

Shandong huakai-pkc Wire harness Co., Ltd

2020 Auditor' s Report

Mincheng Audit [2021] No. 075

Zhenjiang Mincheng Certified Public Accountants Co., Ltd

Add: Room 521, 5th fl, Binjiangyihao, 35 Changjiang Rd, Zhenjiang

Tel: 0511-85027039 Fax: 0511-85020653

Zhenjiang Mincheng Certified Public Accountants Co., Ltd

Add: Room 521, 5th fl, Binjiangyihao, 35 Changjiang Rd, Zhenjiang

(Tel): (0511) 85027039 85033817

(Fax): (0511) 85020653

E-mail: qzrlu@163.com

Post Code (P.C.): 212000

Auditor's Report

Mincheng Audit[2021] No.075

To the shareholders of shandong huakai-pkc Wire harness Co., Ltd

1.Opinion

We have audited the financial statements of shandong HuaKai-PKC Wire Harness Co., Ltd. (hereinafter referred to as the "Company"), which comprise balance sheet as at 31 December 2020, income statement, cash flow statement, statement of changes in owners' equity for the year then ended; and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the company as at 31 December 2020 and its operating results and cash flow for the year then ended.

2.Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs") for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of professional ethics for Certified Public Accountants in China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3.Other information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

4.Responsibilities of directors and those charged with governance for the financial statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with the disclosure requirements of Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to ensure the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 the Company's internal control.

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

(4) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 the underlying 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 findings, including any significant deficiencies in internal control that we identify during our audit.

Zhenjiang Mincheng Certified Public Accountants Co., Ltd



Zhenjiang, China

Certified Public Accountant of China
(Signature and stamp)



Certified Public Accountant of China
(Signature and stamp)



06 April 2021

Annex I:

Balance Sheet

Prepared by: Shandong huakai-pkc Wire harness Co., Ltd

As at December 31, 2020

Unit: CNY

assets	31-Dec-20	31-Dec-19	liabilities and owners' equity	31-Dec-20	31-Dec-19
Current assets:			Current liabilities:		
Cash and cash equivalents	1,608,108.70	1,904,890.24	Short-term loans	-	-
Tradable financial assets	-	-	Tradable financial liabilities	-	-
Derivative financial assets	-	-	Derivative financial liabilities	-	-
Notes	22,360,000.00	1,110,000.00	Notes	-	1,280,000.00
accounts receivables	138,787,119.20	50,089,539.73	accounts payable	91,577,847.29	42,275,509.01
Prepayment	841,305.25	266,429.25	Advance from customer	-	-
Other receivables	11,504,033.44	1,456,053.50	Contract liability	-	-
Inventories	48,060,060.52	25,946,729.95	Employee benefits payable	4,595,515.36	2,849,813.00
Contract assets	-	-	Taxes payable	3,035,567.88	-1,358,074.52
Assets held for sale	-	-	Other payable	50,420,439.07	2,329,515.71
Non-current assets due within one year	-	-	Liabilities held for sale	-	-
Other current assets	2,777,145.98	1,695,211.54	Non-current liabilities due within one year	-	-
Total current assets	225,937,773.09	82,468,854.21	Other current liabilities	-	-
Non-current assets:			Total current liabilities	149,629,369.60	47,376,763.20
bond investment	-	-	Non-current liabilities:		
other bond investent	-	-	Long-term loans	-	-
Long-term receivables	-	-	Bonds payable	-	-
Long-term equity investments	-	-	Including: Preference shares	-	-
Investment property	-	-	Perpetual bonds	-	-
Fixed assets	45,303,274.01	47,466,064.61	Long-term payables	-	-
Construction in progress	3,715,886.85	3,772,972.42	Accrued liabilities	-	-
Productive biological assets	-	-	Deferred income	-	-
Oil and gas assets	-	-	Deferred tax liabilities	-	-
Intangible assets	13,966,239.91	14,266,051.87	Other non-current liabilities	-	-
Development expenses	-	-	Total non-current liabilities	-	-
Goodwill	-	-	Total liabilities	149,629,369.60	47,376,763.20
Long-term deferred expenses	5,858,600.70	6,326,575.56	Shareholders' equity :		
Deferred tax assets	-	-	paid-in capital	100,000,000.00	100,000,000.00
Other non-current assets	-	-	Other equity instruments	-	-
Total non-current assets	68,844,001.47	71,831,664.46	Including: preference shares	-	-
			Perpetual bonds	-	-
			Capital reserves	-	-
			Less: treasury stock	-	-
			Other comprehensive income	-	-
			Surplus reserves	4,515,240.50	692,375.55
			Undistributed profits	40,637,164.46	6,231,379.92
			Total owners' equity	145,152,404.96	106,923,755.47
Total assets	294,781,774.56	154,300,518.67	Total liabilities and owners' equity	294,781,774.56	154,300,518.67

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Annex II:

income statement

Prepared by:Shandong huakai-pkc Wire harness Co., Ltd

Unit: CNY

Item	Year 2020	Year 2019
1. operating revenue	354,369,934.40	114,125,739.97
Less: operating costs	285,957,476.78	100,042,664.34
Taxes and surcharges	1,508,900.06	767,789.07
Selling and distribution expenses	5,612,806.91	504,337.06
General and administrative expenses	5,519,027.06	3,016,209.14
Research and Development expenses	13,582,799.27	4,668,654.77
Financial expenses	26,063.45	-61,351.07
Including: Interest expenses	98,400.00	-
Interest income	-94,434.54	-70,584.03
Asset Impairment losses	-	-
Credit impairment loss	-	-
Plus: Gains from the changes in fair values("-" for losses)	-	-
Investment income ("- for losses)	-	-
Including: income from investment in associates and joint ventures	-	-
The hedging gains("-" for losses)	-	-
Gains from disposal of assets("-" for losses)	-	-
Other income	-	-
2. Operating profits ("-for losses)	42,158,895.41	5,258,020.69
Plus: non-operating income	1,074,118.82	23,600.00
Less: non-operating expenses	41,474.00	39,803.94
3. Total profits before tax ("-for total losses)	43,191,540.23	5,241,816.75
Less: income tax expenses	4,966,856.20	259,762.00
4. Net profit ("-for net loss)	38,224,684.03	4,982,054.75
(1)Net profit from continuing operation ("- for losses)	38,228,649.49	4,911,470.72
(2) Net profit from discontinued operation ("- for losses)	-	-
5. Net of tax from other comprehensive income	-	-
(1)Other comprehensive income cannot reclassified into the profit and loss:	-	-
Including: Remeasure the variation of net indebtedness or net asset of defined benefit plans	-	-
Share in other comprehensive income that cannot be classified into profit and loss under equity method	-	-
(2)Other comprehensive income that will be reclassified into the profit and loss	-	-
Including: Share in other comprehensive income that will be classified into profit and loss under equity method	-	-
Changes in fair value of available-for-sale financial assets	-	-
Held-to-maturity investment reclassified into available-for sale financial assets	-	-
Effective part of cash-flow hedge profit and loss	-	-
Balance arising from the translation of foreign currency financial statements	-	-
Others	-	-
6. Total comprehensive income	38,228,649.49	4,911,470.72
7. Earnings per share:	-	-
(1)Basic earnings per share	-	-
(2)Diluted earnings per share	-	-

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Annex III:

Cash flow statements

Prepared by: Shandong huakai-pkc Wire harness Co., Ltd

Unit: CNY

Item	Year 2020	Year 2019
1. Cash flows from operating activities :		
Cash received from sale of goods and rendering of services	289,677,790.25	80,461,235.60
Refunds of taxes and surcharges	-	-
Cash received from other operating activities	28,347,530.03	5,794,346.32
Sub-total of cash inflows from operating activities	318,025,320.28	86,255,581.92
Cash paid for goods purchased and services received	258,088,568.54	68,298,170.80
Cash paid to and on behalf of employees	38,192,328.37	30,691,226.85
Cash paid for taxes and surcharges	10,962,359.72	2,870,010.36
Cash paid for other operating activities	4,858,355.87	248,725.33
Sub-total of cash outflows from operating activities	312,101,612.50	102,108,133.34
Net cash flows from operating activities	5,923,707.78	-15,852,551.42
2. Cash flows from investing activities :		
Cash received from disposal of investments	-	-
Cash received from returns on investments	-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-	-
Net cash received from disposal of subsidiaries and other business units	-	-
Cash received from other investing activities	-	-
Sub-total of cash inflows from investing activities	-	-
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	2,299,224.37	34,336,220.63
Cash paid for investments	-	-
Net cash paid to acquire subsidiaries and other business units	-	-
Cash paid for other investing activities	-	-
Sub-total of cash outflows from investing activities	2,299,224.37	34,336,220.63
Net cash flows from investing activities	-2,299,224.37	-34,336,220.63
3. Cash flows from financing activities :		
Cash received from investors	-	52,000,000.00
Cash received from loans	-	-
Cash received from other financing activities	-	-
Sub-total of cash inflows from financing activities	-	52,000,000.00
Cash paid for debt repayments	-	-
Cash paid for distribution of dividends and profits or payment of interest	3,921,264.95	-
Cash paid for other financing activities	-	-
Sub-total of cash outflows from financing activities	3,921,264.95	-
Net cash flows from financing activities	-3,921,264.95	52,000,000.00
4. Effect of fluctuation in exchange rate on cash and cash equivalents	-	-
5. Net increase in cash and cash equivalents	-296,781.54	1,811,227.95
Plus: balance of cash and cash equivalents at the beginning of the period	1,904,890.24	93,662.29
6. Balance of cash and cash equivalents at the end of the period	1,608,108.70	1,904,890.24

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Annex IV:

statement of changes in shareholders' equity

Prepared by: Shandong huakai-pkc Wire harness Co., Ltd

For the year ended 31 December, 2019

Unit: CNY

Item	Year 2020										Year 2019							
	Paid-up capital or share capital	Other equity instruments		Capital reserve	Less: Treasury stock	Other Comprehensive income	Surplus reserve	Undistributed profit	Total shareholders' equity	Paid-up capital or share capital	Other equity instruments		Capital reserve	Less: Treasury stock	Other Comprehensive income	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond								Preferred stock	Perpetual bond						
1. Balance as at 31 December of last year	100,000,000.00						692,375.55	6,231,379.92	106,923,755.47	100,000,000.00						201,228.48	1,811,056.27	102,012,284.75
Plus: : adjustments for changes in accounting policies																		
adjustments for correction of accounting errors in prior year																		
2. Balance as at January 1 of the current year	100,000,000.00						692,375.55	6,231,379.92	106,923,755.47	100,000,000.00						201,228.48	1,811,056.27	102,012,284.75
3.Increases/decreases in the current year ("+" for increases)																		
(1) Net profit							3,822,864.95	34,405,784.54	38,228,649.49							491,147.07	4,420,323.65	4,911,470.72
(2)Capital contributed or reduced by owners								38,228,649.49	38,228,649.49								4,911,470.72	4,911,470.72
Capita contributions by owners																		
Capital contributions by other equity instruments holders																		
Amounts of share-based payments recognized in owners' equity																		
Others																		
(3)Profit distribution							3,822,864.95	-3,822,864.95								491,147.07	-491,147.07	
Withdrawal of surplus reserves							3,822,864.95	-3,822,864.95								491,147.07	-491,147.07	
Profit distributed to owners (or shareholders)																		
Others																		
(4) Internal carry-forward of owners' equity																		
Conversion of capital reserves into paid-in capital																		
Conversion of surplus reserves into paid-in capital																		
Surplus reserves offsetting losses																		
Others																		
4. Balance as at 31 December of the current year	100,000,000.00						4,515,240.50	40,637,164.46	145,152,404.96	100,000,000.00						692,375.55	6,231,379.92	106,923,755.47

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Notes to Financial Statements

Year 2020

I .Company profile

Registered capital: 100 million RMB yuan

Date of establishment: May 27, 2017

Unified social credit code: 91370704MA3DQTD16W

Type of company: limited liability company (legal person not invested or controlled by natural person)

Industry: Manufacturing

Date if approval: Nov 30, 2018

Registration Authority: Fangzi District Market Supervision & Administration Bureau of Weifang

Business period: May 27, 2017 to May 26, 2067

Address: 1925 Fengxiang Street, Fangzi District, Weifang City, Shandong Province

Business scope: R & D, assembly, manufacturing of automotive wiring harnesses, wires, wire harness accessories and auto parts; sales of products produced by the company, providing technological and after-sales service; wholesale, commission agency, import & export, re-export trade of similar products (excluding auctions) ; shipment of commodities (the company's own use).

II . Basis of preparation of financial statements

The Company has prepared its financial statements on a going concern basis, and recognized and measured its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various concrete accounting standards, and other relevant provisions on the basis of actual transactions and events.

III. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the group' s financial position, the Company' s and results of operations, and changes in shareholders' equity, cash flows and other related information for the reporting period.

IV. Significant accounting policies and accounting estimates

1. Accounting period

The Company' s accounting period is calendar year as its accounting year, i.e. from January 1st to December 31st.

2. Functional currency

The Company has adopted China Yuan (CNY) as functional currency.

3.Accounting Basis and Valuation Principles

The company's accounting is based on accrual basis, and all property and materials are valued at the actual cost at the time of acquisition. At the end of the period, if the impairment of each asset occurs, the corresponding impairment reserve shall be calculated.

4. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the company' s short-term (due within 3 months from purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



5. Foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date. Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

6. Inventory

(1) Classification of inventory : Inventories are classified as: raw materials, semi-finished goods, stock commodities, consigned processing materials, goods in progress and revolving materials (including low-cost consumables), etc.

(2) Inventory system: The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

(3) Measurement method of dispatched inventories :

Dispatched materials and stock commodities are accounted for by using the weighted average method.

Amortization method of low-cost consumables: Low-cost consumables are amortized in full at once.

(4) Provision for stock obsolescence

Provisions for stock obsolescence are made at the lower of costs or net realizable values on a single basis.

For inventories with large quantity and relatively low unit prices, the provision for stock obsolescence shall be made on the ground of the categories of inventories.

7. Fixed assets

(1) Recognition of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

a) It is probable that the economic benefits relating to the fixed assets will flow into the Company;

b) The cost of the fixed assets can be measured reliably.

(2) Fixed assets valuation method

Fixed assets are valued at actual cost when acquired. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

At the inception of the lease, the Company shall state the assets acquired under financing lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments, as well as the initial and direct expenses occurred, recognize a long-term payable at the amount of the minimum lease payments, and shall charge the difference of the lower of the fair value of the leased assets or the present value of the minimum lease payments and the minimum lease payments to unrecognized finance expenses. Unrecognized finance expenses shall be amortized at the effective interest rate method in each period during the lease term.

(3) Depreciation of fixed assets

The depreciation of fixed assets is calculated by the straight-line method, and the depreciation rate is determined according to the category of fixed assets, the expected service life and the estimated net residual value rate. The estimated useful life of fixed assets, the estimated net residual value rate and the annual depreciation rate are shown as follows:

Category of Fixed Assets	Estimated residual value rate (%)	Estimated useful life (Yr)	Annual depreciation rate
Buildings and constructions	10%	20	4.50%
Machinery equipments	10%	10	9.00%
Transportation equipments	10%	4	22.50%
electronic equipment	10%	3	30.00%

At the end of the period, the fixed assets shall be inspected item by item. If the recoverable amount is lower than the book value due to the continuous decline in market price or the obsolete technology, damage or long-term idleness, the fixed assets impairment provision shall be made for the part of the recoverable amount that is lower than the book value of the fixed assets. The provision for impairment of fixed assets shall be determined by the difference between the book value of a single fixed asset and its recoverable amount.

8. Construction in progress

(1) Categories of constructions in progress:

(2) Criteria and commencement of conversion of constructions in progress into fixed assets.

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

9. Intangible assets

(1) Intangible assets refers to the enterprise is not owned or controlled by the physical form of identifiable non-monetary assets.

(2) Costs of outsourcing intangible assets shall be recognized according to the purchase price, related taxes and other expenses directly attributed to reaching the working condition for their intended use.

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

(3)The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset are realized by the products or other assets produced thereafter, the amortizations are recorded into the costs of the relevant assets.

Intangible assets with indefinite useful lives are not amortized in the holding period, but impairment tests are performed at the end of each year.

(4)At the end of the period, the intangible assets shall be inspected item by item, and the ability of each intangible asset to bring future economic benefits to the company shall be inspected. If the estimated recoverable amount is lower than its book value, the provision for impairment of intangible assets shall be made according to the difference between the recoverable amount of a single intangible asset and its book value, and shall be included in the profits and losses of the current period..

10. Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year (exclusive). Long-term deferred expenses shall be initially measured according to the actual costs incurred. Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

11. Income Recognition Principle

(1)Recognition principals of revenue from sales of goods

The main risks and rewards of the company's ownership of goods are transferred to the buyer, which neither retains the continuing management rights normally associated with the ownership nor exercises control over the sold goods. When the economic benefits related to the transaction can flow into the company and the related revenue and costs can be reliably measured, the realization of the sales revenue of goods is confirmed.

(2).Recognition principals of revenue from rendering of service

Income shall be recognized when services commenced and completed in the same fiscal year are completed.

(3) Recognition principals of revenue from transfer of asset use right

When economic benefits related to transactions are highly likely to flow into the Company and the amount of revenue can be reliably measured, the revenue from transfer of asset use right is recognized.

12. Deferred tax assets and deferred tax liabilities

(1)The Company adopts the balance sheet liability method to account for income tax.

(2)Recognition of deferred tax assets or deferred tax liabilities

The Company recognizes its tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities and the tax base. If there are temporary differences in book value of the assets and liabilities and the tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.

(3) Measurement of deferred tax assets or deferred tax liabilities

- a) On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.
- b) Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.
- c) When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.
- d) Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

V. Notes on Important Accounting Policies and Changes in Accounting Estimates and Correction of Accounting Errors

1、Accounting Policy Change

The company's main accounting policies did not change during the reporting period.

2、Changes in Accounting Estimates

The company's major accounting estimates did not change during the reporting period.

3、Correction of Earlier Accounting Errors

The company has no prior error correction during the reporting period.

VI. Taxes

Tax type	Taxation basis	Tax rate(%)
Value-added tax	Output tax-deductible input tax	13%、16%
City maintenance and construction tax	Applicable turnover tax amount	7%
Education surcharges and local education surcharges	Applicable turnover tax amount	3%/2%
Corporate income tax	Applicable income tax rate	15%

VII. Notes to the main items of the financial statements (all currency unit is CNY, except other statements)

1. Cash and cash equivalents

Item	Closing Balance	Opening Balance
Cash	-	2,961.11
Bank deposit	1,608,108.70	1,901,929.13
Other cash and cash equivalents	-	-
Total	1,608,108.70	1,904,890.24

2. Bills receivable and accounts receivable

(1).Bills receivable

Item	Closing Balance	Opening Balance
Bank acceptance bills	22,360,000.00	1,110,000.00
Commercial acceptance bills	-	-
Total	22,360,000.00	1,110,000.00

(2). Accounts receivable

(a) Aging analysis

Aging	Closing Balance			Opening Balance		
	Book Balance	Proportion	Provision for bad debt	Book Balance	Proportion	Provision for bad debt

within 1 year	118,368,334.32	85.29%	-	50,089,539.73	100.00%	-
1-2 years	20,418,784.88	14.71%	-	-		-
2-3 years	-		-	-		-
3-4 years	-		-	-		-
4-5 years	-		-	-		-
Over 5 years	-		-	-		-
Total	138,787,119.20	100.00%	-	50,089,539.73	100.00%	-

(b) Top five entities with the largest balances of other receivables

S/N	Company name	Closing Balance	Aging	Arrears reason
1	First	44,617,236.14	within 1 year	Payment for goods
2	Second	30,986,641.25	within 1 year	Payment for goods
3	Third	24,933,581.60	within 1 year	Payment for goods
4	Fourth	20,650,790.65		
5	Fifth	10,951,907.03		
	Total	132,140,156.67		

3. Prepayment

(a) Aging analysis

Aging	Closing Balance			Opening Balance		
	Book Balance	Proportion	Provision for bad debt	Book Balance	Proportion	Provision for bad debt
within 1 year	841,305.25	100.00%	-	266,429.25	100.00%	-
1-2 years	-		-	-		-
2-3 years	-		-	-		-
Over 3 years	-		-	-		-
Total	841,305.25	100.00%	-	266,429.25		-

(2) Top five entities with the largest balances of prepayments :

S/N	Company name	Closing Balance	Aging	Arrears reason
1	First	205,370.84	within 1 year	
2	Second	189,577.07	within 1 year	
3	Third	169,913.35	within 1 year	
4	Fourth	90,990.92	within 1 year	
5	Fifth	78,535.00	within 1 year	
	Total	734,387.18		

4. Other receivables

(1) Aging analysis

Aging	Closing Balance			Opening Balance		
	Book Balance	Proportion	Provision for bad debt	Book Balance	Proportion	Provision for bad debt
within 1 year	11,169,116.89	97.09%	-	901,880.20	61.94%	-
1-2 years	177,262.75	1.54%	-	554,173.30	38.06%	-
2-3 years	157,653.80	1.37%	-	-		-
3-4 years	-		-	-		-
4-5 years	-		-	-		-
Over 5 years	-		-	-		-
Total	11,504,033.44	100.00%	-	1,456,053.50	100.00%	-

(2) Top five entities with the largest balances of other receivables :

S/N	Company name	Closing Balance	Aging	Arrears reason
1	First	10,000,000.00	within 1 year	
2	Second	664,475.25	within 1 year	
3	Third	179,400.00	1-2 years	
4	Fourth	173,752.34	1-2 years	
5	Fifth	157,653.80	within 1 year	
	Total	11,175,281.39		

5. Inventories

Category	Closing Balance			Opening Balance		
	Book Balance	Provision for stock obsolescence	Book Value	Book Balance	Provision for stock obsolescence	Book Value
Materials in transit	25,877,720.65	-	25,877,720.65	14,047,508.63	-	14,047,508.63
Raw materials	-	-	-	-	-	-
Products in process	-	-	-	-	-	-
Stock commodities	22,182,339.87	-	22,182,339.87	11,899,221.32	-	11,899,221.32
Total	48,060,060.52	-	48,060,060.52	25,946,729.95	-	25,946,729.95

5. Other current assets

Item	Closing Balance	Opening Balance
Deferred expenses	2,777,145.98	1,695,211.54
	-	-
	-	-
	-	-
Total	2,777,145.98	1,695,211.54

6. Fixed assets

Original Price of Fixed Assets	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
office equipment	47,581.69	-	-	47,581.69
electronic equipment	400,263.97	242,157.53	-	642,421.50
Machinery equipment	24,974,451.37	1,681,176.21	-	26,655,627.58
Transportation equipment	721,180.22	-	-	721,180.22
Buildings	23,580,612.18	174,417.49	-	23,755,029.67
	-	-	-	-
Total	49,724,089.43	2,097,751.23	-	51,821,840.66

Accumulated depreciation	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
office equipment	4,720.30	11,831.62	-	16,551.92
electronic equipment	137,732.22	223,966.28	-	361,698.50
Machinery equipment	1,300,093.28	2,648,921.57	-	3,949,014.85
Transportation equipment	324,216.27	196,791.76	-	521,008.03
Buildings	491,262.75	1,179,030.60	-	1,670,293.35
	-	-	-	-
Total	2,258,024.82	4,260,541.83	-	6,518,566.65

Provision for fixed asset impairment	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Total	-	-	-	-
Net fixed assets	47,466,064.61	-2,162,790.60	-	45,303,274.01

7. Intangible assets

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
1. Original cost of intangible assets	14,720,136.08	-	-	14,720,136.08
Land use right	14,720,136.08	-	-	14,720,136.08
	-	-	-	-
2. Accumulated amortization of intangible assets	454,084.21	299,811.96	-	753,896.17
Land use right	454,084.21	299,811.96	-	753,896.17
	-	-	-	-
3. Provision for impairment				-
Land use right	-	-	-	-
				-
4. Book value of intangible assets	14,266,051.87	-299,811.96	-	13,966,239.91
Land use right	14,266,051.87	-299,811.96	-	13,966,239.91
	-	-	-	-

8. Notes and accounts payables

(1). Notes payable by category

票据种类	Closing Balance	Opening Balance
Bank acceptances		1,280,000.00
		-
Total		1,280,000.00

(2). Accounts payable

(a). Aging analysis

Aging	Closing Balance		Opening Balance	
	Book Balance	Proportion	Book Balance	Proportion
within 1 year	79,325,378.20	87%	42,042,820.01	99%
1-2 years	12,167,609.09	13%	232,689.00	1%
2-3 years	84,860.00	0%	-	
Over 3 years	-		-	
Total	91,577,847.29	100%	42,275,509.01	100%

(b). Top five entities with the largest balances of Accounts payable :

S/N	Company name	Closing Balance	Aging	Arrears reason
1	First	25,459,083.26	within 1 year	
2	Second	16,381,091.48	within 1 year	
3	Third	14,572,733.51	within 1 year	
4	Fourth	3,462,638.27	within 1 year	
5	Fifth	2,248,160.52	within 1 year	
	Total	62,123,707.04		

9. Taxes payable

Item	Closing Balance	Opening Balance
Value-added tax	2,057,942.45	-1,195,477.06
Individual Income Tax	517,042.09	-348,285.56
Urban maintenance and construction tax	144,055.97	-
Education surcharges	102,897.12	-

Individual Income Tax	56,750.39	12,784.47
stamp tax	6,833.11	2,189.14
land use taxes	60,597.60	121,195.20
Property tax	79,159.44	49,519.29
	10,289.71	-
Total	156,879.86	172,903.63

10. Other payables

(a). Aging analysis

Aging	Closing Balance		Opening Balance	
	Book Balance	Proportion	Book Balance	Proportion
within 1 year	48,097,757.46	95%	2,017,571.20	87%
1-2 years	2,010,737.10	4%	311,944.51	13%
2-3 years	311,944.51	1%	-	
Over 3 years	-		-	
Total	50,420,439.07	100%	2,329,515.71	100%

(2) Top five entities with the largest balances of Other payables :

S/N	Company name	Closing Balance	Aging	Arrears reason
1	First	46,623,157.50	within 1 year	
2	Second	3,661,492.30	within 1 year	
3	Third	69,244.92	within 1 year	
4	Fourth	29,795.84	within 1 year	
5	Fifth	15,000.00	within 1 year	
	Total	50,398,690.56		

11. Received Capital

Shareholder name	Opening Balance	Increase in current period	Decrease in current period	Closing Balance	Proportion
Jiangsu huakai PKC wire harness co., LTD	100,000,000.00	-	-	100,000,000.00	100.00%
Total	100,000,000.00	-	-	100,000,000.00	100.00%

12. Surplus reserves

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Statutory surplus reserves	692,375.55	3,822,864.95	-	4,515,240.50
Total	692,375.55	3,822,864.95	-	4,515,240.50

13. Undistributed profits

Item	Closing Balance
Undistributed profit before adjustment at the end of the last year	6,231,379.92
加：年初未分配利润调整数	-
其中：会计政策变更	-
重大会计差错	-
其他调整因素	-
Undistributed profit after adjustment at the beginning of year	6,231,379.92
Increase this year	38,228,649.49
Plus: net profit attributable to owners for the current period	38,228,649.49
其他增加	-
Decrease this year	3,822,864.95

Subtraction: withdrawal of statutory surplus reserve	3,822,864.95
Ordinary share dividends payable	-
其他减少	-
Undistributed profits at the end of the period	40,637,164.46

(二) 利润表有关项目注释

14. Selling and distribution expenses

Item	Current period amount	Previous period amount
office expenses	364,443.00	416,985.52
labor cost	33,311.21	-
Express delivery, postal fee	1,907,139.94	23,601.84
meeting affair charge	33,311.21	-
Transfer warehouse expenses	2,918,813.24	63,237.44
Office Supplies	16,560.00	-
Other expense	339,228.31	512.26
Total	5,612,806.91	504,337.06

15. General and administrative expenses

Item	Current period amount	Previous period amount
rent	413,761.97	509,162.14
Labor cost	989,257.14	1,809,335.70
insurance	127,224.70	20,659.72
Depreciation cost	115,692.32	101,538.27
Recruitment	43,755.90	12,619.06
Vehicle use cost	86,807.38	48,156.75
Amortization of intangible assets	299,811.96	229,256.82
Other expense	3,442,715.69	285,480.68
Total	5,519,027.06	3,016,209.14

16. Research and development expenses

Item	Current period amount	Previous period amount
wage	7,016,008.98	3,975,735.85
bonus	562,873.52	263,741.99
Pension	34,947.28	172,045.24
welfare	848.00	66,172.03
medical insurance	222,821.67	65,236.31
housing fund	244,419.16	88,035.36
materials	5,387,308.91	12,642.00
travel expense	20,163.37	8,565.30
Other expense	93,408.38	16,480.69
Total	13,582,799.27	4,668,654.77

17. Financial expenses

Item	Current period amount	Previous period amount
Interest expenses	98,400.00	-
Less: Interest income	94,434.54	70,584.03
Plus: Losses from currency exchange	9,038.40	-

Less: exchange earning	-	-
Other expense	13,059.59	9,232.96
Total	26,063.45	-61,351.07

18. Non-operating incomes

Item	Current period amount	Previous period amount
Claim	60,118.82	23,000.00
Waste income	-	-
Government grants	1,014,000.00	-
Other expense	-	600.00
Total	1,074,118.82	23,600.00

19. Non-operating expenses

Item	Current period amount	Previous period amount
Tax fine for delaying payment	22,197.22	2.16
Administrative penalty	19,276.78	39,801.78
donate	-	-
Total	41,474.00	39,803.94

20. Income tax expense

Item	Current period amount	Previous period amount
Current Period Income Tax	4,966,856.20	259,762.00
Deferred Income Tax	-	-
Total	4,966,856.20	259,762.00

Appendix: Income Tax Calculation Table for the current period

Item	Amount
I. Total Pre-audit Profit	43,195,505.69
Add: Audit Adjustments	
II. Total Profit after Audit	43,195,505.69
III. Add: Increase in Tax adjustments	103,968.44
1. 55502.7RMB Yuan, 40% of Business Entertainment Expense for the year not included in the adjustment	62,494.44
2. Tax late fees	22,197.22
3. Administrative Fines	19,276.78
IV. Deduct: Reduction in Tax Adjustments	10,187,099.46
1. R & D expenses plus deduction	10,187,099.46
V. Tax Payable Income	33,112,374.67
Deduct: Make-up the loss in previous years	
Deduct: Tax-free income	
VI> Applicable Tax Rate	15.00%
VII. Actual Tax Payable Amount	4,966,856.20

Note: Above adjustment is for reference only. Final amount subject to the verification of tax authority.

21. Supplementary information to consolidated statement of cash flow

Item	Current period amount	Previous period amount
1.Reconciliation of net profit to cash flow from operating activities :		-
Net profit	38,228,649.49	4,911,470.72
Add: provision for asset impairment	-	-
Depreciation of fixed asset, oil and gas assets and productive biological assets	4,260,541.83	2,068,311.80
Amortization of intangible assets	299,811.96	229,256.82
Amortization of long-term deferred expenses	726,533.57	-
Losses from disposal of fixed assets, intangible assets and other long-term assets	-	-
Losses on the changes in the fair value	-	-
Financial expenses	26,063.45	-61,351.07
Losses on investments	-	-
Decrease in deferred tax asset)	-	-
Increase in deferred tax liabilities	-	-
Decrease in inventory	-22,113,330.57	-25,946,729.95
Decrease in operation receivables	-120,570,435.41	-35,087,327.41
Increase in operation payables	102,252,606.40	39,462,455.36
Others	2,813,267.06	-1,428,637.69
Net Cash Flow from Operating Activities	5,923,707.78	-15,852,551.42
2.Significant investing and financing activities not involving cash flow	-	-
Conversion of debt into capital	-	-
Reclassification of convertible bonds expiring within one year as current liability	-	-
Fixed assets acquired under finance leases	-	-
3.Net change in cash and cash equivalents	-	-
Closing balance of cash	1,608,108.70	1,904,890.24
Less: opening balance of cash	1,904,890.24	93,662.29
Add: cash equivalents at the end of the period	-	-
Less: cash equivalents at the beginning of the period	-	-
Net change in cash and cash equivalents	-296,781.54	1,811,227.95

VIII. Related parties and related party transactions

1.Related parties with control relationships

(1).Basic situation of related parties with control relationships

Related Party	Registration Place	Main business	Relationship with	Economic	Legal
Jiangsu Huakai PKC Wire Harness Co., Ltd.	Danyang, Jiangsu	Production and sales	shareholder	Limited	

(2).Shares or interests held and their changes

Related Party	Opening Balance		Increase in current period		Decrease in current period		Closing Balance	
	Amount	%	Amount	%	Amount	%	Amount	%
Jiangsu Huakai PKC Wire Harness Co., Ltd.	100,000,000.00		-		-		100,000,000.00	

2. A related party that does not have a control relationship but has a transaction

Related Party

Registration Place

Relationship with the company

not have		

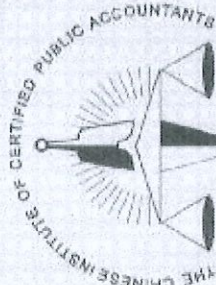
IX. Contingencies

There are no major contingencies on the closing date of the financial statements.

X. Post balance sheet event

the company has no major balance sheet issues.





中国注册会计师协会

姓名 钱峰峰
 Full name 钱峰峰
 性别 男
 Sex 男
 出生日期 1970-07-04
 Date of birth 1970-07-04
 工作单位 镇江明诚会计师事务所
 Working unit 镇江明诚会计师事务所
 身份证号码 3211117007041211
 Identity card No. 3211117007041211



年度检验登记
 Annual Renewal Registration

本证书继续有效合格。
 This certificate is valid for an
 this renewal.



钱峰峰(321100030005)
 您已通过2019年年检
 江苏省注册会计师协会



钱峰峰(321100030005)
 您已通过2018年年检
 江苏省注册会计师协会



钱峰峰(321100030005)
 您已通过2018年年检
 江苏省注册会计师协会

年度检验登记
 Annual Renewal Registration



钱峰峰(321100030005)
 您已通过2015年年检
 江苏省注册会计师协会

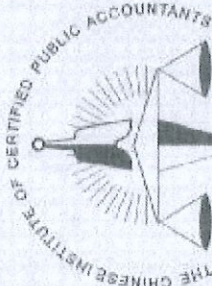
合格
 is valid for



钱峰峰(321100030005)
 您已通过2020年年检
 江苏省注册会计师协会

钱峰峰(321100030005)
 您已通过2017年年检
 江苏省注册会计师协会

年 月 日



中国注册会计师协会

姓名 朱小伟

Full name

性别 男

Sex

出生日期 1965-02-27

Date of birth

工作单位 镇江明诚会计师事务所

Working unit

身份证号码 321102650227001

Identity card No.



年度检验登记
Annual Renewal Registration

本证书继续有效
This certificate is valid
until renewal

年检专用章

朱小伟(321100030003)
您已通过2018年年检
江苏省注册会计师协会



朱小伟(321100030003)
您已通过2020年年检
江苏省注册会计师协会

年度检验
Annual Renewal



朱小伟(321100030003)
您已通过2015年年检



朱小伟(321100030003)
您已通过2019年年检
江苏省注册会计师协会



朱小伟(321100030003) 您已通过2016年年检
江苏省注册会计师协会



朱小伟(321100030003)
您已通过2017年年检
江苏省注册会计师协会

年 月 日



营业执照

编号 321102000201909050101



扫描二维码登录“国家企业信用信息公示系统”了解更多信息、备案、许可、监管信息。

统一社会信用代码

913211027168670210

(1/1)

名称 镇江明诚会计师事务所有限公司

注册资本 100万元整

类型 有限责任公司

成立日期 1999年12月24日

法定代表人 朱小伟

营业期限 1999年12月24日至2029年12月23日

围
抱
墙
经

住 所 镇江市长江路35号第5层521室

[illegible]

登记机关



2019

国家企业信用信息公示系统网址:

<http://www.gsxl.gov.cn>

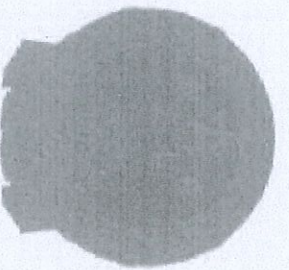
市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

证书序号: 0001463

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



会计师事务所 执业证书



名称:

镇江明诚会计师事务所有限公司

首席合伙人:

主任会计师:

经营场所: 朱小伟

镇江市长江路35号第5层521室

组织形式:

执业证书编号: 有限责任

批准执业文号: 32110003

批准执业日期: 苏财协[1999]113号

发证机关:

二〇一八年七月十一日



中华人民共和国财政部制