

Balance Sheet

December 31 2018

PKC Vehicle Technology (Hefei) Co., Ltd.

Item	No. in Audit report notes	31/12/2018	31/12/2017	Item
Current assets				Current Liabilities
Cash	六、1	10,416,619.13	12,022,050.71	Short-term loan
Bank Deposit	六、2	15,000,000.00		
Account receivable and notest receivables	六、3	102,847,024.58	100,611,067.74	Account payables
Prepaid	六、4	1,083,051.89	4,569,929.93	Advances
Other receivables	六、5	362,223.93	296,762.62	Employee benefit payable
Inventory	六、6	46,423,886.47	43,164,775.12	Taxes payable
				other payable
Other current assets	六、7		2,963,726.87	
Current assets in Total		176,132,806.00	163,628,312.99	
Non-current assets				Current Liability in Total
				Non-current liabilities
Fixed assets	六、8	37,772,166.69	32,815,690.53	
Intangible assets	六、9	1,924,739.92	855,420.05	
Long-term deferred expense	六、10	8,352,786.22	3,086,806.05	Non-current Liabilities in Total
				Liabilities in Total
				Shareholders' equity
Non-current assets in Total		48,049,692.83	36,757,916.63	Share capital
				Surplus reserves
				Retained earnings
				Shareholders' Equity in Total
Assets in Total		224,182,498.83	200,386,229.62	Shareholders' Equity and Liabilities in Total

法定代表人：

主管会计工作负责人：

会计机构负责人：

Unit: CNY

No. in Audit report notes	31/12/2018	31/12/2017
六、11	124,039,054.12	131,902,099.19
六、12	2,799,556.72	
六、13	13,204,932.56	14,231,941.19
六、14	1,438,956.48	70,940.97
六、15	6,664,987.76	2,841,682.08
	148,147,487.64	149,046,663.43
	148,147,487.64	149,046,663.43
六、16	100,000,000.00	70,000,000.00
六、17	693.75	693.75
六、18	-23,965,682.56	-18,661,127.56
	76,035,011.19	51,339,566.19
	224,182,498.83	200,386,229.62

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Period of Year 2018

PKC Vehicle Technology (Hefei) Co., Ltd.

Unit: CNY

Items	No. in Audit report notes	Year 2018	Year 2017
Sales Revenue	六、19	564,934,779.49	242,398,064.40
Minus: Cost of sales	六、19	512,510,773.94	234,825,073.24
Taxes and surcharge		2,248,667.75	814,725.41
Sales expenses	六、20	9,442,446.47	4,561,274.55
Administrative expenses	六、21	44,372,627.05	19,314,299.22
Financial expenses	六、21	38,328.68	177,621.25
Assets Impairment Loss	六、23	2,060,717.06	950,189.29
Add: Other income			
Profit / loss on assets disposal	六、24	-34,840.99	-451,840.94
II. Operational Profit / Loss		-5,773,622.45	-18,696,959.50
Add: Non-operational Income	六、25	471,937.15	38,932.19
Minus: Non-operational Expenditure	六、26	2,869.70	9,344.00
III. Profit / Loss in Total		-5,304,555.00	-18,667,371.31
Minus: Income Tax			
IV. Net Profit / Loss		-5,304,555.00	-18,667,371.31
Net profit from continuing operations		-5,304,555.00	-18,667,371.31
VI. Total Comprehensive Income		-5,304,555.00	-18,667,371.31

法定代表人：

主管会计工作负责人：

会计机构负责人：

Cash Flow Report

PKC Vehicle Technology (Hefei) Co., Ltd.

Unit: CNY

ITEMS	No. in Audit report notes	Year 2018	Year 2017
I. Cash flow from operative activities			
Cash receipts from customers		155,829,854.00	52,214,675.68
Cash receipts from tax return		3,462.57	
Cash from other operating income	六、29	1,115,948.56	1,327,056.85
CASH INFLOW SUBTOTAL FROM OPERATIONAL ACTIVITIES		156,949,265.13	53,541,732.53
Cash paid to suppliers		46,439,561.05	61,165,012.87
Cash paid to employees		96,274,301.37	33,967,108.20
Taxes paid		15,674,906.01	5,111,559.32
Cash paid for other activities relevant to operative activities	六、29	12,019,555.13	3,277,238.45
CASH OUTFLOW SUBTOTAL FROM OPERATIONAL ACTIVITIES		170,408,323.56	103,520,918.84
NET CASH FROM OPERATING ACTIVITIES		-13,459,058.43	-49,979,186.31
II. Cash flow from investment activities			
Cash received from ST investment, LT bond investment and LT equity investment		5,011,890.41	
Cash received from investment earnings			
Cash received from disposal on fixed assets, intangible assets and other NCA			
Cash received on subsidiaries and other business units			
Cash received from other investment activities			
CASH INFLOW SUBTOTAL FROM INVESTMENT ACTIVITIES		5,011,890.41	
Cash payment on Fixed Assets, Intangible assets and other L/T assets		3,158,263.56	8,008,012.98
Cash payment on other investment activities	六、29	20,000,000.00	
CASH OUTFLOW SUBTOTAL FROM INVESTMENT ACTIVITIES		23,158,263.56	8,008,012.98
NET CASH FROM INVESTING ACTIVITIES		-18,146,373.15	-8,008,012.98
III. Cash flow from financing activities			
Cash received from investment		30,000,000.00	50,000,000.00
Cash received from borrowings			
CASH INFLOW SUBTOTAL FROM FINANCING ACTIVITIES		30,000,000.00	50,000,000.00
CASH OUTFLOW TOTAL FROM FINANCING ACTIVITIES			
NET CASH FROM FINANCING ACTIVITIES		30,000,000.00	50,000,000.00
IV. Impact on exchange rate changes on cash and cash equivalents			
V. Cash and equivalent net increase			
		-1,605,431.58	-7,987,199.29
Add: Beginning balance on cash and equivalent		12,022,050.71	20,009,250.00
VI. Ending balance on cash and equivalent		10,416,619.13	12,022,050.71

法定代表人：

主管会计工作负责人：

会计机构负责人：



Hefei Yinghe Certified

Audit Report

YHKSZ [2019] No.

To all shareholders of PKC Vehicle Technology (Hefei) Co., Ltd:

I. Audit Opinions

We have audited the Financial Statements of PKC Vehicle Technology (Hefei) Co., Ltd (hereinafter referred to as “PKC Company”), which comprise the consolidated balance sheet as at December 31 2018, the income statement, cash flow statement, and Notes to the Financial Statements of 2018.

We believe that the attached financial statements are prepared in all major ways in accordance with the Enterprise Accounting System, which reflect the financial situation of PKC Company until December 31, 2018 and the operating results and cash flows of 2018.

II. Basis for Audit Opinions

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under these standards are further described in Section "the Auditor's Responsibilities for the Audit of Financial Statements" of our report. According to the code of ethics for Chinese CPA, we are independent of PKC GROUP and we have fulfilled our other ethic responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Other Information

The Management of PKC Company (hereinafter referred to as the "Management") shall be responsible for other information. Other information includes information

involved in PKC's 2018 annual report, but excludes financial statements and our audit report.

Our audit opinion on financial statements does not cover other information and we do not issue any form of verification conclusions on other information.

In combination with our audit of the financial statements, it is our responsibility to read other information, in the process, to consider whether other information is substantially inconsistent with the financial statements or what we have learned during the audit or appears to be material misstatements.

Based on what we have done, if we determine that there are material misstatements in other information, we should report the fact. In this regard, we have nothing to report.

IV. Responsibilities of the Management and Governance to Financial Statements

The Management of PKC Company is responsible for preparing financial statements in accordance with the provisions of the Accounting Standards for Enterprises, so as to achieve fair reflection, and design, implement and maintain necessary internal controls so as to make the financial statements free from major misstatements caused by fraud or errors.

In preparing the financial statements, the management is responsible for assessing the sustainable operation ability of PKC Company, disclosing matters related to the sustainable operation (if applicable), and applying the assumption of sustainable operation unless the management plans to liquidate PKC Company, terminate the operation or there are no other realistic choices.

The Governance is responsible for supervising the financial reporting process of PKC Company.

V. CPA's Responsibilities for Auditing Financial Statement

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole do not contain material misstatements due to fraud or error, and to issue audit reports containing audit opinions. Reasonable assurance is a high-level assurance, but

it cannot guarantee that a major misstatement will always be found in the presence by audits carried out in accordance with audit standards. Misstatement may be caused by fraud or error. If it is reasonably expected that misstatement or misstatements may affect the economic decisions made by users of financial statements on the basis of financial statements, the misstatement is generally considered to be significant.

In the process of carrying out audit work according to the auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we carry out the following tasks:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that one resulting from error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or override of CTCE's internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PKC Company's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management of PKC Company.

(4) Conclude on the appropriateness of using the going concern assumption by the Management of PKC Company. Meanwhile, conclude based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PKC Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention of the users of the financial statements in our auditor's report to the related disclosures therein or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information available up to the date of our auditor's report. However, future events or conditions may cause PKC Company to cease to continue as a going concern.



(5) Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent related transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit.

Hefei Yinghe Certified Public Accountants (Ordinary Partnership)

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

Hefei, China

March,8, 2019

