

YORK TRANSPORT EQUIPMENT (SHANGHAI) CO.,LTD.

Financial Statements

With Auditor's Report

For the Period from 1 January 2016

To

31 December 2016

(English Translation for Reference Only)

SHANGHAI XINPENG CERTIFIED PUBLIC ACCOUNTANTS PARTNERSHIP

09 May 2017

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AUDITOR'S REPORT

To The Board of Directors

YORK TRANSPORT EQUIPMENT (SHANGHAI) CO.,LTD. :

We have audited the accompanying financial statements of YORK TRANSPORT EQUIPMENT (SHANGHAI) CO.,LTD. (the 'Company'), which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the period from 1 January 2016 to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

I . Responsibility of management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of both the Accounting Standards and Accounting Regulations for Business Enterprises. This responsibility includes: i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; ii) selecting and applying appropriate accounting policies; iii) and making accounting estimates that are reasonable in the circumstances.

II . Responsibility of auditors

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards for Certified Public Accountants. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2016, and of its financial performance and its cash flows for the period then ended in accordance with the requirements of both the Accounting Standards and Accounting Regulations for Business Enterprises.

SHANGHAI XINPENG CERTIFIED PUBLIC ACCOUNTANTS Chinese CPA,

Yang Song

Shanghai China

Chinese CPA,

Ma Jian Guo

09 May 2017

BALANCE SHEET
31 December 2016

Monetary Unit: RMB Yuan

ASSETS	Notes	31 Dec. 2015	31 Dec. 2016
Current assets			
Cash at bank and on hand	4	3,353,980.51	361,270.98
Bills receivable		-	-
Accounts receivable	5	18,893,981.46	13,454,102.65
Other receivables		1,300.00	
Payments in advance		81,361.89	
Inventories	6	16,467,808.28	16,478,064.69
Deferred expenses		-1,300.00	
Sub-total of current assets		38,797,132.14	30,293,438.32
Fixed assets			
Fixed assets-cost	7	5,786,719.13	4,851,268.70
Less: Accumulated depreciation	7	1,617,584.08	1,776,241.60
Fixed assets-net book value	7	4,169,135.05	3,075,027.10
Sub-total of fixed assets		4,169,135.05	3,075,027.10
Intangible and other assets			
Intangible assets			
Long-term deferred expenses			
Sub-total of intangible and other assets		4,169,135.05	3,075,027.10
TOTAL ASSETS		42,966,267.19	33,368,465.42
LIABILITIES AND OWNERS' EQUITY	Notes	31 Dec. 2015	31 Dec. 2016
Current liabilities			
Accounts payable	8	24,126,475.02	16,010,803.56
Receipts in advance		144,161.09	144,161.10
Accrued payroll			
Staff welfare payable			
Taxes payable	9	-407,083.08	-455,736.91
Other payables	10	174,118.29	138,800.00
Other creditors			
Accrued expenses		15,840.01	
Sub-total of current liabilities		24,053,511.33	15,838,027.75
Money borrowed for long term			
Sub-total of Non-current liabilities			
Total liabilities		24,053,511.33	15,838,027.75
OWNERS' EQUITY			
Paid-in capital	11	18,761,000.00	18,761,000.00
Capital surplus			
Surplus reserve			
Retained earnings	12	151,755.86	-1,230,562.33
Total owners' equity		18,912,755.86	17,530,437.67
TOTAL LIABILITIES AND OWNERS'		42,966,267.19	33,368,465.42

The financial statements have been approved by the management and signed by:

General Manager,

SHARMAN ALOK DHAR

Finance Controller,

Li Min

The notes on pages 5 to 10 form an integral part of these financial statements.

INCOME STATEMENT

Period from 1 January 2016 to 31 December 2016

Monetary Unit: RMB Yuan

	<u>Notes</u>	<u>2015</u>	<u>2016</u>
Revenue from main operations		43,257,283.02	
Less, Cost of main operations		36,785,081.00	
Taxes and surcharge for main		89,471.65	
Profit/ loss from main operations		6,382,730.37	-
Add, Profit from other operations		-	
Less, Operating expenses		2,004,593.59	
General and administrative expenses	13	4,424,508.55	1,270,461.97
Financial expenses/(income)	14	96,217.90	111,856.22
Operating profit		-142,589.67	-1,382,318.19
Add, Non-operating revenue			
Less, Non-operating expenditure		-	
Profit before income tax		-142,589.67	-1,382,318.19
Less, Income tax		-	
Net profit		-142,589.67	-1,382,318.19

The notes on pages 5 to 10 form an integral part of these financial statements.

CASH FLOW STATEMENT

Period from 1 January 2016 to 31 December 2016

Monetary Unit: RMB Yuan

	2016
1	Cash flows from operating activities
	Cash received from the sale of goods or rendering of services
	5,439,878.82
	Tax refunds
	Other cash receipts relating to operating activities
	113,477.90
	<u>5,553,356.72</u>
	Sub-total of cash inflows
	8,071,392.51
	Cash paid for goods and services
	635,760.09
	Cash paid to and on behalf of employees
	1,314.48
	Payments of all types of taxes
	773,049.60
	Other cash payments relating to operating activities
	<u>9,481,516.68</u>
	Sub-total of cash outflows
	(1) <u>-3,928,159.96</u>
2	Cash flows from investing activities
	Net cash received from the sale of fixed assets, intangible assets
	and other long-term assets
	935,450.43
	Other cash receipts relating to investing activities
	Sub-total of cash inflows
	935,450.43
	Cash paid to acquire fixed assets, intangible assets and other long-
	term assets
	Sub-total of cash outflows
	-
	Net cash flows from investing activities
	<u>935,450.43</u>
3	Cash flows from financing activities:
	Cash received from investors
	Sub-total of cash inflows
	-
	Cash paid for distribution of dividends or profits and for interest
	expenses
	Sub-total of cash outflows
	-
	Net cash flows from financing activities
	-
4	Net increase in cash and cash equivalents (2) <u>-2,992,709.53</u>
5	Add: net increase in cash and cash equivalents of 2015
	<u>3,353,980.51</u>
6	Net increase in cash and cash equivalents of 2016
	<u><u>361,270.98</u></u>

The notes on pages 5 to 10 form an integral part of these financial statements.

1. General

YORK TRANSPORT EQUIPMENT (SHANGHAI) CO.,LTD. ('the Company') was originally established by YET SPECIAL PRODUCTS PTE LTD. The Company obtained the business license with reference No.of 91310115551582107N(Pu Dong) on Mar 29, 2010.

2. Significant Accounting policies and estimation

Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

Reporting currency

The reporting currency of the Company is the Renminbi.

Accounting measurement principal

The accrual basis is adopted for throughout these financial statements. Assets are measured at their historical cost.

Accounting treatment of foreign currency transactions

Transactions denominated in foreign currencies are translated into Renminbi (RMB) at the average market exchange rate prevailing at the dates of transactions [the beginning of the month in which the transaction occurs]. The balances of all foreign currency accounts are restated into RMB at the exchange rate prevailing at the end of an accounting period. The difference between the amounts restated into RMB and the amount recorded in RMB are accounted for as exchange gains or losses of the period. Exchange gains or losses incurred on a specific borrowing for the acquisition or construction of a fixed asset are capitalised as part of the cost of fixed asset; exchange gains or losses arising in the pre-operating period are recorded as long-term prepayments. Other exchange gains or losses are recorded as financial expense.

Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

(1) Definitions:

Inventories are finished goods or merchandise held by the Company for sale in the ordinary course of business, or work in progress in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(2) Measurement,

- i) Inventories are recorded at their cost. The cost of inventories comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition;
- ii) In determining the cost of inventories transferred out or issued for use, the actual costs are determined by the weighted average method.
The Company amortises the carrying amount of low value and short-lived consumable items and packaging materials and supplies with the resulting charge recognised as an expense.
- iii) Inventories are measured at the lower of cost and net realisable value at the end of an accounting period.
Where the net realisable value is lower than the cost, the difference is recognised as a provision for inventory write-down. Provision for inventory write-down is made by comparing cost with net realisable value on an individual item basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated expenses and related taxes necessary to make the sale.

Fixed assets

(1) Definition,

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; have useful life more than one year; and have relatively high unit price.

(2) Measurement,

Fixed assets are initially recorded at their cost.

(3) Fixed assets depreciation method,

Depreciation is provided monthly using the straight-line method. The estimated residual value rate, useful life and annual depreciation rate of each category of fixed assets are as follows:

	<u>Residual value rate</u>	<u>Useful life (year)</u>	<u>Depreciation rate</u>
Office equipment	10%	5	18
Electronic equipment	10%	10	9

(4) Provision for impairment of fixed assets,

The Company examined its fixed assets at the end of an accounting period. If the recoverable amount of a fixed asset is lower than its carrying amount, the Company will make a provision for impairment of fixed asset at an amount equal to the difference between the asset's recoverable amount and its carrying amount. The impairment loss is recognised in the income statement for the current period.

Revenue from sale of goods

When it is probable that the economic benefits will flow to the Company and the revenue and cost can be measured reliably, revenue is recognised in the income statement according to the following methods:

i) Sales of goods

Revenue is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the economic benefits associated with the transaction will flow to the Company, and the relevant amount of revenue and costs can be measured reliably.

ii) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the progress of the work performed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the cost incurred that are expected to be recoverable.

iii) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable rate.

3. Principal taxation

Value added tax

Input VAT from purchases of raw materials and other production materials (merchandise) can be netted off against output VAT from sales.

VAT payable or receivable is the net difference between periodic output and deductible input VAT.

Income tax

A taxable income is made after the offsets of deductible costs, expenses and losses in compliance with tax law.

Income tax payment is computed using the taxes payable method. The expense of income tax for the period is equal to the income tax payable for the period.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

Monetary Unit: RMB Yuan

4. Cash at bank and on hand

	31 Dec. 2015	31 Dec. 2016
Cash on hand	7,141.72	1,340.62
Cash at bank	3,346,838.79	359,930.36
Total	3,353,980.51	361,270.98

5. Accounts receivable

	31 Dec. 2015	31 Dec. 2016
Amount	18,893,981.46	13,454,102.65
Less: Provisions for bad debts		
Book value	18,893,981.46	13,454,102.65

Ageing analysis of accounts receivable,

	31 Dec. 2015			31 Dec. 2016		
	Amount	Rate %	Provision for bad debts	Amount	Rate %	Provision for bad debts
Within 1 year	4,528,283.00	23.97%				
Within 2 year	14,365,698.46	76.03%				
Within 3 year				13,454,102.65	100.00%	
Total	18,893,981.46	100%		13,454,102.65	100.00%	

6. Inventories

	31 Dec. 2015	31 Dec. 2016
Raw materials	16,467,808.28	16,478,064.69
Total	16,467,808.28	16,478,064.69
Provision for inventory write-down		
Inventory-net	16,467,808.28	16,478,064.69

7. Fixed assets & accumulated depreciation

	As at 1 Dec. 2015	Additions	As at 1 Dec. 2016
Original cost,	5,786,719.13	-935,450.43	4,851,268.70
Office equipment	194,699.74	-64,928.94	129,770.80
Electronic equipment	5,592,019.39	-870,521.49	4,721,497.90
Fixed assets improve	1,617,584.08	158,657.52	1,776,241.60
Accumulated depreciation,			
Office equipment	88,692.26	-19,543.22	69,149.04
Electronic equipment	1,528,891.82	178,200.74	1,707,092.56
Fixed assets improve	4,169,135.05	-1,094,107.95	3,075,027.10
Fixed assets-NBV,			
Office equipment	106,007.48	-45,385.72	60,621.76
Electronic equipment	4,063,127.57	-1,048,722.23	3,014,405.34

8. Accounts payable

	31 Dec. 2015	31 Dec. 2016
Amount	24,126,475.02	16,010,803.56

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

Monetary Unit: RMB Yuan

Book value

24,126,475.02

16,010,803.56

Ageing analysis of accounts payable,

	31 Dec. 2015			31 Dec. 2016		
	Amount	Rate %	Provision for bad debts	Amount	Rate %	Provision for bad debts
Within 1 year	4,712,798.53	19.53%				
Within 2 years	19,413,676.49	80.47%				
Within 3 years				16,010,803.56	100.00%	
Total	24,126,475.02	100.00%		16,010,803.56	100.00%	

9. Taxes payable

	Tax rate %	31 Dec. 2016
Value added tax	17%	-455,736.91
Urban maintenance and construction tax	5%	
Educational surcharges (containing place educational surcharges 2%)	5%	
River management	1%	
enterprise income tax	25%	
Individual income tax	3-45%	
Total		-455,736.91

10. Other payables

	31 Dec. 2015	31 Dec. 2016
Amount	174,118.29	138,800.00
Book value	174,118.29	138,800.00

Ageing analysis of other payables,

	31 Dec. 2015			31 Dec. 2016		
	Amount	Rate %	Provision for bad debts	Amount	Rate %	Provision for bad debts
Within 1 year	174,118.29	100.00%		138,800.00	100.00%	
Total	174,118.29	100.00%		138,800.00	100.00%	

11. Paid-in capital

	Rate %	2016
YET SPECIAL PRODUCTS PTE LTD	100.00%	18,761,000.00
Total	100.00%	18,761,000.00

12. Undistributed profit

	2015	2016
1. Year-end balance of last year	-142,589.67	151,755.86
Add: changes in accounting policies corrections of prior period errors		
2. Early this year the balance of this year	-142,589.67	151,755.86
3. Current term net profit	294,345.53	-1,382,318.19
4. Profit distribution		

NOTES TO THE FINANCIAL STATEMENTS**31 December 2016****Monetary Unit: RMB Yuan**

i) Appropriations to surplus reserves		
ii) Distribution to shareholders		
iii) Other		
5. Internal transfer of owners' equity		
i) Surplus reserves to make up losses		
ii) Other		
6. Year-end balance	<u>151,755.86</u>	<u>-1,230,562.33</u>

13. General and administrative expenses

	2016
Staff Salaries	628,175.79
Depreciation	466,472.16
Consultation fee	94,000.00
lawyer fee	75,000.00
lawyer fee	862.00
Other expenses	5,952.02
Total	<u>1,270,461.97</u>

14. Financial expenses / (income)

	2016
Interest exchange	
Less: interest income	2,370.34
Interest net exchange	-2,370.34
Exchange loss	113,477.90
Less: exchange earning	
Exchange net loss	113,477.90
Bank commission	748.66
Other	
Total	<u>111,856.22</u>