be extended accordingly. If Zhongtai wants to terminate the Zhongtai Agreement early, it shall provide Xi' an TCH with a 60 day notice and pay the termination fee and compensation for the damages to Xi' an TCH according to the following formula: (1) if it is less than five years into the term when Zhongtai requests termination, Zhongtai shall pay: Xi' an TCH' s total investment amount plus Xi' an TCH' s annual investment return times five years minus the years in which the system has already operated; or 2) if it is more than five years into the term when Zhongtai requests the termination, Zhongtai shall pay: Xi' an TCH' s total investment amount minus total amortization cost (the amortization period is 10 years). In March 2016, Xi' an TCH entered into a Transfer Agreement of CDQ and a CDQ WHPG system with Zhongtai and Xi' an Huaxin (the " Transfer Agreement "). Under the Transfer Agreement, Xi' an TCH agreed to transfer to Zhongtai all of the assets associated with the CDQ Waste Heat Power Generation Project (the " Project "), which is under construction pursuant to the Zhongtai Agreement. Additionally, Xi' an TCH agreed to transfer to Zhongtai the Engineering, Procurement and Construction (" EPC ") Contract for the CDQ Waste Heat Power Generation Project which Xi' an TCH had entered into with Xi' an Huaxin in connection with the Project. Xi' an Huaxin will continue to construct and complete the Project and Xi' an TCH agreed to transfer all its rights and obligations under the EPC Contract to Zhongtai. As consideration for the transfer of the Project, Zhongtai agreed to pay to Xi' an TCH RMB 167, 360, 000 ($ 25. 77 million) including (i) RMB 152, 360, 000 ($ 23. 46 million) for the construction of the Project; and (ii) RMB 15, 000, 000 ($ 2. 31 million) as payment for partial loan interest accrued during the construction period. Those amounts have been, or will be, paid by Zhongtai to Xi' an TCH according to the following schedule: (a) RMB 50, 000, 000 ($ 7. 70 million) was to be paid within 20 business days after the Transfer Agreement was signed; (b) RMB 30, 000, 000 ($ 4. 32 million) was to be paid within 20 business days after the Project was completed, but no later than July 30, 2016; and (c) RMB 87, 360, 000 ($ 13. 45 million) was to be paid no later than July 30, 2017. Xuzhou Taifa Special Steel Technology Co., Ltd. (" Xuzhou Taifa ") guaranteed the payments from Zhongtai to Xi' an TCH. The ownership of the Project was conditionally transferred to Zhongtai following the initial payment of RMB 50, 000, 000 ($ 7. 70 million) by Zhongtai to Xi' an TCH and the full ownership of the Project will be officially transferred to Zhongtai after it completes all payments pursuant to the Transfer Agreement. The Company recorded a $ 2. 82 million loss from this transaction in 2016. In 2016, Xi' an TCH had received the first payment of $ 7. 70 million and the second payment of $ 4. 32 million. However, the Company received a repayment commitment letter from Zhongtai on February 23, 2018, in which Zhongtai committed to pay the remaining payment of RMB 87, 360, 000 ($ 13. 45 million) no later than the end of July 2018; in July 2018, Zhongtai and the Company reached a further oral agreement to extend the repayment term of RMB 87, 360, 000 ($ 13. 45 million) by another two to three months. In January 2020, Zhongtai paid RMB 10 million ($ 1. 41 million); in March 2020, Zhongtai paid RMB 20 million ($ 2. 82 million); in June 2020, Zhongtai paid RMB 10 million ($ 1. 41 million); and in December 2020, Zhongtai paid RMB 30 million ($ 4. 28 million), which was payment in full. Accordingly, the Company reversed bad debt expense of $ 5. 80 million which was recorded earlier. Formation of Zhongxun On March 24, 2014, Xi' an TCH incorporated a new subsidiary, Zhongxun Energy Investment (Beijing) Co., Ltd (" Zhongxun ") with registered capital of $ 5, 695, 502 (RMB 35, 000, 000), to be paid no later than October 1, 2028. Zhongxun is 100 % owned by Xi' an TCH and is mainly engaged in project investment, investment management, economic information consulting, and technical services. Zhongxun has not yet commenced operations as of the date of this report. Formation of Yinghua On February 11, 2015, the Company incorporated a new subsidiary, Shanghai Yinghua Financial Leasing Co., Ltd (" Yinghua ") with registered capital of $ 30, 000, 000, to be paid within 10 years from the date the business license is issued. Yinghua is 100 % owned by the Company and is mainly engaged in financial leasing, purchase of financial leasing assets, disposal and repair of financial leasing assets, consulting and ensuring of financial leasing transactions, and related factoring business. Yinghua has not yet commenced operations as of the date of this report. ~~Summary of Sales- Type Lease at December 31, 2022 As of December 31, 2021, Xi' an TCH had the following sales- type leases: BMPG systems to Pucheng Phase I and II (15 and 11- year terms, respectively). On February 15, 2019, Xi' an TCH transferred the Shenqiu Phase I and II Projects to Mr. Chonggong Bai. These agreements have ended. Asset Repurchase Agreement During the years ended December 31, 2022 and 2021, the Company entered into or completed the following Asset Repurchase Agreements: On November 16, 2015, Xi' an TCH entered into a Transfer Agreement of CDQ and a CDQ WHPG system with Rongfeng and Xi' an Huaxin New Energy Co., Ltd., a limited liability company incorporated in China (" Xi' an Huaxin "). The Transfer Agreement provided for the sale to Rongfeng of the CDQ Waste Heat Power Generation Project (the " Project ") from Xi' an TCH. Additionally, Xi' an TCH agreed to transfer to Rongfeng the Engineering, Procurement and Construction (" EPC ") Contract for the CDQ Waste Heat Power Generation Project which Xi' an TCH had entered into with Xi' an Huaxin in connection with the Project. As consideration for the transfer of the Project, Rongfeng will pay to Xi' an TCH RMB 165, 200, 000 ($ 25. 45 million), whereby (a) RMB 65, 200, 000 ($ 10. 05 million) will be paid by Rongfeng to Xi' an TCH within 20 business days after the Transfer Agreement is signed, (b) RMB 50, 000, 000 ($ 7. 70 million) will be paid by Rongfeng to Xi' an TCH within 20 business days after the Project is completed, but no later than March 31, 2016 and (c) RMB 50, 000, 000 ($ 7. 70 million) will be paid by Rongfeng to Xi' an TCH no later than September 30, 2016. Mr. Cheng Li, the largest stockholder of Rongfeng, has personally guaranteed the payments. The ownership of the Project was conditionally transferred to Rongfeng within 3 business days following the initial payment of RMB 65, 200, 000 ($ 10. 05 million) by Rongfeng to Xi' an TCH and the full ownership of the Project has been officially transferred to Rongfeng after it completes the entire payment pursuant to the Transfer Agreement. The Company recorded a $ 3. 78 million loss from this transaction in 2015. The Company received full payment of $ 25. 45 million in 2016. In March 2016, Xi' an TCH entered into a Transfer Agreement of CDQ and a CDQ WHPG system with Zhongtai and Xi' an Huaxin (the " Transfer Agreement "). Under the Transfer Agreement, Xi' an TCH agreed to transfer to Zhongtai all of the assets associated with the CDQ Waste Heat Power Generation Project (the " Project "), which is under construction pursuant to the Zhongtai Agreement. Xi' an Huaxin will continue to construct and complete the Project and Xi' an TCH agreed to transfer all its rights and obligation under the " EPC " Contract to Zhongtai. As consideration for the transfer of the Project, Zhongtai agreed to pay to Xi' an TCH RMB 167, 360, 000 ($ 25. 77 million) including payments of: (i) RMB 152, 360, 000 ($ 23. 46 million) for the construction of the Project; and (ii) RMB 15, 000, 000 ($ 2. 31 million) as payment for partial loan interest accrued during the construction period. Those amounts have been, or will be, paid by Zhongtai to Xi' an TCH according to the following schedule: (a) RMB 50, 000, 000 ($ 7. 70 million) was paid within 20 business days after the Transfer Agreement was signed; (b) RMB 30, 000, 000 ($ 4. 32 million) will be paid within 20 business days after the Project is completed, but no later than July 30, 2016; and (c) RMB 87, 360, 000 ($ 13. 45 million) will be paid no later than July 30, 2017. Xuzhou Taifa Special Steel Technology Co., Ltd. (" Xuzhou Taifa ") has guaranteed the payments from Zhongtai to Xi' an TCH. The ownership of the Project was~~

~~conditionally transferred to Zhongtai following the initial payment of RMB 50, 000, 000 ($ 7. 70 million) by Zhongtai to Xi' an TCH and the full ownership of the Project will be officially transferred to Zhongtai after it completes all payments pursuant to the Transfer Agreement. Xi' an TCH received the first payment of $ 7. 70 million and the second payment of $ 4. 32 million in 2016. The Company recorded a $ 2. 82 million loss from this transaction. In January 2020, Zhongtai paid RMB 10 million ($ 1. 41 million); in March 2020, Zhongtai paid RMB 20 million ($ 2. 82 million); in June 2020, Zhongtai paid RMB 10 million ($ 1. 41 million); in December 2020, Zhongtai paid RMB 30 million ($ 4. 62 million.). The Company received full payment of $ 25. 77 million in 2020. On December 22, 2020, Shanghai TCH entered into an Equity Acquisition Agreement with Xi' an Taiying Energy Saving Technology Co., Ltd., a PRC company (" Xi' an Taiying ") and its three shareholders to purchase all of the issued and outstanding shares of stock of Xi' an Taiying. The purchase price for said shares shall consist of (i) 619, 525 shares of common stock at $ 4. 37 per share, (ii) 60, 000, 000 shares of Series A convertible stock and (iii) a cash payment of RMB 1, 617, 867, 026 ($ 247 million at a conversion rate of 1: 6. 55). The shares shall be issued within 15 business days after approval by the Board of Directors and / or shareholders of the Company and Nasdaq approval and the cash shall be paid in three tranches – RMB 390 million ($ 59. 5 million) within 10 days after the agreement is executed, RMB 300 million ($ 45. 8 million) by March 31, 2021 and RMB 927, 867, 026 ($ 141. 7 million) within 10 days after the shares of Xi' an Taiying are registered to Buyer. The parties agreed to terminate this agreement of the end of June 2022.~~ Industry and Market Overview Overview of Waste- to- Energy Industry The waste energy recycling industry concentrates mostly on power- intensive manufacturing and production processes, such as iron, steel and nonferrous metal production, cement production, and coal and petrochemical plants. Our waste energy recycling projects allow customers to recapture previously wasted pressure, heat, and gas from their manufacturing and production processes and use this waste to generate electricity. Waste energy recycling projects are installed at a customer' s facility and the electricity produced can be used on- site to lower energy costs and create a more efficient production process. The industry verticals at the vanguard of this trend are metallurgical production (including iron & steel), cement, coal mining, coke production and petrochemicals. The industry also includes the conversion of biomass to electricity. For thousands of years, biomass, biological material derived from living organisms like plants and their byproducts, was burned to produce heat so as to convert it to energy. A number of non- combustion methods are now available to convert raw biomass into a variety of gaseous, liquid, or solid fuels that can be used directly in a power plant to generate electricity. Waste- to- Energy Industry Growth China has experienced rapid economic growth and industrialization in recent years, increasing the demand for electricity. In the PRC, growth in energy consumption has exceeded growth in gross domestic product, causing a shortage of electricity with blackouts and brownouts over much of the country. Much of the energy demand has been due to the expansion of energy intensive industrial sectors such as steel, cement, and chemicals. China' s increasing modernization and industrialization has made it the world' s largest consumer of energy. One result of this massive increase in electric generation capacity has been the rise of harmful emissions. China has surpassed the United States to become the world' s largest emitter of greenhouse gases, and the country faces enormous challenges from the pollution brought about by its consumption of conventional energy. On September 12, 2013, the State Council released the Action Plan for Air Pollution Prevention and Control. The action plan proposed that in five years, China will witness the overall improvement of air quality and dramatic drop of seriously polluted days. China will strive to gradually eliminate the seriously polluted weather and notably better the national air quality in another five years or longer. Description of WGPG (Waste Gas Power Generation) During the process of industrial production, some by- products, such as blast furnace gas, coke furnace gas, oil gas, and others are created with certain high intensive thermal energy. The waste gas can be collected and used as a fuel by gas turbine system to generate power energy. Gas turbines are a set of hi- tech equipment and devices that is crucial to the energy development strategy of China. Gas turbine, which uses flammable gas as fuel and combines with recycling power generating technology, has many merits. These include high efficiency power generation, low investment, short construction periods, small land usage, water savings, environment protection and more. We believe the market prospect of the gas turbine industry is promising. Through years of research, development and experimental applications, this gas- to- energy system has started to be applied into some high energy intensive industrial plants, such as in the course of iron- smelting in metallurgy plants. Metallurgical enterprises, as the biggest industrial energy user in China, consume 13 % ~~-~~ – 15 % of the nation' s electricity. Electricity consumed by the iron- smelting industry accounts for 40 % of that consumed by metallurgical enterprises. If all top furnaces in the iron- smelting industry are equipped with gas recovery systems, electricity consumption may decrease by 30 ~~-~~ – 45 %. Furthermore, environmental pollution will be reduced while energy efficiency is improved in those heavy industries. Stringent Environmental Standards and Increasing Government Supports Since energy is a major strategic issue affecting the development of the Chinese economy, the Chinese government has promoted the development of recycling and encouraged enterprises to use waste energy recycling projects of the type we sell and service. Similar to previous five year periods, the China National Environment Protection Plan, for the 14th Five- Year period (2021- 2025), under the goal of " carbon neutrality and carbon peak, " proposes to accelerate green and low- carbon development, continuously improve environmental quality, enhance the quality and stability of ecosystems, and comprehensively improve the efficiency of resource utilization. Given the worsening environment and insufficient energy supply in China, the Chinese government has implemented policies to curb pollution and reduce wasteful energy usage. From 2020 to 2025, China will reduce energy consumption per unit of GDP by 13. 5 % and carbon dioxide emission per unit of GDP by 18 %. The Renewable Energy Law, strict administrative measures to restrict investment and force consolidation in energy wasting industries, and the requirement to install energy- saving and environment protecting equipment whenever possible are just some ways the government is emphasizing the need to reduce emissions and to maximize energy creation. Local government officials, who sometimes flout central government policies for the sake of local GDP growth, are now required to tie emission, energy usage and pollution to GDP growth. If local emissions of pollutants grow faster than the local GDP, these local officials face the risk of losing their jobs. Such determination and strict enforcement by the central and local governments provide a good backdrop and growth opportunity for CREG' s business activities. In recent years, China attaches great importance to the problem of environmental pollution, and has invested a lot of manpower and capital cost in air pollution control. It is estimated that the output value of China' s energy conservation and environmental protection industry will exceed RMB 10 trillion by 2022 and reach RMB 12. 3 trillion by 2023. According to the " 14th Five- Year Plan for Modern Energy System ", by 2025, China' s comprehensive annual energy production capacity will reach over 4. 6 billion tons of standard coal, the annual output of crude oil will rise and stabilize at 200 million tons, the annual output of natural gas will reach over 230 billion cubic meters, and the total installed power generation capacity will reach about 3 billion kilowatts. By 2025, carbon dioxide emissions per unit of industrial added value will be cut by 18 %. China aims to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060. The scale of China' s energy conservation and environmental protection industry will continue to expand under the impetus of a series of goals and plans of " carbon neutrality and carbon peak " and the " 14th Five- Year Plan. " According to forward- looking analysis, the output value of China' s energy conservation and environmental protection industry is expected to exceed RMB19 trillion by 2027. Waste- to- Energy is a Cost-Effective Means to Meet Rising Energy Needs According to the International Energy Agency, China will need to increase its electricity generating capacity to meet its future needs. This demand may mean price increases for electricity in China. With the need for more energy, in particular energy that does not cause additional emissions, and the relative low price of the waste- to-energy production we provide, we believe that our markets will continue to expand. Since China has been experiencing a dramatic surge in its energy consumption as well as widespread energy shortages, recycling energy is not only an attractive alternative to other sources of energy as part of a national diversification strategy to avoid dependence on any one energy source or politically sensitive energy supplies, but also a proven solution to make the use of energy more efficient. Under current economic conditions and current tax and regulatory regimes, waste energy recycling projects generally can create price-competitive electricity compared to electricity generated from fossil fuels or other renewable sources. Our customers can reduce energy costs significantly by installing our waste energy recycling projects. Compared to electricity from the national grid, the generating cost from recycling energy is lower, which means our customers can leverage the waste- to- energy projects to generate low- cost electricity, reducing energy costs for the manufacturing process. The current national grid electricity rate ranges from RMB 0. 45- 0. 50 / kWh and our operated recycling rate ranges from 0. 35- 0. 45 / kWh subject to project type, generating scale and local situation. Customers of our energy recycling projects may also qualify for credits from the Clean Development Mechanism (" CDM "). The CDM is an international arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment to invest in ventures that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. In 2005, China' s government promulgated " Measures for Operation and Management of Clean Development Mechanism Projects in China " (" China CDM Measures ") to facilitate the application and operation of CDM project activities in China. Our energy recycling solutions are of a kind which falls into the beneficial categories accredited by the China CDM Measures. If our customers can get approval from the Chinese government and successfully register their projects in the United Nations' CDM Executive Board, they can receive additional revenue income through exchanging their Certified Emission Reductions (" CER ") credits with investors in industrialized countries. Trends in Industries We Principally Service Iron, Steel and Nonferrous Metal Industry As the biggest iron and steel producer in the world and one of the highest CO2 emission sectors, China' s iron and steel industry is undergoing a low- carbon transition accompanied by remarkable technological progress and investment adjustment, in response to the macroeconomic climate and policy intervention. Environmental pollution, shortage of resources and energy shortage have been identified in China as three major challenges for China' s nonferrous metal industry. China aims to save 1. 7 million tons of coal and 6 billion kWh of electricity per year, as well as reduce sulfur dioxide by 850, 000 tons annually as part of the industrial upgrading for the nonferrous metallurgy sector and, at the same time, to improve the utilization efficiency for resources. In China, the utilization rate for the nonferrous metal mineral resources is 60 %, which is 10 to 15 % lower than developed countries. The utilization rate for associated nonferrous metals is only 40 %, which is 20 % lower than developed nations. In addition, parts of nonferrous mines located in different cities are disorganized with random mining, causing severe wastes of resources. Coal and Petrochemicals Flammable waste gases emitted from industrial production processes, such as blast furnace gas, coke furnace gas, oil or gas can be used to power gas- fired generators to create energy. Two large producers of these waste gases are coal mining and petrochemical refining. The PRC is the largest coal producer and consumer in the world. Coal is the dirtiest fossil fuel and a major cause of methane gas emissions, a greenhouse gas 21 times more potent than carbon dioxide. Methane gas is found naturally in coal beds. In the 1950s, China began recovering methane to make mines safer. Now, as then, most of the captured methane is released into the air but it could be used as a clean energy source using waste energy recycling technologies. Biomass Waste- to- Energy Industry In China, agricultural waste and biogas are two main sources for biomass waste. China has more than 600 million tons of wasted straw produced every year. It also has 19 billion tons of forest biomass, of which 300 million tons can be utilized as an energy source. The straw burning power industry will grow faster in China with supportive policies, development of new technologies and the formation of raw material collection and storage systems, according to the National Development and Reform Commission. Electricity generated from straw has a preferential price of RMB 0. 25 per kWh higher than coal- fueled power when sold to the state grid. In addition, straw power plants enjoy a series of preferential policies including tax exemption. Biogas technology captures methane gases emitted from compostable materials and burns it to power a turbine to produce electricity. The waste that is usually disposed of in landfills is converted into liquid or gaseous fuels. By utilizing the resource from waste cellulosic or organic materials, biomass energy can be generated through the fermentation process. Our Strategies Maintain Core Verticals to Increase Market Share in China We focus on waste- to- energy projects for specific verticals, such as steel, cement, nonferrous metal and coal mining. We plan to continue our focus on such core verticals and leverage our expertise to expand our market share. We intend to expand our waste- to- energy power generating capacity rapidly in order to meet the anticipated growth of demand in China' s energy efficiency industrial applications and to gain market share. We continually identify potential customers in our core verticals. Expand to New

Business of Energy Storage with Future High Growth Potentials We are in the process of transforming into an energy storage integrated solution provider. We plan to pursue disciplined and targeted expansion strategies for market areas that we currently do not serve. We are actively seeking and exploring opportunities to apply energy storage technologies to new industries or segments with high growth potential, including industrial and commercial complexes, large scale photovoltaic (PV) and wind power stations, remote islands without electricity, and smart energy cities with multi- energy supplies. By supporting and motivating all kinds of the electric power market to participant in resource development and utilization of demand response, we plan to provide services including peak shaving with compensation and frequency modulation. In recent years, electrochemical energy storage technology has maintained a rapid growth trend, the cumulative installed capacity continues to expand. In 2020, the accumulative installed capacity of electrochemical energy storage in China was 3269. 2MW. During the 14th Five- Year Plan period, it is an important period for energy storage to explore and realize the " rigid demand " application of the market, to productize the system and to obtain stable commercial interests. It is expected that the electrochemical energy storage market will continue to develop rapidly in 2021, with the accumulative installed capacity reaching 5790. 8MW. In April 2021, the National Development and Reform Commission and the National Energy Administration issued Guiding Opinions on Accelerating the Development of New Type Energy Storage. This is the second national comprehensive policy document on the energy storage industry since the National Energy Administration, together with five ministries and commissions, issued the Guiding Opinions on Promoting the Development of China' s Energy Storage Technology and Industry in 2017 (the " New Energy Storage Guidance "). The New Energy Storage Guidance establishes a " double carbon " goal, providing a development goal and direction for the industry. The New Energy Storage Guidance, for the first time, explicitly quantified the development " double carbon " goals of the energy storage industry at the national level, and it is estimated that more than 30 million kilowatts (30GW) of new energy storage projects will be installed by 2025. From 3. 28GW at the end of 2020 to 30GW in 2025, the scale of the new energy storage market is expected to expand 10 times the current level in the next five years, with an annual compound annual growth rate of more than 55 %, as a consequence of the New Energy Storage Guidance. Continually Enhance Research and Development Efforts We plan to devote resources to research and development to enhance our waste- to- energy design and engineering capabilities. We anticipate that our in- house design and engineering team will provide additional competitive advantages, including flexibility to quickly design and evaluate new technologies or applications in response to changing market trends. Our Business Models We have sold our products to our customers under two models: the BOT model and the operating lease model, although we emphasize the BOT model which we believe is more economically beneficial to us and to our customers. BOT Model We primarily engage in the BOT model to provide waste- to- energy solutions to our customers: " Build " We work directly with customers for each of our waste- to- energy projects. Our working process starts with a team of engineers that assesses and analyzes the specific needs of the customer to establish the design layout, equipment procurement list and capital expenditure budget for the project. Our sales team works closely with our engineering staff to present and negotiate the model with the customer. After signing a contract, we finance the entire capital expenditure budget ourselves and commence the construction and installation of the project. We do not manufacture the equipment and materials that are used in the construction of the waste- to- energy power generation facility. Rather, we incorporate standard power generating equipment into a fully integrated on- site waste energy recycling project for our customer. The construction and installation period ranges from three to 12 months subject to the project type, size and complexity. We usually engage an EPC general contractor, which experienced in power plant and waste energy recycling project construction, to take charge of equipment procurement, project construction and installation. Our team of five engineers participates in and monitors the equipment purchase process; this team also oversees the construction and installation activities to ensure that they are completed on time and meet our rigorous standards and specifications. " Operate " After the project has been installed at the customer site and passed a series of stringent tests, we, currently, outsource the operation to a third- party vendor. The operation period ranges from five to 20 years subject to the terms of each contract. During the operation period, the customer can purchase all the electricity at a below- market price. We collect energy- saving- based lease payments from the customer; the lease term is equivalent to the operation period, ranging from five to 20 years, and the payments are based on the sale by us as lessor to our customers as lessee of energy generated by the waste energy recycling project at below- market rates. The customer' s payments are based on a minimum operation schedule agreed upon by us with our customer, and are collateralized by assets of the customer and / or third party guarantees. To reduce risk, we offer leasing services across a wide variety of industries and only target larger manufacturers or state- owned enterprises. Operation in excess of the minimum schedule enables us to receive additional revenues from the excess energy generated and sold to the customer. " Transfer " Based on the specific terms for each project, we eventually transfer the waste energy recycling project to the customer at no cost or a nominal cost upon the completion of the operation / lease period. For example, Tongchuan Shengwei Cement Power Generation project signed a 5-year lease starting from the first quarter of 2009 to the end of 2013. After the lease term was up, we transferred the station to the owner at no cost pursuant to the contract terms, which vary based on industries and the type of power generation stations. Why BOT Waste- to- energy projects are capital intensive, which requires the manufacturers to invest a considerable amount of cash to purchase equipment during the construction period. As a BOT service provider, we fund all contracted projects on our own or jointly with our customers; such financing arrangements can help our customers by removing or reducing the heavy capital expenditure burden required by specific projects, thereby allowing them to concentrate on their core business. While technologically mature in advanced countries, waste- to- energy projects are still new to most of China' s industrial companies and require intensive technology or know- how with respect to energy recycling and power generation. It is time- consuming or not feasible for industrial manufacturers to equip themselves with adequate expertise and technicians. Our specific sector knowledge and rich project experience allow us to construct, operate and maintain the power plants efficiently and to respond to operational issues in a timely and cost- efficient manner. In exchange for upfront capital investment, we require secured power generating capacity during the operation period and guaranteed attractive internal rates of return from each project. Our operation period ranges from five to 20 years, during which we are entitled to sell the recycled electricity to those customers at a predetermined rate. Such electricity sales are secured by long- term electricity production agreements with guarantees, which result in minimum annual payments. We employ a process of stringent and systematic internal scrutiny on new customer development so as to minimize operational and default risk; for some smaller or non- SOE businesses, we require property collateral, management or third party guarantees, and / or prepayment of three months. As such, our cash inflow schedule from each in- operation project is fixed and predictable providing clear financial visibility. Our payback period is generally two to three years, depending on the project size. In our experience, this BOT model is well received by our existing and potential customers in China. The insufficient supply of BOT vendors to the market is wholly due to the funding limitations of most of the recycling energy solution providers. Not all of our competitors have the ability to access sufficient capital on a timely basis. Operating Lease Model In the past, we also recorded rental income from two separate one- year operating leases. Under the operating leases, we leased waste- energy systems and subleased the systems to a customer for a greater amount. We choose not to renew our lease agreements, and we do not generally expect any revenue in the future through such model. Contractor and Equipment Suppliers We generally conduct our project construction through an EPC general contractor. We select the EPC general contractor for each project through a bidding process; then we sign a contract with the selected contractor for that project. The general contractor may outsource parts of our project construction to subcontractors according to the complexity and economics of the project. The general contractor is responsible for purchasing equipment to satisfy the requirements of the project we design for our customer. We generally do not purchase equipment directly from the equipment suppliers, but our general contractors obtain our consent before selecting the equipment suppliers. Our engineering department is involved in the equipment supplier selection process together with our general contractors and makes sure our stringent standards and requirements have been appropriately applied in selection of the equipment. We currently have engaged Shaanxi Huaxin Energy Engineering Co., Ltd. for our projects under construction, and we also maintain relationships with many other quality general contractors in China, including Wuxi Guolian, CITIC Heavy Industries Co., Ltd., A- Power Energy Generation Systems, Ltd. As mentioned above, we do not manufacture the equipment and materials that are used in the construction of our waste energy recycling projects. Rather, we incorporate standard power generating equipment into a fully integrated onsite system. The key equipment used in our projects are the boilers and turbine generators, which represent the majority of equipment cost for each project. Though we do not place the direct procurement orders, we believe we maintain good relationships with those power generation equipment suppliers, and these relationships help provide cost- effective equipment purchasing by the general contractor for our intended projects and ensure the timely completion of these projects. We have well- established business relationships with most of the suppliers from whom our general contractors procure equipment, including Hangzhou Boiler Plant, Beijing Zhongdian Electric Machinery, Chengdu Engine Group, Shanghai Electric Group, China Aviation Gas Turbine Co. Ltd and Xuji Electric. Therefore, we believe that we have a strong position and support in equipment supply and installation, which benefits us, the general contractors and our customers. Main Customers Our customers are mainly mid- to large- size enterprises in China involving high energy- consuming businesses. Following our selection process described in the next paragraph, we conduct stringent evaluation procedures to identify and qualify potential customers and projects. To lower our investment and operational risk, we target companies with geographic or industry competitive advantages, with strong reputations and in good financial condition. Generally, our targets include steel and nonferrous metal mills with over 3 million tons of production capacity per year, cement plants with over 2 million tons of production capacity per year that utilize new- suspension- line process, and coking plants with over 600 tons production capacity per year. Our existing customers operate in Shanxi, Shaan’ xi, Shandong and Jiangsu provinces and the Inner Mongolia Autonomic Region in China. Marketing and Sales We market and sell our projects nationwide through our direct sales force of two employees based in Xi’ an, China. Our marketing programs include industrial conferences, trade fairs, sales training, and trade publication advertising. Our sales and marketing group works closely with our research and development and engineering departments to coordinate our project development activities, project launches and ongoing demand and supply planning. We market our projects directly to the industrial manufacturers who can utilize our energy recovery projects in their manufacturing processes, including steel, cement, nonferrous metal, coal and petrochemical industries. Our management team has long- standing relationships with our existing customers and those companies that we consider to be potential customers. We also maintain relationships with municipal governments, which often sponsor or subsidize potential customers that can utilize our projects. Geographic Distribution of Sales Seasonality For the most part, the Company’ s business and sales are not subject to any seasonality factors. Intellectual Property Rights The Company does not currently possess any intellectual property rights. We believe that our research and development (“ R & D ”) efforts are among the best in the waste heat, gas and pressure to energy industry, particularly with regards to practical usage and application. To develop new and practical solutions for our customers, our R & D team also has the support of our on- site and project engineers who provide feedback and numerous ideas to the R & D team from their daily experiences with installation and operation of various waste gas, heat or pressure to energy projects. Our cooperative relationship with the Shanghai Electric Distributed Energy Sources Technology Co., Ltd. gives us access to the latest developments in energy and waste- to- energy technologies as well as technical support of the R & D teams of the R & D team of Distributed Energy Sources of Central Research Institute of Shanghai Electric Group. Government and Environmental Management System Since we do not hold the licenses that the various levels of Chinese government require for our operations, we mainly rely on third- party servicers and contractors, which possess all levels of licenses, to carry out our operations. Competition In the past, waste energy recycling projects have been installed mainly by industrial plants themselves. These plants hire general contractors to purchase waste energy recycling equipment manufactured by third parties and with design support from government design institutes, which usually charge a one- time design fee, construct the projects on- site. Pressure has increased on Chinese producers to become more energy- efficient, but many mid- sized companies do not have the special technical expertise or the capital to install and operate such waste energy recycling projects. Many companies have begun to outsource these functions to third- party providers, creating an opportunity in a growing market. We use a BOT model to provide energy saving and recovery systems for various energy intensive industries, such as cement, steel and metallurgy industries. We face competition from an array of market participants. Our main competitors as third- party providers are state owned research institutes or their wholly owned construction companies; however, smaller private companies occasionally employ a BOT model to provide waste- to- energy systems. The state- owned enterprises include Equipment and System Engineer Co., Ltd. of Hangzhou Steam Turbine & Power Group (Hangzhou Turbine) and Energy Saving Development Co., Ltd of China National Material Group, Sinoma Development Co., Ltd. The private companies include China Senyuan Electronic Co., Ltd., Dalian East New Energy Development Co. Ltd., Top Resource Conservation Engineering Co., Ltd. and Nanjing Kaisheng Kaineng Environmental Energy. We believe there is a larger market in the waste- to- energy industry in China for systems constructed on the " Engineering Procurement Construction " or " EPC " model in which customers purchase the services of a contractor to construct a system for the customer at the customer' s expense. Service providers include Dalian East New Energy Development, Nanjing Kaisheng Cement Technology and Engineering Co., Ltd., Jiangxi Sifang Energy Co., Ltd., Beijing Century Benefits Co., Ltd., Beijing Shineng Zhongjin Energy Technology Co., Ltd., Kunming Sunwise Co., Ltd. and China Everbright International Ltd. We compete with EPC providers for waste- to- energy projects when potential customers are able to obtain external financing or have the necessary capital. We believe we offer advantages over our competitors in several ways: ● Our management team has over 20 years of industry experience and expertise; ● We have the capabilities to provide TRT, CHPG and WGPG systems, while our competitors usually concentrate on one type or another; ● We have the capabilities and experience in undertaking large scale projects; and ● We provide BOT or capital lease services to the customers, while our competitors usually use an EPC (engineering, procurement and construction) or turnkey contract model. Employees As of December 31, ~~2022~~ **2023** , we had 14 employees: Management: 3 Employees Administration: 3 Employees Marketing: 2 Employees Accounting & Finance: 4 Employees Project Officer: 2 Employees All of our personnel are employed full- time and none is represented under collective bargaining agreements. We consider our relations with our employees to be good. We maintain certain insurance policies to safeguard us against risks and unexpected events as required in China and with applicable PRC laws, such as social security insurance, including pension insurance, unemployment insurance, work- related injury insurance and medical insurance for our employees. However, we do not maintain business interruption insurance or product liability insurance, which are not mandatory under PRC laws. In addition, we do not maintain key man insurance, insurance policies covering damages to our network infrastructures or information technology systems nor any insurance policies for our properties. During fiscal years **2023 and** 2022 ~~and 2021~~ , we did not make any material insurance claims in relation to our business. Costs and Effects of Compliance with Environmental Laws There were many new laws, regulations, rules and notices regarding the environment and energy production adopted, promulgated and put into force during past years. The Chinese government is putting more stringent requirements and urgency on reducing pollution and emissions and improving energy efficiency nationwide. Our products are designed and constructed to comply with the environmental laws and regulations of China. As our systems allow our customers to use waste heat and gases to create energy, we help reduce the overall environmental impact of our customers. Since our business focuses on recycling energy, the effect of the strengthening of environmental laws in China may be to increase demand for the products and services we offer and others like them. Available Information We file reports with the ~~Securities and Exchange Commission ("~~ SEC ~~")~~ , including annual reports on Form 10- K, quarterly reports on Form 10- Q and other reports from time to time. The public may read and copy any materials we file with the SEC at the SEC' s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1- 800- SEC- 0330. The Company is an electronic filer and the SEC maintains an Internet site at http: / / www. sec. gov that contains the reports, proxy and information statements, and other information filed electronically. Our website address is www. creg- cn. com. Please note that our website address is provided as an inactive textual reference only. The information provided on our website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report. ITEM 1A. RISK FACTORS In recent years, the growth of Chinese economy has experienced slowdown, and if the growth of the economy continues to slow or if the economy contracts, our financial condition may be materially and adversely affected. The rapid growth of the PRC economy has ~~historically~~ resulted in widespread growth opportunities in industries across China. As a result of the global financial crisis and the inability of enterprises to gain comparable access to the same amounts of capital available in past years, the business climate has changed and growth of private enterprise in the PRC have slowed down. An economic slowdown could have an adverse effect on our financial condition. Further, if economic growth slows, and if, in conjunction, inflation is allowed to proceed unchecked, our costs would likely increase, and there can be no assurance that we would be able to increase our prices to an extent that would offset the increase in our expenses. We depend on the waste energy of our customers to generate electricity. We acquire waste pressure, heat and gases from steelworks, cement, coking or metallurgy plants and use these to generate power. Therefore, our power generating capacity depends on the availability of an adequate supply of our " raw materials " from our customers. If we do not have enough supply, power generated for those customers will be impeded. Since our contracts are often structured so that we receive compensation based on the amount of energy we supply, a reduction in production may cause problems for our revenues and results of operations. Our revenue depends on gaining new customers and project contracts and purchase commitments from customers. Currently and historically, we have only had a limited number of projects in process at any time. Thus, our revenues have historically resulted, and are expected to continue in the immediate future to result, primarily from the sale and operation of our waste energy recycling projects that, once completed, typically produce ongoing revenues from energy production. Customers may change or delay orders for any number of reasons, such as force majeure or government approval factors that are unrelated to us. As a result, to maintain and expand our business, we must continue to develop and obtain new orders. However, it is difficult to predict whether and when we will receive such orders or project contracts due to the lengthy process, which may be affected by factors that we do not control, such as market and economic conditions, financing arrangements, commodity prices, environmental issues and government approvals. We may require additional funds to run our business and may be required to raise these funds on terms which are not favorable to us or which reduce our stock price. We may need to complete additional equity or debt financings to fund our operations. Our inability to obtain additional financing could adversely affect our business. Financings may not be available at all or on terms favorable to us. In addition, these financings, if completed, may not meet our capital needs and could result in substantial dilution to our stockholders. Changes in the economic and credit environment could have an adverse effect on demand for our projects, which would in turn have a negative impact on our results of operations, our cash flows, our financial condition, our ability to borrow and our stock price. Since late ~~2008~~ **2021** and continuing through ~~2021~~ **2023** , global market and economic conditions have been disrupted and volatile. Concerns over slowdown of Chinese economy, geopolitical issues, the availability and cost of credit, to this increased volatility. These factors, combined with declining business and consumer confidence and increased unemployment, precipitated a global recession. It is difficult to predict how long the current economic conditions will persist or whether they will deteriorate further. As a result, these conditions could adversely affect our financial condition and results of operations. The slow growth of global economy has also resulted in tighter credit conditions, which may lead to higher financing costs. Although poor market conditions can act as an incentive for our customers to reduce their energy costs, if the global economic slowdown persists and has material adverse effects on our customers' business, our customers may delay or cancel their plan of installing waste energy recycling projects. Decreases in the price of coal, oil and gas or a decline in popular support for " green " energy technologies could reduce demand for our waste energy recycling projects, which could materially harm our ability to grow our business. Higher coal, oil and gas prices provide incentives for customers to invest in " green " energy technologies such as our waste energy recycling projects that reduce their need for fossil fuels. Conversely, lower coal, oil and gas prices would tend to reduce the incentive for customers to invest in capital equipment to produce electric power or seek out alternative energy sources. Demand for our projects and services depends in part on the current and future commodity prices of coal, oil and gas. We have no control over the current or future prices of these commodities. In addition, popular support by governments, corporations and individuals for " green " energy technologies may change. Because of the ongoing development of, and the possible change in support for, " green " energy technologies we cannot assure you that negative changes to this industry will not occur. Changes in government or popular support for " green " energy technologies could have a material adverse effect on our business, prospects and results of operations. Changes in the growth of demand for or pricing of electricity could reduce demand for our waste energy recycling projects, which could materially harm our ability to grow our business. Our revenues are dependent on the ability to provide savings on energy costs for our clients. **In 2023** ~~According to the National Bureau of Statistics of the PRC~~ , ~~China' s total~~ **the growth rate of domestic** electricity consumption ~~in 2022 was 8637~~ **rised, and the electricity consumption of emerging industries maintained its growth momentum** . ~~2~~ **China' s electricity consumption reached 9. 22** trillion ~~kilowatt- hours~~ **KWH in 2023** , ~~, with~~ an increase of **576. 4 billion KWH over 2022, up 6. 7 % year- on- year and** 3. **1 percentage points higher than the previous year. Per capita electricity consumption reached** 6 **, 539 KWH, a record high. The electricity consumption of high- tech and equipment manufacturing industry increased by 11. 3** % ~~compared to 2020~~ **year- on- year, 3. 9 percentage points higher than the overall growth level of the manufacturing industry** . The growth in electricity consumption increases due to the continued development of the Chinese economy. However, such growth is unpredictable and depends on general economic conditions and consumer demand, both of which are beyond our control. Furthermore, pricing of electricity in the PRC is set in advance by the state or local electricity administration and may be artificially depressed by governmental regulation or influenced by supply and demand imbalances. If these changes reduce the cost of electricity from traditional sources of supply, the demand for our waste energy recycling projects could be reduced, and therefore, could materially harm our ability to grow our business. Our insurance may not cover all liabilities and damages. Our industry can be dangerous and hazardous. The insurance we carry might not be enough to cover all the liabilities and damages that may be caused by potential accidents. Our heavy reliance on the experience and expertise of our management may cause adverse impacts on us if a management member departs. We depend on key personnel for the success of our business. Our business may be severely disrupted if we lose the services of our key executives and employees or fail to add new senior and middle managers to our management. Our future success is heavily dependent upon the continued service of our key executives. We also rely on a number of key technology staff for the operation of our company. Our future success is also dependent upon our ability to attract and retain qualified senior and middle managers to our management team. If one or more of our current or future key executives or employees are unable or unwilling to continue in their present positions, we may not be able to easily replace them, and our business may be severely disrupted. In addition, if any of these key executives or employees joins a competitor or forms a competing company, we could lose customers and suppliers and incur additional expenses to recruit and train personnel. We do not maintain key- man life insurance for any of our key executives. We may need more capital for the operation and failure to raise capital we need may delay the development plan and reduce the profits. If we don' t have adequate income or our capital can' t meet the requirement for expansion of operations, we will need to seek financing to continue our business development. If we fail to acquire adequate financial resources at acceptable terms, we might have to postpone our proposed business development plans and reduce projections of our future incomes. Our use of a " Build- Operate- Transfer " model requires us to invest substantial financial and technical resources in a project before we deliver a waste energy recycling project. We use a " Build- Operate- Transfer " model to provide our waste energy recycling projects to our customers. This process requires us to provide significant capital at the beginning of each project. The design, construction and completion of a waste energy recycling project is highly technical and the time necessary to complete a project can take three to 12 months without any delays, including delays outside our control such as from the result of customer' s operations, and we incur significant expenses as part of this process. Our initial cash outlay and the length of the delivery time makes us particularly vulnerable to the loss of a significant customer or contract because we may be unable to quickly replace the lost cash flow. Our BOT model and the accounting for our projects as sales- type leases could result in a difference between our revenue recognition and our cash flows. While we recognize a large portion of the revenue from each project when it goes on- line, all of the cash flow from the project is received in even monthly payments across the term of the lease. Although our revenues may be high, the initial cash outlay required for each project is substantial and even with the recovery of this cost in the early years of each lease, we may need to raise additional capital resulting in a dilution in your holdings. This discrepancy between revenue recognition and cash flow could also contribute to volatility in our stock price. There is collection risk associated with payments to be received over the terms of agreements with customers of our waste energy recycling projects. We are dependent in part on the viability of our customers for collections under our BOT model. Customers may experience financial difficulties that could cause them to be unable to fulfill their contractual payment obligations to us. Although our customers usually provide collateral or other guarantees to secure their obligations to provide the minimum electricity income from the waste energy recycling projects, there is no guarantee that such collateral will be sufficient to meet all obligations under the respective contract. As a result, our future revenues and cash flows could be adversely affected. We may not be able to assemble and deliver our waste energy recycling projects as quickly as customers may require which could cause us to lose sales and could harm our reputation. We may not be able to assemble our waste energy recycling projects and deliver them to our customers at the times they require. Manufacturing delays and interruptions can occur for many reasons, including, but not limited to: ● the failure of a supplier to deliver needed components on a timely basis or of acceptable quality; ● equipment failures; ● personnel shortage; ● labor disputes; or ● transportation disruptions. Assembly of our waste energy recycling projects is complex. If we fail to assemble and deliver our waste energy recycling projects in a timely fashion, our reputation may be harmed, we may jeopardize existing orders and lose potential future sales, and we may be forced to pay penalties to our customers. We operate in an emerging competitive industry and if we are unable to compete successfully our revenue and profitability will be adversely affected. Currently, the PRC waste energy recycling market is fragmented but competitive. As the industry evolves, we anticipate that competition will increase. We currently face competition primarily from companies that focus on one type of waste energy recycling project or one industry in the waste energy recycling market, some of which may have more expertise in their area of focus than we do. We also compete against companies that have substantial competitive advantage because of longer operating histories and larger marketing budgets, as well as substantially greater financial and other resources than us. Our largest potential clients may choose to build their own systems. National or global competitors could enter the market with more substantial financial and workforce resources, stronger existing customer relationships, and greater name recognition or could choose to target medium to small companies in our traditional markets. Competitors could focus their substantial resources on developing a more attractive solution set than ours or products with technologies that reduce demand for energy beyond what our solutions can provide and at cheaper prices. Competition also places downward pressure on our contract prices and profit margins, which presents us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits. If we infringe the rights of third parties, we could be prevented from selling products, forced to pay damages and compelled to defend against litigation. If our waste energy recycling projects, methods, processes and other technologies infringe proprietary rights of other parties, we may have to obtain licenses (which may not be available on commercially reasonable terms, if at all), redesign our waste energy recycling projects or processes, stop using the subject matter claimed in the asserted patents, pay damages, or defend litigation or administrative proceedings, which may be costly whether we win or lose. All of the above could result in a substantial diversion of valuable management resources and we could incur substantial costs. We believe we have taken reasonable steps, including prior patent searches, to ensure we can operate under our intellectual property rights, and that our development and commercialization efforts can be carried out as planned without infringing others' proprietary rights. However, a third- party patent may have been filed or will be filed that may contain subject matter of relevance to our development, causing a third- party patent holder to claim infringement. Resolution of such issues sometimes results in lengthy and costly legal proceedings, the outcome of which we cannot predict accurately. We may not be able to adequately respond to changes in technology affecting the waste energy recycling industry. Our industry could experience rapid technological changes and new product introductions. Current competitors or new market entrants could introduce new or enhanced products with features which render the systems used in our projects obsolete or less marketable. Our future success will depend, in part, on our ability to respond to changing technology and industry standards in a timely and cost- effective manner. We may not be successful in effectively using new technologies, developing new systems or enhancing our existing systems and technology on a timely basis. Our new technologies or enhancements may not achieve market acceptance. Our pursuit of new technologies may require substantial time and expense. We may need to license new technologies to respond to technological change. These licenses may not be available to us on terms that we can accept. Finally, we may not succeed in adapting our projects to new technologies as they emerge. We are dependent on third parties for manufacturing key components and delays by third parties may cause delays in assembly and increased costs to us. We rely upon third parties for the manufacture of key components. Delays and difficulties in the manufacturing of our waste energy recycling projects could substantially harm our revenues. There are limited sources of supply for some key waste energy recycling project components. Business disruptions, financial difficulties of the manufacturers or suppliers of these components, or raw material shortages could increase our costs, reduce the availability of these components or delay our delivery of projects to customers. To date, we have been able to obtain adequate supplies of these key components. If we are unable to obtain a sufficient supply of required components, we could experience significant delays in construction, which could result in the loss of orders and customers, and could materially and adversely affect our business, financial condition and results of operations. If the cost of components increases, we may not be able to pass on price increases to our customers if we are to remain competitively priced. This would reduce profit, which in turn would reduce the value of your investment. Increases in income tax rates, changes in income tax laws or disagreements with tax authorities could adversely affect our business, financial condition or results of operations. We are subject to income taxes in the U. S and in certain foreign jurisdictions in which we operate. Increases in income tax rates or other changes in income tax laws that apply to our business could reduce our after- tax income from such jurisdiction and could adversely affect our business, financial condition or results of operations. Our operations outside the U. S. generate a significant portion of our income. In addition, the U. S. and many of the other countries in which our products are distributed or sold, including countries in which we have significant operations, have recently made or are actively considering changes to existing tax laws. For example, the Tax Cuts and Jobs Act (the " TCJ Act ") was recently signed into law in the U. S. The changes in the TCJ Act are broad and complex and we are continuing to examine the impact the TCJ Act may have on our business and financial results. This provisional expense is subject to change, possibly materially, due to, among other things, changes in estimates, interpretations and assumptions we have made, changes in Internal Revenue Service (IRS) interpretations, the issuance of new guidance, legislative actions, changes in accounting standards or related interpretations in response to the TCJ Act and future actions by states within the U. S that have not yet adopted state- level laws similar to the TCJ Act. Additional changes in the U. S. tax regime or in how U. S. multinational corporations are taxed on foreign earnings, including changes in how existing tax laws are interpreted or enforced, could adversely affect our business, financial condition or results of operations. We are also subject to regular reviews, examinations and audits by the IRS and other taxing authorities with respect to income and non- income based taxes both within and outside the U. S. Economic and political pressures to increase tax revenues in jurisdictions in which we operate, or the adoption of new or reformed tax legislation or regulation, may make resolving tax disputes more difficult and the final resolution of tax audits and any related litigation could differ from our historical provisions and accruals, resulting in an adverse impact on our business, financial condition or results of operations. In addition, in connection with the Organization for Economic Co- operation and Development Base Erosion and Profit Shifting project, companies are required to disclose more information to tax authorities on operations around the world, which may lead to greater audit scrutiny of profits earned in various countries. A downturn in China or global economy, and economic and political policies of China could materially and adversely affect our business and financial condition. Our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. Economic conditions in China are sensitive to global economic conditions. Any prolonged slowdown in the global or Chinese economy may affect potential clients' confidence in financial market as a whole and have a negative impact on our business, results of operations and financial condition. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs. The recent outbreak of war in Ukraine has already affected global economic markets, and the uncertain resolution of this conflict could result in protracted and / or severe damage to the global economy. Russia' s recent military interventions in Ukraine have led to, and may lead to, additional sanctions being levied by the U. S, European Union and other countries against Russia. Russia' s military incursion and the resulting sanctions could adversely affect global energy and financial markets and thus could affect our client' s business and our business, even though we do not have any direct exposure to Russia or the adjoining geographic regions. The extent and duration of the military action, sanctions, and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions caused by Russian military action or resulting sanctions may magnify the impact of other risks described in this section. We cannot predict the progress or outcome of the situation in Ukraine, as the conflict and governmental reactions are rapidly developing and beyond their control. Prolonged unrest, intensified military activities, or more extensive sanctions impacting the region could have a material adverse effect on the global economy, and such effect could in turn have a material adverse effect on the operations, results of operations, financial condition, liquidity and business outlook of our business. **The assault on Israel by Hamas (the Islamic terrorist group that controls the Palestinian territory of Gaza) in early October 2023 and Israel' s subsequent declaration of war against Hamas may have severe adverse effects on regional and global economic markets. The war between Hamas and Israel and the varying involvement of the United States and other countries, as well as political and civil unrest related to the foregoing, makes it difficult to predict the conflict' s impact on global economic and market conditions and, as a result, the situation presents material uncertainty and risk with respect to the Company.** We face risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt our operations. China has experienced natural disasters, including earthquakes, extreme weather conditions and any similar event could materially impact our business in the future. If a disaster or other disruption occurred that affects the regions where we operate our business, the resulting loss of personnel and damage to property could materially adversely affect our business. Even if we are not directly affected, such a disaster or disruption could affect the operations or financial condition of our ecosystem participants, which could harm our results of operations. In recent months, the continued, global spread of COVID- 19 has led to disruption and volatility in the global capital markets, which has increased the cost of, and adversely impacted access to, capital (including the commercial paper markets) and increased economic uncertainty. It is likely that the pandemic will cause an economic slowdown of potentially extended duration, and it is possible that it could cause a global recession. To reduce the spread of the COVID- 19, the Chinese government has employed measures including city lockdowns, quarantines, travel restrictions, suspension of business activities and school closures. The COVID- 19 pandemic has resulted in, among other things, quarantines, travel restrictions, and the temporary closure of office buildings and facilities in China, Hong Kong and in the U. S. COVID- 19 is adversely affecting, and is expected to continue to adversely affect, certain elements of our business, including as a result of impacts associated with preventive and precautionary measures that we, other businesses, our communities and governments are taking. From April 2020 to the end of 2021, there were some new COVID- 19 cases discovered in a few provinces of China, however, the number of new cases are not significant due to PRC government' s strict control. ~~Ftom~~ **From** January 2022 to date, COVID- 19 case fluctuated and increased again in many cities of China including Xi' an Province where the Company is located, As a result of such increases, there have been periodic short- term lockdowns and restrictions on travel in Xi' an Province and other areas of China, the Company' s operations have been adversely impacted by the travel and work restrictions imposed on a temporary basis in China to limit the spread of COVID- 19. Due to these impacts and measures, we have experienced and expect to continue to experience delays in our internal product development and unpredictable reductions in demand for certain of our products and services. Our employees have been required to work from home or not go into their offices. Such restrictions are slowly being lifted. If the pandemic continues and conditions worsen, we expect to experience additional adverse impacts on our operational and commercial activities and customer orders, which adverse impacts may be material, and it remains uncertain what impact these adverse impacts would have on future sales and customer orders even if conditions begin to improve. In addition to existing travel restrictions, jurisdictions may continue to close borders, impose prolonged quarantines and further restrict travel and business activity, which could significantly impact our ability to support our operations and customers. Further, such travel restrictions and slowed- down business activities may affect the operation of our customer and result in decrease of our products and services, which could adversely affect our financial results. Due to the speed with which the COVID- 19 situation is developing, the global breadth of its spread and the range of governmental and community reactions thereto, there is uncertainty around its duration and ultimate impact; therefore, any negative impact on our overall financial and operating results (including without limitation our liquidity) cannot be reasonably estimated at this time, but the pandemic could lead to extended disruption of economic activity and the impact on our financial and operating results could be material. We are a holding company and will rely on dividends paid by our subsidiaries for our cash needs. Any limitation on the ability of our subsidiaries to make dividend payments to us, or any tax implications of making dividend payments to us, could limit our ability to pay our parent company expenses or pay dividends to holders of our common stock. We are a holding company and conduct substantially all of our business through our PRC subsidiaries, which are limited liability companies in China. We may rely on dividends to be paid by our PRC subsidiaries to fund our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries, which are mostly wholly foreign- owned enterprises in China, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign- owned enterprise is required to set aside at least 10 % of its accumulated after- tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50 % of its registered capital. Our PRC subsidiaries generate primarily all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiary to use its Renminbi revenues to pay dividends to us. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by ~~State Administration of Foreign Exchange (the "~~ SAFE ~~")~~ for cross- border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiary to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10 % will be applicable to dividends payable by Chinese companies to non- PRC- resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non- PRC resident enterprises are incorporated. Any limitation on the ability of our PRC subsidiary to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. The Chinese government exerts substantial influence over the manner in which we must conduct our business activities. We are currently not required to obtain approval from Chinese authorities to list on U. S exchanges, however, if our holding company or subsidiaries were required to obtain approval or filing in the future and were denied permission from Chinese authorities to list on U. S. exchanges, we will not be able to continue listing on U. S. exchange, which would materially affect the interest of the investors. The Chinese government has exercised and can continue to exercise substantial control to intervene on virtually every sector of the Chinese economy through regulation and state ownership, and as a result, it can influence the manner in which we must conduct our business activities and effect material changes in our operations or the value of the common stock we are registering in this resale. Under the current government leadership, the government of the PRC has been pursuing reform policies which have adversely affected China- based operating companies whose securities are listed in the U. S., with significant policies changes being made from time to time without notice. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with borrowers in the event of the imposition of statutory liens, death, bankruptcy or criminal proceedings. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, 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. Given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and / or foreign investment in China- based issuers, any such action 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. Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law, or the Opinions, which was made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China- concept overseas listed companies. As of the date hereof, we have not received any inquiry, notice, warning, or sanctions from PRC government authorities in connection with the Opinions. 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. In early July 2021, regulatory authorities in China launched cybersecurity investigations with regard to several China- based companies that are listed in the United States. The Chinese cybersecurity regulator announced on July 2 that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company' s app be removed from smartphone app stores. On July 5, 2021, the Chinese cybersecurity regulator launched the same investigation on two other Internet platforms, China' s Full Truck Alliance of Full Truck Alliance Co. Ltd. (NYSE: YMM) and Boss of KANZHUN LIMITED (Nasdaq: BZ). On July 24, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly released the Guidelines for Further Easing the Burden of Excessive Homework and Off- campus Tutoring for Students at the Stage of Compulsory Education, pursuant to which foreign investment in such firms via mergers and acquisitions, franchise development, and variable interest entities are banned from this sector. On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, or the Regulations, which took effect on September 1, 2021. The Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Review Measures. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure. On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which took effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual' s consent shall be obtained to use sensitive personal information, such as biometric characteristics and individual location tracking, (ii) personal information operators using sensitive personal information shall notify individuals of the necessity of such use and impact on the individual' s rights, and (iii) where personal information operators reject an individual' s request to exercise his or her rights, the individual may file a lawsuit with a People' s Court. As such, the Company' s business segments may be subject to various government and regulatory interference in the provinces in which they operate. The Company could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub- divisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Additionally, the governmental and regulatory interference 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 be worthless. Furthermore, it is uncertain when and whether the Company will be required to obtain permission from the PRC government to list on U. S. exchanges in the future, and even when such permission is obtained, whether it will be denied or rescinded. Although the Company is currently not required to obtain permission from any of the PRC federal or local government to obtain such permission and has not received any denial to list on the U. S. exchange, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry. On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (the “ Overseas Listing Trial Measures ”) and five relevant guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (1) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) 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; (3) the domestic company intending to make the securities offering and listing, or its controlling shareholder (s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the domestic company' s controlling shareholder (s) or by other shareholder (s) that are controlled by the controlling shareholder (s) and / or actual controller. As of the date of this annual report, we and our PRC subsidiaries have obtain the requisite licenses and permits from the PRC government authorities that are material for the business operations of our PRC subsidiaries. In addition, as of the date of this annual report, we and our PRC subsidiaries are not required to obtain approval or permission from the CSRC or the CAC or any other entity that is required to approve our PRC subsidiaries' operations or required for us to offer securities to foreign investors under any currently effective PRC laws, regulations, and regulatory rules. If it is determined that we are subject to filing requirements imposed by the CSRC under the Overseas Listing Regulations or approvals from other PRC regulatory authorities or other procedures, including the cybersecurity review under the revised Cybersecurity Review Measures, for our future offshore offerings, it would be uncertain whether we can or how long it will take us to complete such procedures or obtain such approval and any such approval could be rescinded. Any failure to obtain or delay in completing such procedures or obtaining such approval for our offshore offerings, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to file with the CSRC or failure to seek approval from other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our common stock. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the securities offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our common stock. In addition, on December 28, 2021, the CAC, the National Development and Reform Commission (" NDRC "), and several other administrations jointly issued the revised Measures for Cybersecurity Review, or the Revised Review Measures, which became effective and has replaced the existing Measures for Cybersecurity Review on February 15, 2022. According to the Revised Review Measures, if an " online platform operator " that is in possession of personal data of more than one million users intends to list in a foreign country, it must apply for a cybersecurity review. Based on a set of Q & A published on the official website of the State Cipher Code Administration in connection with the issuance of the Revised Review Measures, an official of the said administration indicated that an online platform operator should apply for a cybersecurity review prior to the submission of its listing application with non- PRC securities regulators. Given the recency of the issuance of the Revised Review Measures and their pending effectiveness, there is a general lack of guidance and substantial uncertainties exist with respect to their interpretation and implementation. For example, it is unclear whether the requirement of cybersecurity review applies to follow- on offerings by an " online platform operator " that is in possession of personal data of more than one million users where the offshore holding company of such operator is already listed overseas. Furthermore, the CAC released the draft of the Regulations on Network Data Security Management in November 2021 for public consultation, which among other things, stipulates that a data processor listed overseas must conduct an annual data security review by itself or by engaging a data security service provider and submit the annual data security review report for a given year to the municipal cybersecurity department before January 31 of the following year. If the draft Regulations on Network Data Security Management are enacted in the current form, we, as an overseas listed company, will be required to carry out an annual data security review and comply with the relevant reporting obligations. The M & A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China. The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M & A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time- consuming and complex, including requirements in some instances that the anti- monopoly law enforcement agency be notified in advance of any change- of- control transaction in which a foreign investor takes control of a PRC domestic enterprise. For example, the M & A Rules require MOFCOM be notified in advance of any change- of- control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time- honored brand. Moreover, the PRC Anti- Monopoly Law promulgated by the Standing Committee of the National People' s Congress effective 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i. e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by the anti- monopoly enforcement authority before they can be completed. In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors, effective 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having " national defense and security " concerns and mergers and acquisitions by which foreign investors may acquire the " de facto control " of domestic enterprises with " national security " concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter- Ministerial Panel, an authority established under Circular 6 led by the National Development and Reform Commission, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the internet content business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above- mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. We believe that it is unlikely that our business would be deemed to be in an industry that raises “ national defense and security ” or “ national security ” concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect the demand for our projects and our business. Currently, all of our operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including: ● the amount of government involvement; ● the level of development; ● the growth rate; ● the control of foreign exchange; and ● the allocation of resources. While the PRC economy has grown significantly since the late 1970s, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC economy has been transitioning from a planned economy to a more market- oriented economy. Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over economic growth in China through the allocation of resources, controlling payment of foreign currency- denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Efforts by the PRC government to slow the pace of growth of the PRC economy could result in decreased capital expenditure by energy users, which in turn could reduce demand for our products. In addition, the PRC government, which regulates the power industry in China, has adopted laws related to renewable energy, and has adopted policies for the accelerated development of renewable energy as part of a Development Plan promulgated on August 31, 2007. Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of energy investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our business and prospects. Restrictions under PRC law on our subsidiaries’ ability to make dividends and other distributions could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our business. We conduct all of our business through our consolidated subsidiaries and affiliated companies operating in the PRC. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our stockholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in the PRC is subject to limitations imposed by government regulations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC, subject to certain statutory procedural requirements and these may not be calculated in the same manner as US GAAP. In addition, each of our subsidiaries in China is required to set aside a certain amount of its after- tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. 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. Fluctuation in the value of the Renminbi may have a material adverse effect on your investment. The value of the Renminbi (“ RMB ”) against the US Dollar and other currencies may fluctuate and is affected by, among other things, changes in China’ s political and economic conditions. The conversion of RMB into foreign currencies, including US Dollars, has historically been set by the People’ s Bank of China (“ PBOC ”). On March 17, 2014, the PRC government changed its policy of pegging the value of the RMB to the US Dollar. Under the new policy, the RMB is permitted to fluctuate within a band against a basket of certain foreign currencies, determined by the Bank of China, against which it can rise or fall by as much as 2 % each day. Since the adoption of this new policy, the value of the RMB against the US Dollar has fluctuated on a daily basis within narrow ranges, but overall has strengthened against the US Dollar. There remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant appreciation in the value of the RMB against the US Dollar. Appreciation or depreciation in the value of the RMB relative to the US Dollar would affect our financial results reported in US Dollar terms even if there is no underlying change in our business or results of operations. In addition, if we decide to convert our RMB into US Dollars for the purpose of making payments for dividends on our common stock or for other business purposes, appreciation of the US Dollar against the RMB would have a negative effect on the US Dollar amount available to us. The PRC currency is not a freely convertible currency, which could limit our ability to obtain sufficient foreign currency to support our business operations in the future. In addition, changes in foreign exchange regulations in the PRC may affect our ability to pay dividends in foreign currency or conduct other foreign exchange business. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive substantially all of our revenues in RMB, which is currently not a freely convertible currency. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency- denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or the SAFE, by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where RMB are to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due. We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti- corruption law. We are subject to the U. S. Foreign Corrupt Practices Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U. S. persons and issuers as defined by the statute for the purpose of obtaining or retaining business. We are also subject to Chinese anti- corruption laws, which strictly prohibit the payment of bribes to government officials. We have operations, agreements with third parties, and make sales in China, which may experience corruption. Our activities in China create the risk of unauthorized payments or offers of payments by one of the employees, consultants or distributors of our company, because these parties are not always subject to our control. We are in process of implementing an anticorruption program, which prohibits the offering or giving of anything of value to foreign officials, directly or indirectly, for the purpose of obtaining or retaining business. The anticorruption program also requires that clauses mandating compliance with our policy be included in all contracts with foreign sales agents, sales consultants and distributors and that they certify their compliance with our policy annually. It further requires that all hospitality involving promotion of sales to foreign governments and government- owned or controlled entities be in accordance with specified guidelines. In the meantime, we believe to date we have complied in all material respects with the provisions of the FCPA and Chinese anti- corruption law. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti- corruption law may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire. Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 FIL Draft, which expands the definition of foreign investment and introduces the principle of " actual control " in determining whether a company is considered a foreign- invested enterprise, or an FIE. On March 15, 2019, the National People' s Congress approved the Foreign Investment Law, which took effect on January 1, 2020 and replaced three existing laws on foreign investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign- owned Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition. According to the Foreign Investment Law, " foreign investment " refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organizations of a foreign country (collectively referred to as " foreign investor ") within China, and the investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes a foreign- invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other like rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council. According to the Foreign Investment Law, the State Council will publish or approve to publish the " negative list " for special administrative measures concerning foreign investment. The Foreign Investment Law grants national treatment to foreign- invested entities, or FIEs, except for those FIEs that operate in industries deemed to be either " restricted " or " prohibited " in the " negative list ". Because the " negative list " has yet to be published, it is unclear whether it will differ from the current Special Administrative Measures for Market Access of Foreign Investment (Negative List). The Foreign Investment Law provides that FIEs operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities. If a foreign investor is found to invest in any prohibited industry in the " negative list ", such foreign investor may be required to, among other aspects, cease its investment activities, dispose of its equity interests or assets within a prescribed time limit and have its income confiscated. If the investment activity of a foreign investor is in breach of any special administrative measure for restrictive access provided for in the “ negative list ”, the relevant competent department shall order the foreign investor to make corrections and take necessary measures to meet the requirements of the special administrative measure for restrictive access. The PRC government will establish a foreign investment information reporting system, according to which foreign investors or foreign- invested enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system, and a security review system under which the security review shall be conducted for foreign investment affecting or likely affecting the state security. Furthermore, the Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the Foreign Investment Law. In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that a foreign investor may freely transfer into or out of China, in Renminbi or a foreign currency, its contributions, profits, capital gains, income from disposition of assets, royalties of intellectual property rights, indemnity or compensation lawfully acquired, and income from liquidation, among others, within China; local governments shall abide by their commitments to the foreign investors; governments at all levels and their departments shall enact local normative documents concerning foreign investment in compliance with laws and regulations and shall not impair legitimate rights and interests, impose additional obligations onto FIEs, set market access restrictions and exit conditions, or intervene with the normal production and operation activities of FIEs; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; and mandatory technology transfer is prohibited. Under the PRC Enterprise Income Tax Law, or the EIT Law, we may be classified as a “ resident enterprise ” of China, which could result in unfavorable tax consequences to us and our non- PRC shareholders. The EIT Law and its implementing rules provide that enterprises established outside of China whose “ de facto management bodies ” are located in China are considered “ resident enterprises ” under PRC tax laws. The implementing rules promulgated under the EIT Law define the term “ de facto management bodies ” as a management body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. In April 2009, the State Administration of Taxation, or SAT, issued the Circular on Issues Concerning the Identification of Chinese- Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management, known as Circular 82, which has provided certain specific criteria for determining whether the “ de facto management bodies ” of a PRC- controlled enterprise that is incorporated offshore is located in China. However, there are no further detailed rules or precedents governing the procedures and specific criteria for determining “ de facto management body. ” Although our board of directors and management are located in Hong Kong, it is unclear if the PRC tax authorities will determine that we should be classified as a PRC “ resident enterprise. ” If we are deemed as a PRC “ resident enterprise, ” we will be subject to PRC enterprise income tax on our worldwide income at a uniform tax rate of 25 %, although dividends distributed to us from our existing PRC subsidiary and any other PRC subsidiaries which we may establish from time to time could be exempt from the PRC dividend withholding tax due to our PRC “ resident recipient ” status. This could have a material and adverse effect on our overall effective tax rate, our income tax expenses and our net income. Furthermore, dividends, if any, paid to our shareholders may be decreased as a result of the decrease in distributable profits. In addition, if we were considered a PRC “ resident enterprise ”, any dividends we pay to our non- PRC investors, and the gains realized from the transfer of our common stock may be considered income derived from sources within the PRC and be subject to PRC tax, at a rate of 10 % in the case of non- PRC enterprises or 20 % in the case of non- PRC individuals (in each case, subject to the provisions of any applicable tax treaty). It is unclear whether holders of our common stock would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. This could have a material and adverse effect on the value of your investment in us and the price of our common stock. PRC regulation of loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating companies, which could materially and adversely affect our liquidity and ability to fund and expand our business. As an offshore holding company of PRC operating companies, we may make loans or additional capital contributions to our PRC operating companies. Any loans to our PRC operating companies are subject to PRC regulations. For example, loans to our operating companies in China to finance their activities may not exceed statutory limits and must be registered with SAFE. If we decide to make capital contributions to our operating entities in the PRC, the PRC Ministry of Commerce, or MOFCOM, (or MOFCOM’ s local counterpart, depending on the amount involved) may need to approve these capital contributions. We cannot assure you that we will be able to obtain these government approvals on a timely basis, if at all, with respect to any such capital contributions. If we fail to receive such approvals, our ability to capitalize our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business. We may face PRC regulatory risks relating to our equity incentive plan. On March 28, 2007, the SAFE promulgated a notice requiring PRC individuals who are granted stock options and other types of stock- based awards by an overseas publicly- listed company to obtain approval from the local SAFE branch through an agent of the overseas publicly- listed company (generally its PRC subsidiary or a financial institution). We urged our PRC management personnel, directors, employees and consultants who were granted stock options under our Incentive Plan to register them with the local SAFE pursuant to the said regulation. However, we cannot ensure that each of these individuals have carried out all of the required registration procedures. If we, or any of these persons, fail to comply with the relevant rules or requirements, we may be subject to penalties, and may become subject to more stringent review and approval processes with respect to our foreign exchange activities, such as our PRC subsidiaries’ dividend payment to us or borrowing foreign currency loans, all of which may adversely affect our business and financial condition. Uncertainties with respect to the PRC legal system could adversely affect us and we may have limited legal recourse under PRC law if disputes arise under our contracts with third parties. Since 1979, PRC legislation and regulations have 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, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non- binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after violation. The Chinese government has enacted some laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government, and forces unrelated to the legal merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance, or to seek an injunction under PRC law, in either of these cases, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent others from violating our rights. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations. We may have difficulty maintaining adequate management, legal and financial controls in the PRC. The PRC historically has been deficient in western style management and financial reporting concepts and practices, as well as in modern banking, and other control systems. We may have difficulty in hiring and retaining a sufficient number of qualified employees to work in the PRC. As a result of these factors, and especially since we are a publicly listed company in the U. S. and subject to regulation as such, we may experience difficulty in maintaining management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet western standards. We may have difficulty establishing adequate management, legal and financial controls in the PRC. Therefore, we may, in turn, experience difficulties in implementing and maintaining adequate internal controls as required under Section 404 of the Sarbanes- Oxley Act of 2002, or SOX 404, and other applicable laws, rules and regulations. This may result in significant deficiencies or material weaknesses in our internal controls which could impact the reliability of our financial statements and prevent us from complying with SEC rules and regulations and the requirements of the Sarbanes- Oxley Act of 2002. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our business and the market price of our stock. If we fail to maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected and investor confidence and the market price of our common stock may be adversely impacted. As directed by SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company' s internal controls over financial reporting in their annual reports. Our management may conclude that our internal controls over our financial reporting are not effective, which could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our reporting processes, which could adversely impact the market price of our common stock. Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, will be limited because we conduct substantially all of our operations in the PRC and because the majority of our directors and officers reside outside of the United States. We are a Nevada corporation but nearly all of our assets are located outside of the U. S. Most of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of the PRC. A substantial portion of the assets of these persons is located outside the U. S. As a result, it may be difficult for you to effect service of process within the U. S. upon these persons. It may also be difficult for you to enforce in U. S. courts judgments on the civil liability provisions of the U. S. federal securities laws against us and our officers and directors. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U. S. courts. The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. Courts in the PRC may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions. The PRC does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the U. S 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. So it is uncertain whether a PRC court would enforce a judgment rendered by a court in the U. S. A failure by our stockholders or beneficial owners who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross- border investment activities or subject us to liability under PRC laws, which could adversely affect our business and financial condition. On October 21, 2005, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Offshore Special Purpose Vehicles, or ~~State Administration of Foreign Exchange of China ("~~ SAFE ~~")~~ Circular 75. SAFE Circular 75 states that PRC residents (including both legal persons and natural persons) must register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore entity acquires or controls onshore assets or equity interests held by the PRC residents. In addition, such PRC residents must update their SAFE registrations when the offshore SPV undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long- term equity or debt investments, external guarantees, or other material events that do not involve roundtrip investments. To further clarify the implementation of SAFE Circular 75, the General Affairs Department of SAFE issued SAFE Circular 106 on May 29, 2007. Under SAFE Circular 106, PRC subsidiaries of an offshore company governed by SAFE Circular 75 are required to coordinate and supervise the filing of SAFE registrations in a timely manner by the offshore holding company' s shareholders who are PRC residents. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE authorities. If our shareholders who are PRC residents do not complete their registration with the local SAFE authorities, our PRC subsidiaries will be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. On July 14, 2014, SAFE promulgated the Circular Relating to Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles (Circular 37). Replacing an earlier circular published by SAFE in 2005 (Circular 75), Circular 37 further simplifies the registration process for Chinese residents seeking the round- trip investment transactions where Chinese companies (Domestic Entities) are re- organized to create an offshore holding company (the SPV) that will control the Domestic Entities and seek offshore financing. Also, for the first time overseas investments by Chinese individuals are formally legalized under Circular 37. We are committed to complying, and to ensuring that our shareholders, who are PRC residents, comply with the SAFE Circular 37 requirements. We believe that all of our PRC resident shareholders and beneficial owners have completed their required registrations with SAFE, or are otherwise in the process of registering. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC residents, and we may not always be able to compel our beneficial owners to comply with the SAFE Circular 37 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 37 or other related regulations. Failure by any such shareholders or beneficial owners to comply with SAFE Circular 37 could subject us to fines or legal sanctions, restrict our overseas or cross- border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. Our labor costs may increase due to the implementation of the new PRC Labor Contract Law. The PRC Labor Contract Law was adopted by the Standing Committee of the National People' s Congress of PRC in June 2007 and became effective on January 1, 2008. The Implementation Rules of the PRC Labor Contract Law were passed by the PRC State Council in September 2008 and became effective that same month. The implementation of the new law and its Implementation Rules, particularly the following provisions, may increase our labor costs: (a) an employer shall make monetary compensation, which shall be based on the number of an employee' s working years with the employer at the rate of one month' s wage for each year, to the employee upon termination of an employment contract with certain exceptions (for example, in circumstances where the term of a fixed- term employment contract expires and the employee does not agree to renew the contract even though the conditions offered by the employer are the same as or better than those stipulated in the current contract); (b) the wages of an employee who is on probation may not be less than the lowest wage level for the same job with the employer or less than 80 % of the wage agreed upon in the employment contract, and may not be less than the local minimum wage rate; (c) if an employee has been working for the employer for a consecutive period of not less than 10 years, or if a fixed- term employment contract with an employee was entered into on two consecutive occasions, generally the employer should enter into an open- ended employment contract with such employee, unless the employee requests a fixed- term employment contract; (d) if an employer fails, in violation of the related provisions, to enter into an open- ended employment contract with an employee, it shall in each month pay to the employee twice his / her wage, starting from the date on which an open- ended employment contract should have been entered into; (e) if an employer fails to enter into a written employment contract with an employee more than one month but less than one year after the date on which it started employing him / her, it shall in each month pay to the employee twice his / her wage; and (f) if an employer hires an employee whose employment contract with another employer has not yet been terminated or ended, causing the other employer to suffer a loss, the later hiring employer shall be jointly and severally liable with the employee for the compensation for such loss. Our labor costs may increase due to the implementation of the new PRC Labor Contract Law and the Implementation Rules of the PRC Labor Contract Law and our business and results of operations may be materially and adversely affected. The Opinions recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future. July 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China- based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China- based overseas- listed companies and the demand for cybersecurity and data privacy protection. The aforementioned policies and any related implementation rules to be enacted may subject us to additional compliance requirement in the future. As the Opinions were recently issued, official guidance and interpretation of the Opinions remain unclear in several respects at this time. Therefore, we cannot assure you that we will remain fully compliant with all new regulatory requirements of the Opinions or any future implementation rules on a timely basis, or at all. The recent joint statement by the SEC and PCAOB, proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable 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. These developments could add uncertainties to our offering. 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 have 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 director 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 U. S. Senate passed the HFCAA requiring a foreign company to certify it is not owned or controlled 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 issuer' s securities are prohibited to trade on a U. S. stock exchange. On December 2, 2020, the U. S. House of Representatives approved the HFCAA. On December 18, 2020, the HFCAA was signed into law. On March 24, 2021, the SEC announced that it had adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the 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. On June 22, 2021, the U. S Senate ~~has~~ passed the Accelerating Holding Foreign Companies Accountable Act, which was signed into law on December 29, 2022, amending the HFCAA and requiring the SEC to prohibit an issuer' s securities from trading on any U. S. stock exchange if its auditor is not subject to PCAOB inspections for two consecutive years instead of three consecutive years. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCAA, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the PCAOB 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 issued amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. 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 PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions. On December 16, 2021, SEC announced ~~that~~ the PCAOB designated China and Hong Kong as the jurisdictions where the PCAOB ~~is~~ **was** not allowed to conduct full and complete audit inspections as mandated under the HFCAA. The Company' s auditor, Kreit & Chiu, is based in New York, New York, and therefore is not affected by this mandate by the PCAOB. On August 26, 2022, the PCAOB announced ~~that~~ it ~~had~~ signed a Statement of Protocol (the " Statement of Protocol ") with the CSRC and the Ministry of Finance of China. The terms of the Statement of Protocol ~~would grant~~ **granted** the PCAOB complete access to audit work papers and other information so that it may inspect and investigate PCAOB- registered accounting firms headquartered in China and Hong Kong. On December 15, 2022, the PCAOB announced ~~that~~ it was able to secure complete access to inspect and investigate PCAOB- registered public accounting firms headquartered in mainland China and Hong Kong completely in 2022. The PCAOB Board vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB- registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainties and depends on a number of factors out of our and our auditor' s control. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and is making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. The PCAOB has also indicated that it will act immediately to consider the need to issue new determinations with the HFCAA if needed. The lack of access to the PCAOB inspection in China prevents the PCAOB from fully evaluating audits and quality control procedures of the auditors based in China. As a result, the investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of these accounting firms' audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause existing and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements. Kreit & Chiu, the independent registered public accounting firm that ~~issues~~ **issued** the audit report for the fiscal year ended December 31, 2022 ~~and 2021~~ included elsewhere in this annual report. As an auditor of companies ~~that are~~ traded publicly in the U. S. and a firm registered with the PCAOB, is subject to laws in the U. S. pursuant to which the PCAOB conducts regular inspections to assess such auditor' s compliance with the applicable professional standards. Kreit & Chiu is headquartered in New York, New York, and is subject to inspection by the PCAOB on a regular basis. **Enrome LLP, our independent registered public accounting firm for the fiscal year ended December 31, 2023, is based in Singapore and is registered with PCAOB and subject to PCAOB inspection.** Therefore, we believe **neither** Kreit & Chiu ~~are not~~ **, our previous auditor, nor Enrome LLP, our current auditor is** subject to the determinations as to the inability to inspect or investigate registered firms announced by the PCAOB on December 16, 2021. However, recent developments with respect to audits of China- based companies create uncertainty about the ability of Kreit & Chiu **or Enrome LLP** to fully cooperate with the PCAOB' s request for audit workpapers without the approval of the Chinese authorities. We cannot assure you whether Nasdaq or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor' s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. In the event it is later determined that the PCAOB is unable to inspect or investigate completely the Company' s auditor because of a position taken by an authority in a foreign jurisdiction, then such lack of inspection could cause trading in the Company' s securities to be prohibited under the HFCAA ultimately result in a determination by a securities exchange to delist the Company' s securities. It remains unclear what the SEC' s implementation process related to the above rules will entail or what further actions the SEC, the PCAOB or Nasdaq will take to address these issues and what impact those actions will have on U. S. companies that have significant operations in the PRC and have securities listed on a U. S. stock exchange. In addition, the above amendments and any additional actions, proceedings, or new rules resulting from these efforts to increase U. S. regulatory access to audit information could create some uncertainty for investors, the market price of our common stock could be adversely affected, and we could be delisted if we and our auditor are unable to meet the PCAOB inspection requirement or being required to engage a new audit firm, which would require significant expense and management time. Risks Related to our Common Stock The market price for our common stock may be volatile. Our common stock may be subject to extreme volatility that is seemingly unrelated to the underlying performance of our business. In particular, our common stock may be subject to rapid and substantial price volatility, low volumes of trades and large spreads in bid and ask prices, given that we will have relatively small public floats after this offering. Such volatility, including any stock- run up, may be unrelated to our actual or expected operating performance, financial condition or prospects. The market price for our common stock is highly volatile and subject to wide fluctuations in response to factors including the following: ● actual or anticipated fluctuations in our quarterly operating results; ● announcements of new services by us or our competitors; ● announcements by our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments; ● changes in financial estimates by securities analysts; ● conditions in the energy recycling market; ● changes in the economic performance or market valuations of other companies involved in the same industry; ● changes in accounting standards, policies, guidance, interpretation or principles; ● loss of external funding sources; ● failure to maintain compliance with Nasdaq listing rules; ● additions or departures of key personnel; ● potential litigation; ● conditions in the market; or ● relatively small size of shares of our common stock available for purchase. In addition, the securities markets from time to time experience significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Holders of our common stock may also not be able to readily liquidate their investment or may be forced to sell at depressed prices due to low volume trading. Broad market fluctuations and general economic and political conditions may also adversely affect the market price of our common stock. As a result of this volatility, investors may experience losses on their investment in our common stock. Furthermore, the potential extreme volatility may confuse the public investors of the value of our stock, distort the market perception of our stock price and our company' s financial performance and public image, negatively affect the long- term liquidity of our common stock, regardless of our actual or expected operating performance. If we encounter such volatility, including any rapid stock price increases and declines seemingly unrelated to our actual or expected operating performance and financial condition or prospects, it will likely make it difficult and confusing for prospective investors to assess the rapidly changing value of our common stock and understand the value thereof. Shareholders could experience substantial dilution. We may issue additional shares of our capital stock to raise additional cash for working capital. If we issue additional shares of our capital stock, our shareholders will experience dilution in their respective percentage ownership in the company. We have no present intention to pay dividends. We have not paid dividends or made other cash distributions on our common stock during any of the past three years, and we do not expect to declare or pay any dividends in the foreseeable future. We intend to retain any future earnings for working capital and to finance current operations and expansion of our business. A large portion of our common stock is controlled by a small number of shareholders. A large portion of our common stock is held by a small number of shareholders. As a result, these shareholders are able to influence the outcome of shareholder votes on various matters, including the election of directors and extraordinary corporate transactions including business combinations. In addition, the occurrence of sales of a large number of shares of our common stock, or the perception that these sales could occur, may affect our stock price and could impair our ability to obtain capital through an offering of equity securities. Furthermore, the current ratios of ownership of our common stock reduce the public float and liquidity of our common stock which can in turn affect the market price of our common stock. We may be unable to maintain compliance with Nasdaq Marketplace Rules which could cause our common stock to be delisted from the Nasdaq Capital Market. This could result in the lack of a market for our common stock, cause a decrease in the value of our common stock, and adversely affect our business, financial condition and results of operations. Under the Nasdaq Marketplace Rules our common stock must maintain a minimum price of $ 1. 00 per share for continued inclusion on the Nasdaq Capital Market. The per share price of our common stock has fluctuated significantly. We cannot guarantee that our stock price will remain at or above $ 1. 00 per share and if the price again drops below $ 1. 00 per share, the stock could become subject to delisting. If our common stock is delisted, trading of the stock will most likely take place on an over- the- counter market established for unlisted securities. An investor is likely to find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock on an over- the- counter market, and many investors may not buy or sell our common stock due to difficulty in accessing over- the- counter markets, or due to policies preventing them from trading in securities not listed on a national exchange or other reasons. For these reasons and others, delisting would adversely affect the liquidity, trading volume and price of our common stock, causing the value of an investment in us to decrease and having an adverse effect on our business, financial condition and results of operations by limiting our ability to attract and retain qualified executives and employees and limiting our ability to raise capital. Previously, we received letters from the Listing Qualifications Department of The Nasdaq Stock Market LLC (" Nasdaq ") indicating that, because the Company has not yet filed its Annual Report on Form 10- K for the fiscal year ended December 31, 2021 and Quarterly Reports on Form 10- Qs for the ~~period~~ **periods** ended March 31, 2022 and June 30, 2022, the Company does not comply with Nasdaq Listing Rule 5250 (c) (1) for continued listing. The Company had until October 12, 2022 to file all delinquent filings and regain compliance. On October 12, 2022, the Company received a notice of delinquency compliance from Nasdaq indicating that, based on the filings of its Form 10- Qs for the periods ended March 31, 2022 and June 30, 2022 on October 11, 2022, Nasdaq **determined the Company complied with the Rule. On May 23, 2023, we received a letter from the Listing Qualifications Department of The Nasdaq Stock Market LLC (" Nasdaq ") indicating that, because the Company** has **not yet filed its Quarterly Report on Form 10- Q for the period ended March 31, 2023 (the " Form 10- Q "), the Company does not comply with Nasdaq Listing Rule 5250 (c) (1) for continued listing. The Company had until July 24, 2023 to cure the deficiency or to submit a plan to regain compliance. On June 21, 2023, the Company filed its**

quarterly report on Form 10- Q for the period ended March 31, 2023. Accordingly, Nasdaq determined ~~that~~ the Company complies with the **Listing** Rule **and closed the matter** .