CHINA JINNUO MOTORS LIMITED

(BVI Company No. 2018952)

INFORMATION MEMORANDUM

issued in connection with the proposed technical listing of all 700,000,000 no par value ordinary shares (**Shares**) in the issued share capital of China Jinnuo Motors Limited on the Dutch Caribbean Securities Exchange (**DCSX**), all of which are non trade-able on admission to the official list of DCSX.

This information memorandum is issued on 31 October 2019.

Listing adviser

BIZTRACK CONSULTANTS PRIVATE LIMITED
企道策略咨询有限公司

IMPORTANT NOTICE

An application has been made for listing of the Company's securities described in this information memorandum to the Dutch Caribbean Securities Exchange N.V. (**DCSX**). The fact that DCSX may list these securities is not to be taken in any way as an indication of the merits of the Company or of its listed securities. DCSX takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims all liability for any loss howsoever arising from or in reliance upon any part of this document.

INFORMATION REQUIRED UNDER RULE 5(D)(1)

Listing Adviser:	Biztrack Consultants Private Limited (BVI Co. No. 1844908)
Directors:	(1) LI Zhongcai (2) ZHAO Haitao (3) SUN Baohong (4) FAN Junfeng (5) WANG Pengfei
Managing underwriter:	Not applicable, none appointed
Trustee:	Not applicable, none appointed
Guarantor:	Not applicable
Listing sought:	Technical listing
Rating of equity securities:	Not rated

TABLE OF CONTENTS

IMPORTANT NOTICE

This information memorandum is dated 31 October 2019 and is prepared by Kaifeng Jinnuo Motors Limited (BVI Company No. 2018952) in connection with its application for an equity listing on the Dutch Caribbean Securities Exchange N.V. (DCSX). No offer of securities is being made under this information memorandum.

Application for technical listing on DCSX

Application has been made for the technical listing of the Company's securities described in this information memorandum to DCSX. The fact that DCSX may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or its listed securities. DCSX takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

The approval of this document by the DCSX does not constitute an approval of its content or an approval to invest in the security nor an indication of the risks related to the issuer and/or security. The approval of the DCSX means that the document contains the information according to the rules and regulations of the DCSX and is presented in accordance to the format requirement of the DCSX.

Unauthorised representation

No person is authorised to provide any information or make any representation in connection with the Listing which is not contained in this information memorandum or is not publicly disseminated through the official announcement platform of DCSX.

Suitability of investment and risks

Before deciding to invest in the Company's securities following its listing on DCSX, prospective investors should read entirely this information memorandum, in particular, the summary of the Company's business in Section 3 and the risk factors in Section 5. Prospective investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues) and consider seeking advice from their accountant, bank manager, stockbroker, lawyer or other professional adviser before deciding to invest.

Definitions and photographs

Certain terms and abbreviations used in this information memorandum have defined meanings which are explained in the Defined Terms section.

The assets depicted in the photographs in this document are not the assets of the Company unless otherwise stated.

Forward-looking statements

This information memorandum includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding the Company's financial position, business strategies, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Company's current expectations. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements. These statements reflect views held only as at the date of this information memorandum. In light of these risks, uncertainties and assumptions, the forward-looking statements in this information memorandum might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

DEFINED TERMS

Unless the context otherwise permits or unless otherwise stated, the key terms and other defined terms used in this information memorandum shall have the meanings given to them as follows:

BVI	The Territory of the British Virgin Islands
Company	China Jinnuo Motors Limited (BVI Company No. 2018952)
Constitution	Collectively, the Memorandum and Articles of Association, being the constituting documents of the Company
Directors	Directors of the Company
DCSX	Dutch Caribbean Securities Exchange N.V. or, where the context so require, the securities exchange which it operates
ERHV	Extended range hybrid vehicles
Existing Shareholders	Shareholders as at the date of this information memorandum, all being legal and/or beneficial owners of the equity capital of the Operating Company before completion of the Restructuring, and whose shareholdings in the Company are in proportion to their interests in the equity capital of the Operating Company prior to the Restructuring
Group	The Company and its subsidiaries
Kaifeng Gangdong	Kaifeng Gangdong Group Co., Limited 《official name: 开封港东集团有限公司》, the former majority holding company of Kaifeng Jinnuo through which the Existing Shareholders hold their interests in Kaifeng Jinnuo
Latest Practicable Date	30 October 2019, being the latest practicable date before this information memorandum is finalized for Directors' approval
Listing	The Company's application to DCSX for a listing of the Shares on DCSX or, where the context so require, the Company's listing of the Shares on DCSX
Listing Rules	Rules and Regulations of the Dutch Caribbean Securities Exchange 2010 (current version January 1, 2014 v1) as may be amended or reissued from time to time
LSEV	Low speed electric vehicle
New Investors	The group of investors led by LI Zhongcai, the current chief executive officer of Kaifeng Jinnuo, who acquired the controlling stake in Kaifeng Jinnuo (then known as Henan Tiangong Vehicle Industry Co., Limited) in April 2016
Nuenergy Holdings	JNCY Nuenergy Holdings Sdn. Bhd.
Operating Company or **Kaifeng Jinnuo**	Kaifeng Jinnuo Vehicle Co., Limited《official name: 开封金诺车业有限公司》

RMB	*Renminbi* or the Chinese Yuan, the official currency of China, often indicated by the symbol "¥"
Relevant Financial Periods	Has the meaning given to it in paragraph 8.1(a)
Restructuring	The restructuring of corporate holdings of the Group described in paragraph 3.1
Share	One ordinary share in the issued and paid-up share capital of the Company
Shareholder	Shareholder shall mean: (a) a holder of a Share; OR (b) where the holder of a Share holds it as bare nominee for another person and such holding is registered in the Company's registers of ultimate beneficial owners, the ultimate beneficial owner of the said Share
US Dollar or US$	The Dollar, the official currency of the United States of America
WFOE	Henan Yaluoshi Trading Co., Limited 《official name: 河南亚罗士商贸有限公司》

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing one gender shall include the other gender. Reference to persons shall include corporations.

1. Chairman's statement

Dear investors and my fellow shareholders

To investors who do not already know about the Group, it gives me great pleasure to introduce to you China Jinnuo Motors Limited who, through its wholly-owned subsidiary, manufactures and sells low-speed electric vehicles or LSEVs in China. We are also in an advanced stage of developing a line of extended range hybrid vehicles or ERHVs which we, barring unforeseen circumstances, expect to launch in the market in six to nine months' time.

The markets for electric vehicles, both LSEVs and the more traditional electric auto-mobiles or EVs, in China has grown tremendously in the last few years. While driven by different factors, the markets for both LSEVs and EVs are expected to continue growing in the years to come albeit at slower growth rates.

The growing market for and popularity of LSEVs is driven by the low cost of buying and operating a LSEV, and little or no regulation on its use in most parts of China. To address certain adverse consequences of the widespread use of LSEVs such as its poor road safety record, the Chinese government has notified the market of its intention to tighten its regulation on the production and use of LSEVs particularly four-wheel LSEVs. The Chinese government is expected to introduce a regulatory instrument, namely the Technical Conditions for Four-wheel Low-speed Electric Cars, in 2021. This regulatory instrument is expected to have a significant impact on the whole LSEV industry in China. Nonetheless, I believe that the Group will able to satisfy and comply with the new requirements imposed by this regulatory instrument.

As you know, the demand for EVs and hybrid vehicles not only in China but elsewhere in the world is driven by the desire to be more environmentally friendly and to reduce the world's carbon footprint. The Chinese government has given a lot of fiscal and monetary incentives to develop this market driven in part by goal to reduce the country's reliance on imported fossil fuels and to reduce air pollution. One major drawback of traditional EVs and hybrid vehicles is its limited range of operation. This is particularly so in a large country like China. Therefore, I believe that the line of ERHVs which the Group will introduce to the market will sell well because these ERHVs are capable of very high mileage before requiring to be refuelled or recharged. I believe that this line of ERHVs will propel the Group's future growth exponentially.

The Company is now seeking to list on DCSX. My fellow directors and I believe that a listing on DCSX will give us, and our products, a higher profile in the market place. It will also allow us to raise funds as and when we need to fund our business operations and/or future growth, and to allow other stakeholders in our company such as suppliers and marketing partners to take equity stakes in the Company so that their interests are aligned with those of the Company and the Group.

This information memorandum is issued in connection with the Company's application for a technical listing on DCSX. It sets out more information about the Company, its current operations, its financial information and the more significant risks faced by the Company and its investors. Shareholders and interested investors should read this information memorandum carefully and in its entirety and, if so required, seek professional advice before deciding whether to invest or trade in the Company's shares after its listing on DCSX.

I hope that this information memorandum will help you to better understand us, as a company, and our business operations. If after knowing us better, you share the same view as we do on the future prospects of the Company, I hope that you would consider becoming a shareholder of the Company together.

Yours faithfully

LI Zhongcai
Chair and chief executive officer

2. Investment overview

Question	Answer	Where to find more information
Who is issuing this information memorandum?	This information memorandum is issued by China Jinnuo Motors Limited (BVI Company No. 2018952) (proposed stock symbol: JNCY), a company incorporated in BVI.	Paragraph 3.1
Who is the Company, and what is its business?	The Company was incorporated in BVI on 30 July 2019 as the listing entity of the Operating Company for its proposed listing on DCSX. The Operating Company is a company registered in China with an operating track record of more than 6 years. The Group' manufactures and sells LSEVs and its current line of products comprise: (a) speciality LSEVs such as sight-seeing vehicles and golf carts; and (b) four-wheel LSEVs. The Group expects to introduce to the market a range of ERHVs within six to nine months from the date of this information memorandum. The Group is based in Kaifeng City in Jiangxi Province, China.	Paragraph 3.3 to paragraph 3.9
How will the Company generate income?	The Group earn its revenue and cash inflows from the sales of LSEVs it produces to customers, and its net income before taxes is derived after deducting expenses such as sales commissions, cost of the products it manufactures and sells, administration and other expenses.	Paragraph 3.3
What is the Company's capital structure?	The Company has on issue only one class of shares, namely, ordinary shares. As of the date of this information memorandum, the Company's issued share capital comprise 700,000,000 ordinary shares. Key rights attaching to these shares are set out in paragraph 10.2.	Paragraph 6.1 and paragraph 10.2
Why is the Company seeking to list?	Directors believe that the listing of the Shares on DCSX is beneficial to the Company and Shareholders because a listing on DCSX will: (a) facilitate the Group to raise further capital when such additional capital is required to expand the Group's business operations or for such other purposes as	Paragraph 9.6

Question	Answer	Where to find more information
	they may arise; and (b) make the Company a more attractive investment target to suppliers, customers and other strategic partners because the Company accepts and submits itself to the regulations under the Listing Rules, particularly on issues such as continual disclosures and corporate governance. This will allow for these other stakeholders to take equity stakes in the Company so that their interests are aligned with those of the Company and the Group.	
Are the Shares trade-able?	No. The Company has applied for a technical listing on the DCSX. This means that all its 700,000,000 Shares are not trade-able on the DCSX trading platform until such time when the Company makes, and DCSX approves, the Company's application for the Shares, or any portion thereof, to be trade-able.	Paragraph 9.4
What material contracts has the Company entered into?	The Company or its child entities is a party to a number of important contracts. These include: (a) Equity Transfer Agreement in relation to the equity capital of Kaifeng Jinnuo between Kaifeng Gangdong Group Co., Limited, LI Zhongcai and CHEN Junyan (as transferors) and WFOE (as transferee); and (b) Share Sale Agreement in relation to Nuenergy Holdings between Mohd Aris Bin Daud (as vendor) and the Company (as purchaser). In addition to the above, the Operating Company had entered into other important contracts in the ordinary course of its business. These contracts are not disclosed in this information memorandum because they contain commercially sensitive information whose disclosure will prejudice and cause irreparable harm to the commercial interests of the Company and its shareholders.	Paragraph 3.10
What is the Company's historical financial performance?	As the Company was incorporated only on 30 July 2019, it has no track record of its own because it had remained dormant and had not entered into any financial transaction since its incorporation. The sole purpose for its incorporation was to hold 100% of the equity capital of the Operating Company which has an operating track record of more than 6 years. The	Section 8

Question	Answer	Where to find more information
	financial information set out in this information memorandum is derived from and relates to audited historical financial information of the Operating Company for the two most recent financial years ended 31 March 2018 and 31 March 2019.	
What are the key risks the Company faces?	There are risks associated with investing in the share market generally and in the Company specifically. Fuller details of these risks are set out in section 5, the more significant risks being: (a) The industry in which the Group operates is experiencing uncertainties arising from the upcoming regulatory changes; (b) Demand for LSEVs which the Group's produces can be affected by policy factors and other macroeconomic factors which are beyond the Group's control; (c) Raw materials which the Group uses for its production is subject to significant price fluctuations; and (d) The Group relies substantially on the successful implementation of the ERHV project for its future growth.	Section 5
Who are directors of the Company?	Directors of the Company are: (a) LI Zhongcai (b) ZHAO Haitao; (c) SUN Baohong; (d) FAN Junfeng; and (e) WANG Pengfei Their qualifications, work experience and shareholdings in the Company (if any) are set out in section 7.	Section 7
Who are substantial shareholders of the Company?	As of the date of this information memorandum, the details of shareholders who hold more than 10% of the Company's issued share capital are as follows:	Paragraph 6.2

Name	No. of shares	As a % of issued capital
LI Zhongcai	191,773,866	27.40%

Question	Answer	Where to find more information
What transactions has the Company entered into with related persons?	Save as disclosed below, the Group does not have any ongoing or potential transaction with related persons: (a) completed transaction with LI Zhongcai (and other persons) which are disclosed in paragraph 3.10(a); (b) the collaboration with Kaifeng Gangdong on the ERHV project as disclosed in paragraph 3.4(c); and (d) the remuneration and directors fees which the Company may pay to Directors.	Paragraph 3.11

3. The Company and an overview of its business

3.1. Introduction

The Company was incorporated in BVI on 30 July 2019 with a BVI company registration number 2018952.

In connection with and for the purpose of the Listing, Existing Shareholders restructured their interests in the Operating Company, a company which has an operating track record since 2013 (i.e., the Restructuring). The purpose of the Restructuring was so that Existing Shareholders hold their interests in the Operating Company indirectly through their shareholdings in the Company in the proportion of their interests in the equity capital of the Operating Company prior to the Restructuring.

The corporate structure of the Group on completion of the Restructuring and as at the date of this information memorandum is as follows:

China Jinnuo Motors Limited
(Incorporated in BVI)
(Proposed DCSX code: JNCY)

100%

JNCY Nuenergy Holdings Sdn. Bhd.

100%

Henan Yaluoshi Trading Co., Limited
《official name: 河南亚罗士商贸有限公司》

100%

Kaifeng Jinnuo Vehicle Co., Limited
《official name: 开封金诺车业有限公司》

Brief information of the companies within the Group are set out below:

Country	Date of incorporation or registration	Principal activities
(a) China Jinnuo Motors Limited		
BVI	30 July 2019	Investment holding
(b) JCNY Nuenergy Holdings Sdn. Bhd.		
Malaysia	27 June 2019	Investment holding
(c) Henan Yaluoshi Trading Co., Limited		
China	20 August 2019	Investment holding
(d) Kaifeng Jinnuo Vehicle Co., Limited		
China	27 February 2013	Production and sales of electric trucks and components, agricultural and other electric trucks and vehicles

The corporate objectives of the Company are:

(a) to create shareholder value by increasing the scale of operations of the Group's current business; and

(b) to develop upstream and downstream products that are either complements the Group's existing business, or which will add value to the Shareholders' stakes in the Company.

The Listing, which will give the Company a higher profile and to allow the Company to raise funds in the future when the need arises, is part of this growth strategy.

3.2. Stages of the Group's growth

The various stages of the Group's development can broadly be categorised into three stages as described in the paragraphs below.

The start up stage (2013 to early 2016)

The Operating Company was registered in February 2013 under the name Henan Tiangong Vehicle Industry Co., Limited. During its initial start up stage its primary business was the manufacture and sale of electric bicycles, electric tricycles and other four-wheel LSEVs. During this period, the Operating Company acquired its own land whereon it constructed its factory building to house its production facilities. The Operating Company's business did not perform well, and it suffered substantial losses and incurred substantial debts.

The business restructuring stage (mid 2016 to 2019)

In April 2016, the Operating Company brought in a new investor group (i.e., the New Investors) led by LI Zhongcai, who is currently its chief executive officer. The New Investors injected substantial funding to repay the Operating Company's debts and finance its ongoing operations. LI Zhongcai and many Existing Shareholders were part of this new investor group.

In addition to injecting additional funds, the New Investors also installed a new management team and implemented a structural change in the Operating Company's business focus. The production of electric bicycles and tricycles were discontinued while the production of four-wheel LSEVs were ramped up. It also introduced speciality LSEVs as a new line of product. In connection with the shift in business focus, the Operating Company also upgraded and modified its production facilities by installing automatic production lines to manufacture closed four-wheel LSEVs, and low-speed electric speciality vehicles such as sightseeing vehicles, patrol vehicles, golf carts and sanitation vehicles.

The Operating Company also commenced research and development for new technologies and products and, in the later stages of this period, started market entry preparation work for ERHVs.

During this period, the Operating Company also changed its name from Henan Tiangong Vehicle Industry Co., Limited to its present name.

The growth stage (from 2019)

Having pared down its operating losses, discharged a substantial portion of the debts accumulated during its start up stage and the introduction of new products which had been well-received by the market, Kaifeng Jinnuo is now poised to grow and expects to report marked improvement to its financial performance.

3.3. Principal business

The Group's business is carried out by Kaifeng Jinnuo, its wholly-owned subsidiary. The Group is based in Tongxu County, Kaifeng City in Henan Province, China. The map on the right shows the location of the Group's operational headquarters in China. As at the Latest Practicable Date, the Group employs about 150 employees. The number of employees employed by the Group is not subject to seasonal fluctuations.

The Group's current line of products comprise speciality LSEVs and four-wheel LSEVs. The Group expects to introduce to the market a range of ERHV within six to nine months from the date of this information memorandum. More details on the Group's existing products and the upcoming product are set out in paragraphs 3.4(a) and 3.4(c) respectively. The Group earn its revenue and cash inflows from the sales of LSEVs it produces to customers, and its net income before taxes is derived after deducting expenses such as sales commissions, cost of the products it manufactures and sells, administration and other expenses.

3.4. The Group's main products

(a) Current product line

(i) Speciality LSEVs

Speciality LSEVs are electric vehicles built for specific purpose or use. While there are some speciality LSEVs that are produced for *off-the-shelf* sales, a vast majority of speciality LSEVs are custom-built to order. Examples of uses of these speciality LSEVs are sightseeing vehicles, golf carts, patrol vehicles, airport tractors, sanitation vehicles, side-walk cleaning vehicles and van-type logistic trucks. The photos below show examples of speciality LSEVs which the Group produces for its customers.

Low speed electric sight-seeing vehicle

Low speed electric van-type logistics truck

Low speed electric patrol vehicle

(b) Four-wheel LSEVs

While very similar in appearance with traditional auto-mobiles, four-wheel LSEVs are usually much smaller and have a maximum driving speed of less than 70 km/h. Unlike speciality LSEVs, four-wheel LSEVs are mass-produced and there is no customization option for customers. Due to the robust market demand for such vehicles in recent years, the Group expects these four-wheel LSEVs to remain a main product line for the Group in the near to intermediate future. The photo on the left is one of the models of four-wheel LSEVs which the Group manufactures and sells.

(c) Upcoming product line

Kaifeng Jinnuo is developing a line of extended range hybrid vehicles (i.e., the ERHVs) in collaboration with Kaifeng Gangdong and other strategic partners. These ERHVs are similar to traditional electric vehicles which can be recharged externally and are fitted with a generator which is powered by the kinetic energy when they are in motion. However, the generators of the ERHVs which the Group plans to introduce to the market can, where required, be also powered by a fuel efficient petrol-powered motor. Using these technologies, these ERHVs are capable of very high mileage before requiring to be refuelled or recharged. Further detail of this upcoming line of ERHVs is not disclosed in this information memorandum because disclosure of this information before the product range is introduced to the market will adversely affect the Group's competitive first-mover advantage.

Kaifeng Gangdong is the former majority holding company of Kaifeng Jinnuo through which the Existing Shareholders hold their interests in Kaifeng Jinnuo. LI Zhongcai, a Director, and YUN Boheng, a key manager of Kaifeng Jinnuo, holds 52%

and 48% of the equity capital of Kaifeng Gangdong respectively for the Existing Shareholders (including LI Zhongcai).

3.5. Production

Kaifeng Jinnuo has completed the construction of the first phase of its planned production facilities on an area covering of 151.6 mu (or approximately 101,000 m^2). The current annual production capacity of the Group is 30,000 LSEVs. Directors believe that the Group's production facilities are relatively advanced in China for similar manufacturers. The Group's LSEV production lines consist of four parts, namely stamping, welding, coating and final assembly, which are detailed in the table below.

Stamping	The stamping production line is highly automated, with automatic robotic material loading and unloading system, fully-automatic vehicle model change system[1], and touch screen monitoring system with complete functions. This highly automated production line allows for speedy vehicle production with high manufacturing precision and high efficiency.
Welding	The welding production line includes main welding line system and adjustment line system. Main welding line system adopts welding robot, standard roller bed with full cover, whereas the adjustment line system relies on skilled welders to carry out precision welding as may be required. The whole welding production line is stable and reliable and is easily reconfigurable so that it can meet the production requirements of the Group's products under development.
Coating	The coating production line is designed and constructed to meet the latest national standards stated in the related environmental impact assessment documents in China. In particular, it is designed to address major environmental issues relating to coating processes such as waste water recycling and treatment, volatile organic and waste gases emission controls and toxic waste disposal.
Final assembly	The final assembly line is highly automated which requires minimal manual labour to operate. Key stations of this final assembly line are operated by precision mechanical hands which are fully adaptable to operate assembly of different types of electric vehicles.

3.6. Collaboration with other market participants

Kaifeng Jinnuo has established collaboration relations with several auto-mobile research institutions and other large auto-mobile enterprises. These include:

(a) established a new energy automotive engineering research centre jointly with Hainan Xingang Island New Energy Research Institute, a research institute under

1 This stamping line is capable to automatically reconfigure itself to the stamp and produce outputs for different parts for different models of LSEVs.

the Xingang Island Holdings Group which is engaged mainly in the development of new energy vehicles with extended-range drive;

(b) signed an agreement with Tsinghua University Suzhou Automotive Research Institute to jointly set up the New Energy Automotive Engineering Technology Research Centre and the Kaifeng Pure Electric Passenger Vehicle Engineering Technology Research Centre;

(c) Conducted a technical seminar on extended-range electric vehicles with Jilin University Automotive Research Institute.

3.7. Marketing and market network

Kaifeng Jinnuo currently markets its LSEVs through a network of dealers which it had developed over the past two to three years. These dealers located throughout China and are either auto-mobile 4S (sales, service, spare-parts and survey service) shops or shops who perform such 4S services for Kaifeng Jinnuo. As of the Latest Practical Date, Kaifeng Jinnuo's network of dealers comprise 31 dealers located in 17 provinces and in Beijing, a provincial-level municipality. As a show of their confidence in the future prospects of Kaifeng Jinnuo, a majority of these existing dealers have invested in Kaifeng Jinnuo and, as a result of the Restructuring, are now Existing Shareholders. Kaifeng Jinnuo is continually developing its marketing network and expects to sign up about another 10 dealers within six to nine months from the Latest Practicable Date.

The Group is currently upgrading Kaifeng Jinnuo's business website to include e-commerce capabilities so that it may advertise and sell its LSEVs on this website. As of the Latest Practicable Date, Kaifeng Jinnuo's business website is not yet online, and Directors expect it to be online within three to six months.

3.8. Market analysis

For investors to understand the market in which the Group operates, the Company had commissioned Guangzhou Darun Consulting Co., Limited to prepare a market analysis report for the LSEV market in China. Their report is reproduced in its entirety in section 4, edited only for formatting.

3.9. Intellectual properties

(a) Trademarks

The Group believes that putting service quality as its top priority will differentiate it and its products from its competitors. It also believes that operating its service centres under one common trade name or corporate identity is an important aspect of this commitment to quality. As of the Latest Practicable Date, the Group owns the following trademarks:

Trademark	Registration number	Expiry date (DD/MM/YY)	Products	Status
	16133860	13/03/2026	Sports car, sedan car, camping car, motor homes, auto-mobile wheels, vehicle tires, vehicle interior decoration, vehicle security device, vehicle anti-glare device, vehicle steering wheel.	Issued and active, application for change of applicant, registrant to Kaifeng Jinnuo and registrant's address is pending approval
JYN	30011771A	13 / 02 / 2029	Vehicle tires; snow chains; auto-mobile shock absorbers; cars; vehicle interior decorations; mobile vehicles for land, air, water or railway; auto-mobiles; electric vehicles; Land vehicle motor	Issued and active

(b) Patents

The Group pays much attention to independent innovation because it believes that its technical innovations will also set it and its products apart from its competitor. Where applicable, the Group will register these intellectual properties as patents under the applicable laws of China. As of the Latest Practicable Date, Kaifeng Jinnuo has 14 currently valid registered patents, of which two are invention patents and the remaining 12 are utility model patents. In addition to these, it also has applications for two invention patents which are still pending. Details of these patents are set out below:

	Description	Patent number	Application date (DD/MM/YY)	Patent type
Registered patents				
1	A new energy auto-mobile battery box with efficient cooling function	2017104150726	05/06/2017	Invention
2	A new energy vehicle	2017104196950	06/06/2017	Invention
3	New energy auto-mobile dynamometer	2017216646520	04/12/2017	Utility Model
4	A vehicle positioning device for vehicle charging	2017218794832	28/12/2017	Utility Model
5	A car charging pile for garage	2017218835419	28/12/2017	Utility Model

	Description	Patent number	Application date (DD/MM/YY)	Patent type
6	Double row electric car with telescopic cargo bin	2018217726885	30/10/2018	Utility Model
7	Buckle mechanism of folding roof and windshield	2018217735009	30/10/2018	Utility Model
8	Folding roof of electric car	2018217735013	30/10/2018	Utility Model
9	Remote intelligent fire-fighting vehicles	2018219910182	30/11/2018	Utility Model
10	Dual power supply for electric vehicles	2018219910197	30/11/2018	Utility Model
11	Extended-range engine bracket	2018219910267	30/11/2018	Utility Model
12	High-power extended-range direct-drive system for electric vehicles	2018219910271	30/11/2018	Utility Model
13	Motor cooling system for fire-fighting vehicles	2018219910318	30/11/2018	Utility Model
14	Recoil stop and return bracket used on fire trucks	2018219910642	30/11/2018	Utility Model
Patents pending				
15	Remote intelligent fire-fighting vehicles	2018114484107	30/11/2018	Invention
16	High-power extended-range direct-drive system for electric vehicles	2018114484111	30/11/2018	Invention

In relation to the patents which are still pending, there are a number of procedures which must still be completed before these patent applications or any of them, if approved, can be registered. These procedures may take a long time to complete.

The difference amongst utility model patents, invention patents and design patents, the protection given to owners of registered intellectual properties, be it trademarks or patents, under Chinese law and a general introduction to Chinese intellectual property law are set out in the relevant section of Annexure B – Overview of China's legal framework (the part of Annexure B on intellectual property protection starts on page 76).

3.10. Material contracts

The Company or its subsidiaries has entered into a number of important contracts. These are:

(a) Equity Transfer Agreement in relation to the equity capital of Kaifeng Jinnuo Vehicle Co., Limited between Kaifeng Gangdong Group Co., Limited, LI Zhongcai and CHEN Junyan (as transferors) and WFOE (as transferee)

Each of Kaifeng Gangdong, LI Zhongcai and CHEN Junyan (the **Transferors**) for themselves and as nominees for other Existing Shareholders entered into an Equity Transfer Agreement with WFOE, under which the Transferors transferred their aggregate 100% equity interest in Kaifeng Jinnuo to WFOE for nil consideration.

The agreements, in the standard format prescribed by the local office of the Department of Industry and Commerce (**DOIC**), are governed by the laws of China. The agreement was completed on 28 October 2019 when these transfers were duly registered with DOIC and the parties' obligations had been fulfilled in accordance with terms of the agreement. On completion of the these Equity Transfer Agreements, Kaifeng Jinnuo became a wholly-owned subsidiary WFOE who in turn is 100% owned by Nuenergy Holdings.

(b) Share Sale Agreement in relation to JCNY Nuenergy Holdings Sdn. Bhd. between Mohd Aris Bin Daud (as vendor) and the Company (as purchaser)

The Company entered into a Share Sale Agreement dated 29 October 2019 with one Mohd Aris Bin Daud (acting as bare nominee for the Existing Shareholders) under which the Company acquired 100 ordinary share representing the entire issued and paid-up share capital of Nuenergy Holdings and, indirectly, 100% interests in each of WFOE and Kaifeng Jinnuo for a notional or nominal consideration of RM4,200 (Ringgit Malaysia One Thousand Only). This purchase consideration was paid by way of U$1 in cash and the issue of 699,999,999 new fully paid shares in the Company's share capital to One Advisers Limited, the nominee agent designated by the Existing Shareholders.

This Share Sale Agreement which is governed by the laws of Malaysia was completed on 29 October 2019 when the new shares were issued to One Advisers Limited as nominee for the Existing Shareholders. Both parties' obligations had been fulfilled in accordance with the terms of the agreement. On completion of this agreement, each of Nuenergy Holdings, WFOE and Kaifeng Jinnuo became the Company's wholly-owned subsidiaries.

In addition to the above material contracts, the Operating Company had entered into other commercial contracts in the ordinary course of its business. Save as disclosed elsewhere in this information memorandum, none of these commercial contracts:

(i) are entered into with a related party; nor

(ii) contain onerous or unusual terms.

These commercial contracts include contracts with the Operating Company's suppliers and customers. These commercial contracts are not disclosed in this information memorandum because they contain commercially sensitive information, including the identities of the these suppliers and customers, and the terms under which they supply the products to the

Operating Company or under which the Operating Company sells products or provide services to them. Public disclosure of such sensitive information will prejudice and cause irreparable harm the commercial interests of the Company and the Shareholders.

3.11. Related party transactions

Save as disclosed below, the Group does not have any ongoing or potential transaction with related persons.

Disclosure:

(a) Completed transaction with LI Zhongcai (and other persons) which is disclosed in paragraph 3.10(a);

(b) the collaboration with Kaifeng Gangdong on the ERHV project as disclosed in paragraph 3.4(c); and

(b) Remuneration and directors fees which the Company may pay to Directors.

4. Market analysis

For investors to understand the market in which the Group operates, the Company had commissioned Guangzhou Darun Consulting Co., Limited (Darun Consulting) to prepare a market analysis report for low speed electric vehicles market in China. The report prepared by Darun Consulting has been reproduced verbatim – edited only formatting – in this section of the information memorandum. Darun Consulting has reviewed this section of the information memorandum and has consented to the reproduction of its report in this format.

1. Overview of low-speed electric vehicle industry in China

1.1. Definition of low-speed electric vehicles in China

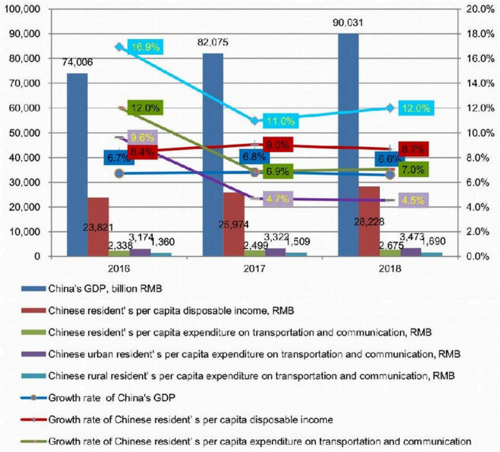
Low-speed electric vehicles (**LSEV**), although without a national and standard definition in China, usually refer to a kind of electric vehicles with low driving speed, short driving range and low technical level of key components such as batteries and motors. This classification was used in the regulatory guide Implementation Plan for the Notice to Enhance the Management of Low-Speed Electric Vehicles which was jointly issued by six national departments of Chinese government in the second half of 2018.

LSEVs in China can be divided into two categories. The first category is low-speed electric speciality vehicles with driving speed less than 30km/h. Examples of this type of LSEV are electric sightseeing vehicles, electric patrol vehicles, electric golf carts and electric sanitation vehicles. The other category is the closed four-wheel LSEVs, which is similar to passenger cars in appearance but are smaller than passenger cars and usually has maximum driving speed of less than 70km/h and a maximum driving range of around 100 kilometres. The latter category is dominant by sales volume, accounting for more than 80% of the annual sales in recent years.

2. Macro environment of low-speed electric vehicle industry in China

2.1. China's GDP growth and per capita disposable income

Figure 1: China's GDP, per capita disposable income, per capita expenditure on transportation, and their growth rates, 2016-2018



Source: National Bureau of Statistic of China

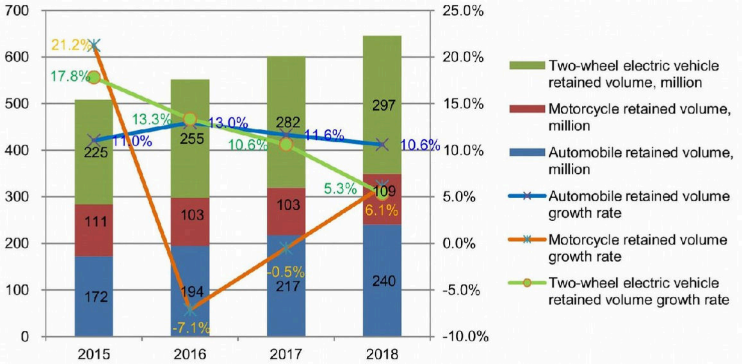
China's GDP growth and per capita disposable income increase have provided strong support for the LSEV market. Since its reform and opening up, China has achieved rapid economic development and its economic aggregate has ranked the second largest in the world since 2010. Although the growth rates of China's GDP and per capita disposable income have both slowed down in recent years, compared to years before 2011, they are still relatively fast compared to most other countries in the world. Chinese resident's expenditure has also been increasing, accounting for more than 9% of their per capita disposable income in the recent three years. The growth rate of rural resident's per capita expenditure on transportation has been much faster, atabove 10% in recent three years, compared to that of urban residents in the same period.

2.2. Major types of motor vehicles in China

In the past four decades, Chinese residents' major transportation vehicles have been upgrading, from bicycles and tricycles to motorized vehicles like motorcycles, two-wheel electric vehicles also called electric bicycles, and auto-mobiles. This upgrade is due to two factors. Firstly, Chinese residents are demanding faster and more comfortable transportation means and, secondly, Chinese residents' daily travel distance has been increasing because of China's growing urbanization and the expansion of its cities.

The major types of motorized vehicles in China at present are auto-mobiles, motorcycles, and electric vehicles, mainly two-wheel electric vehicles. After rapid growth for about two decades, China now has the world largest retained volume of motorcycles and two-wheel electric vehicles, and the second largest retained volume of auto-mobiles. China's auto-mobile sales volume has been the world largest for ten executive years as of the year 2018. In the past three to four years, China's retained volume of motorized vehicles has witnessed a slowdown in growth, especially that of motorcycles. The market of two-wheel electric vehicles in China has gradually matured, and the development of motorcycles has faced policy restrictions in China's big cities, especially in the down-town areas because of the high traffic violation incidence and the serious traffic safety problems caused by this.

Figure 2: Retained volume of automobiles, motorcycles and two-wheel electric vehicles in China, 2016-2018



Source: The Ministry of Public Security of China, China Vehicle Emission Control Center, Darun Consulting

There is still growth potential for China's auto-mobile market, although its growth rate has slowed down in the recent three years. China's auto-mobile market has been in strategic adjustment period as Chinese government has making great efforts to promote new energy auto-mobiles which is a key focus of the efforts of the Chinese government to solve the country's severe air pollution problem.

2.3. Sales volume of automobile and new energy automobiles in China in recent years

After years of growth, China's auto-mobile market has started to mature and the growth pace has slowed in recent several years. In 2018, China's auto-mobiles sales volume decreased by 2.8% year-on-year to 28.08 million, the first negative growth since 1990 according to data released by China Association of Auto-mobile Manufactures (CAAM).

Chinese consumers held a wait-and-see attitude towards China's auto-mobile market that year for various factors, such as the phasing out of purchase tax cuts on smaller cars, the uncertainty of import tariffs, the continued rise in refined oil prices, and the early implementation of China VI Vehicle Emission Standards, one of the world's strictest rules on auto-mobile pollutants, in some regions. The new emission standards were initially set to take effect nationwide from 1 July 2020. A three-year action plan on air pollution control released in July 2018 urged early implementation in major heavily-polluted areas, namely the Pearl River Delta region, Sichuan Province and Chongqing Municipality.

Compared with the relatively sluggish overall auto-mobile market, new energy vehicles driven by electricity have been developing remarkably in China in the past three years, with CAGR of 57.4% during the period from 2016 to 2018. China's new energy auto-mobile sales volume increased from 507,000 in 2016 to 1,256,000 in 2018. With national policy support, new energy auto-mobiles have been gradually recognized by Chinese consumers and its share among China's total auto-mobile sales has been on the rise, reaching 4.5% in 2018.

Figure 3: Sales volume of auto-mobiles and new energy auto-mobiles in China, 2016-2018

Source: China Association of Auto-mobile Manufactures (CAAM), Darun Consulting

3. Policies of low-speed electric vehicle industry in China

3.1. Current status

Different from the comprehensive subsidies and strong policy and financial support for new energy auto-mobiles, the Chinese government has not issued any subsidies or supporting policies for the development of LSEVs. This industry has been developing for years without any national technical standards applicable to LSEVs, their production and use.

Currently, to produce of low-speed electric speciality vehicles, manufacturers in China are required to obtain the Manufacturing Licence of Special Equipment issued by the General Administration of Quality Supervision, Inspection and Quarantine of China, and they must follow the national standard GB/T 21268-2014 General Technical Conditions for Off-highway Sightseeing Cars. However, in relation to the production of four-wheel LSEVs, China has not yet issued any national standards on their production. Some manufacturers now are producing four-wheel low-speed electric vehicles, which are driven on the road, following the national standard and obtain the manufacturing licence for low-speed sightseeing cars, which are supposed to be driven off the road. Some other manufactures even do not have any production qualification.

The lack of national technical standard and production management policy has resulted in low and chaotic quality problem of LSEVs in China. The government recognizes that it is highly urgent to formulate and release national standards and policies to manage the production of LSEVs, especially four-wheel LSEVs, given the market for LSEVs is relatively large, and had attempted to formulate and issue the Technical Conditions for Four-Wheel Low-Speed Electric Vehicles in 2016 and again in 2017. These efforts were not successful because different departments regulating this industry from different perspectives could not reach agreement on whether four-wheel LSEVs should be classified as auto-mobiles, whose production standards are much higher which a majority, if not all, existing manufacturers of could not meet.

There is also no policy in China to govern the use of four-wheel LSEVs. Currently, most users of such vehicles use them without a driving licence nor do their four-wheel LSEV have a vehicle registration plate. This is the cause for the high traffic accidents involving four-wheel LSEVs in recent years.

3.2. Two recent key policy initiatives

The Chinese national government has realized the urgent need to enhance the management of this industry. On 8 November 2018, China's Ministry of Industry and Information Technology released the Notice on Strengthening the Management of Low-speed Electric Vehicles (the **Notice**) jointly with five other national departments which aims to strengthen the regulation and management of LSEVs.

The Notice consists of three key aspects, namely:

(1) Provincial governments are responsible for the management and supervision of LSEVs in their jurisdictional areas. They are supposed to carry out the cleaning up and rectification of LSEV production and sales enterprises in their regions within a certain period, guiding qualified enterprises to upgrade their products and production standards, and phasing out unqualified products and enterprises which produce these unqualified products. After the upgrade:

(a) qualified LSEV enterprises will obtain production qualification for new energy vehicles, passenger vehicles or commercial vehicles;

(b) certain other producers will be licensed to produce low-speed three-wheeled vehicles that meet relevant specifications;

(c) certain other enterprises will be transformed into auto parts manufacturers; and

(d) the remaining unqualified enterprises will be eliminated.

(2) New capacity of four-wheel low-speed electric vehicles is prohibited before the issue of national technical standards and industry management policies. In other words, no business licence will be issued to enterprises whose business is to be the manufacture and/or sale of LSEVs.

(3) A long-term supervision mechanism for low-speed electric vehicle industry whould be established, including the Technical Conditions for Four-Wheel Low-Speed Electric Vehicles.

Based on the Notice, major LSEV production provinces such as Shandong, Jiangsu, Hubei, Henan, Hainan and Hebei have issued relevant management policies. All of these provincial governments, instead of banning the production, operation and sales of four-wheel low-speed electric vehicles immediately, have set a 3-5 year transition period for this industry. For example, on 1 February 2019, Shandong Department of Industry and Information Technology released the Guidance of Qualified Low-speed Electric Vehicle Enterprises to Upgrade which states that qualified LSEV enterprises should be guided to improve their quality in terms of enterprise scale, investment, R&D, product quality and after-sales service.

On 21 March 2019, the Ministry of Industry and Information Technology issued its plan to formulate the Technical Conditions for Four-Wheel Low-Speed Electric Vehicles, according to which the management of four-wheel low-speed electric vehicles will be included in scope of the management of auto-mobiles and that mandatory national standards will be formulated by 2021.

4. Overview of low-speed electric vehicle industry in China

4.1. Development history and current status of China's low-speed electric vehicle industry

Traditional auto-mobiles and new energy auto-mobiles whose development in China started to cater to demands of high and middle income residents in big cities. In contrast, the development of the LSEV industry emerged and boomed from the late 2000s in China's countryside, towns and lower tier cities, where a vast majority its residents' income level is relatively low compared to consumers of traditional auto-mobiles. These residents' daily travel distance is shorter than those in big cities. Therefore, in spite of their relatively slow speed and short maximum drive range, LSEVs can fully meet the demand of consumers in China's countryside, towns and lower tier cities to travel more comfortably than electric bicycles or tricycles especially during bad weather, and at much affordable prices than those of traditional auto-mobiles and new energy auto-mobiles.

The low prices of LSEVs in China, usually ranging from RMB20,000 to RMB50,000 and some even as low as several thousand Yuan is the key reason for its rapid growth in China's market. The reasons why the cost of LSEVs are low are:

(a) without a national technical standard on LSEVs in China, their production standard is much lower than that of traditional auto-mobiles and new energy auto-mobiles; and

(b) most LSEVs in China, approximately nine out of ten, use lead-acid batteries which have a useful life of 2 to 3 years instead of the much more expensive lithium batteries that have longer useful life.

There are other factors attributing to the rapid popularization of LSEVs in China, mainly in its countryside, towns and lower tier cities. The spacious living places of residents in such regions suggest sufficient parking space and easy charging of LSEVs. The traffic in these areas is less dense, making it possible for users without driving licences to drive these LSEVs.

Because of the factors above, China has witnessed unprecedented growth of low-speed electric vehicles in the past more than ten years. China's annual sales volume of low-speed electric vehicles in China has grown from only 20,000 in 2013 to more than 12 million during the period from 2016 to 2018, exceeding that of new energy auto-mobiles in China in this period. As of end of 2018, for every one hundred auto-mobiles owned by Chinese consumers, 2.2 are low-speed electric vehicles.

However, after more than ten years development, four-wheel low-speed electric vehicles' safety problems and rapidly rising road traffic accidents caused by such vehicles have become the biggest problem hindering this industry's development in China. Although most four-wheel low-speed electric vehicles in China's market are actually motor vehicles, their production and use do not come under China's motor vehicle management system. There is also no national technical standard on LSEVs, while some provincial governments set its own standard or industry management and supervision policies. These are in the minority, and comprise the several provinces whose manufacturers produce vehicles which are sold all over the country. To compound the problem, in most regions of China, users of LSEVs do not need to have as driver's licence to drive such vehicles nor are they require to obtain registration plates for their LSEVs.

The above factors have led to many road traffic accidents, including a number of fatal accidents, in China. Therefore, in the recent two years, China's central government has been pushing on work to formulate national technical standard on four-wheel low-speed electric vehicles, which is expected to be released in 2021. Before the release of the national technical standard, the years 2019 and 2020 is a transitional period for the four-wheel LSEV industry, whose growth is expected to be slow or even negative in this period.

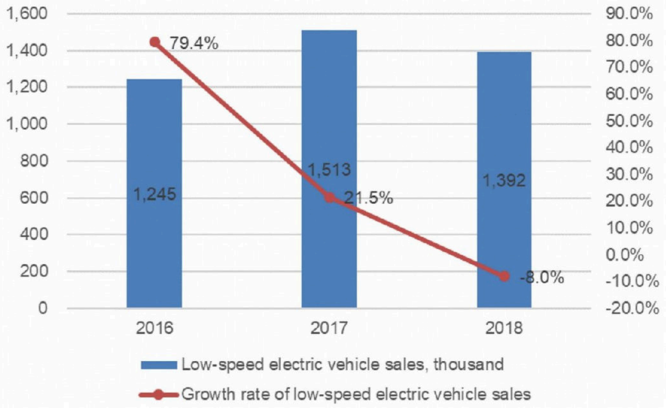
4.2. Market size of low-speed electric vehicles in China

China has witnessed rapid development of LSEVs during the years from 2013 to 2017, with a CAGR of over 60% in this period. The sales volume increased to 1,513,000 in 2017. But after years of rapid growth, sales of LSEVs in China fell to 1,392,000 in 2018, down 8% compared to that in 2017.

China's two types of low-speed electric vehicles, low-speed electric speciality vehicles, whose maximum speed is less than 30km/h, and four-wheel LSEVs, whose maximum usually less than 70km/h, have different sales growth rates in the recent three years. Accordingly, their market shares have also been changing. Four-wheel LSEV sales accounted for the majority part, with 92.4% in 2016, 92.8% in 2017 and 89.3% in 2018.

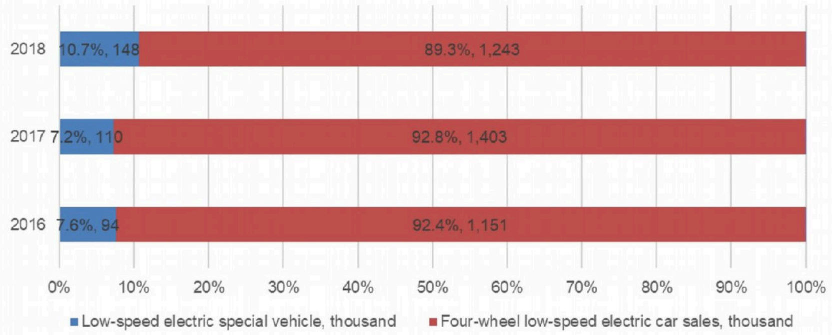
According to data from the Shandong Association of Automobile Manufacturers, the provinces with fastest LSEV output growth in China are Shandong, Jiangsu, Henan and Hebei. Among them, Shandong Province's production of LSEVs ranked the first in China, accounting for about 50% of the total.

Figure 4: Low-speed electric vehicle sales in China, 2016-2018



Source: Darun Consulting

Figure 5: China low-speed electric vehicle's sales and shares by type, 2016-2018



Source: Darun Consulting

5. Forecast on China's low-speed electric vehicle industry in 2019-2020

5.1. Drivers and barriers of low-speed electric vehicle industry in China

(a) Drivers

(i) Huge demand

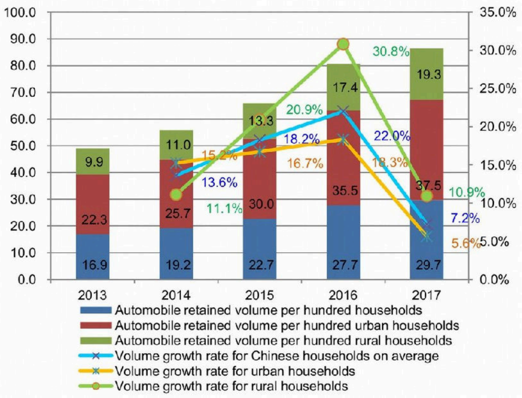
With the improvement of living standards and the improvement of road traffic conditions, residents of third-tier and fourth-tier cities in China have an increasing demand for convenient transportation. The low price and sufficient driving range of four-wheel LSEVs can better meet the basic traffic needs of residents of third-tier and fourth-tier cities. In spite of the rapid growth rates and large sales volume of auto-mobiles, motorcycles and two-wheel electric vehicles in China in the past ten to twenty years, there is still much growth potential for four-wheel LSEVs in China for the following reasons:

(A) China's rural residents have much lower auto-mobile retained volume per household, compared to the level of urban residents in China. China's auto-mobile retained volume per hundred households in the rural region has been much lower than the level of in urban region, 19.3 for the former and 37.5 for the latter in 2017. This suggests great potential for four-wheel LSEVs, which are more competitive than auto-mobiles in China's rural regions; and

(B) The robust demand for more comfortable transportation vehicles from existing Chinese users of motorcycles and two-wheel electric vehicles, especially those in China's countryside, towns and lower-tier cities, also means great development potential for four-wheel LSEVs in China. Chinese rural residents have much higher retained volume of motorcycles and two-wheel electric vehicles per household than urban residents.

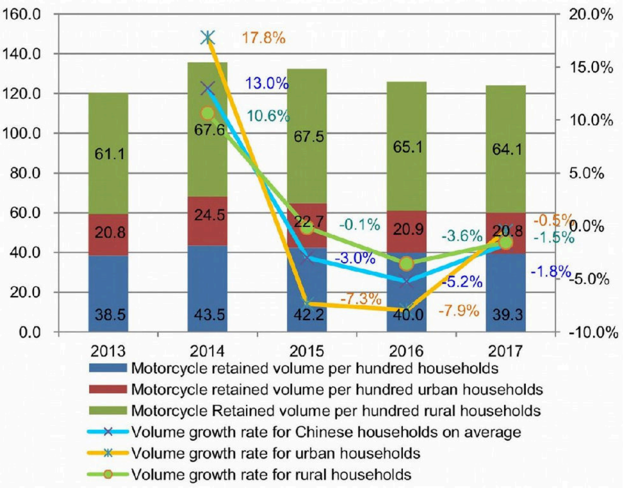
Low-speed electric speciality vehicles are widely used in China's factories, schools, tourist attractions, golf courses, hotels, docks, real estate, police patrols and the provision of municipal services such as rubbish collection.

Figure 6: Retained volume of automobiles of Chinese rural and urban residents, 2015-2017



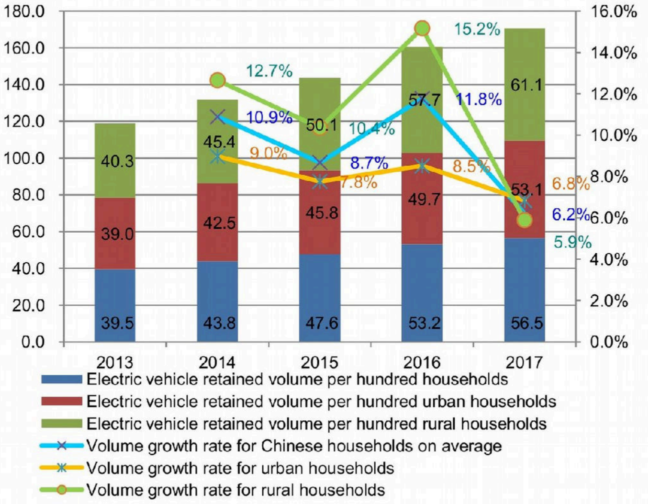
Source: National Bureau of Statistics of China

Figure 7: Retained volume of motorcycles of Chinese rural and urban residents, 2015-2017



Source: National Bureau of Statistics of China

Figure 8: Retained volume of electric vehicles of Chinese rural and urban residents, 2015-2017



Note: Electric vehicle here refers mainly to two-wheel electric vehicle.
Source: National Bureau of Statistics of China

(ii) Competitive price as compared to new energy vehicles

As Chinese government has been cutting subsidy for new energy cars, the major competitor for four-wheel LSEVs, the price advantage of four-wheel LSEVs will be more apparent. In 2019, new energy vehicles with a range of less than 250 kilometres will no longer be eligible for subsidies, according to the Notice on Further Improving the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles which is jointly issued by China's Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the National Development and Reform Commission on March 26, 2019. After the subsidy is removed, it will be difficult to for new energy car manufacturers to sell high-speed electric cars at prices lower than RMB50,000. So, with prices in the range of RMB20,000 to 50,000, four-wheel LSEVs will have no significant competitor.

(b) Barriers

(i) Low safety seriously hinders the development of LSEVs

Four-wheel LSEVs are road motor vehicles, but their production and use in China currently are not included in China's motor vehicle management system. Therefore, it is not surprising that most four-wheel LSEVs do not meet the current requirements of motor vehicle safety technical standards. Problems such as disorderly production, driving without a driving licence and driving plate have caused many road traffic accidents. According to the statistics of the relevant department, there were 830,000 traffic accidents involving LSEVs in China in the period from 2013 to 2017 which caused approximately 18,000 and 186,000 fatalities and injuries respectively. The number of accidents and deaths caused by LSEVs in China has increased year by year, with the growth rates of 23.3% and 30.9% respectively in 2016 and 2017.

(ii) Uncertainty caused by possible prospect of four-wheel low-speed electric vehicles to be included in motor vehicle management scope

According to the formulation plan of Technical Conditions for Four-wheel Low-speed Electric Vehicles issued by the Ministry of Industry and Information Technology on 21 March 2019, the management of four-wheel LSEVs will be included in the motor vehicle management scope, and mandatory national standards will be formulated by 2021. Accordingly, the investment requirements, production scale and product quality of LSEVs may gradually need to be improved to the same level as that for traditional auto-mobiles. Therefore, the advantages of four-wheel LSEVs such as there being no requirement for licence plate and driving licence to operate these vehicles will not exist in the future. More people may choose to increase their budgets to purchase traditional electric vehicles, particularly the cheaper models.

(iii) New production capacity of low-speed electric vehicles is strictly prohibited

According to the Notice, new production capacity of low-speed electric vehicles is strictly prohibited. The Notice requires governments at all levels to stop issuing policies encouraging the development of existing LSEV enterprises, releasing access conditions for LSEVs or giving approval to new LSEV investment projects or new enterprises.

5.2. Market size forecast in 2019-2020

China's sales of LSEVs in total are predicted to decline by about 4% to 5% annually in the years 2019 and 2020. The sales volume is expected to drop to 1,259, 000 in 2020. For four-wheel LSEVs, the 2019 and 2020 will be a transitional period for the industry before the release of the national standard in 2021. Its sales in the coming two years are predicted to drop around 10% annually. However, we do not expect the sales of low-speed electric speciality vehicles to be adversely affected by these industry developments, and it is forecasted to continue increasing by about 20% annually these coming two years.

After the national standards are released in 2021, LSEV production lines that do not meet requirements of the national standards are to be eliminated. Therefore, during 2019 and 2020, we expect that existing LSEV manufacturers who are capable of meeting the coming standards to increase its R&D investment, improve product quality, apply for national production qualifications for new-energy vehicles or cooperate with existing auto-mobile manufacturers through transformation and upgrading, enter into mergers and reorganizations in order to be able to produce vehicles meeting the coming standards. We further expect that small-sized enterprises that is not likely to meet the standards will transform its production facilities to produce auto parts in this period, failing which they will be eliminated from the market when the national technical standards on LSEVs is released and implemented in 2021.

6. Major players in China's low-speed electric vehicle industry

Attracted by the rapidly growing market for LSEVs in China in recent years, many enterprises have entered this industry and the number of manufacturers has been increasing year by year. By August 2019, the number of LSEV manufacturers in China has exceeded 100. Below are the top four LSEV enterprises in China. While none of these four enterprises are listed on a recognized securities exchange, they dominate the Chinese market. In 2018, the total sales of LSEVs of these four enterprises accounted for about 40% of the total sales of LSEVs in China.

6.1. Hebei YOGOMO Times Automobile Co., Limited (**YOGOMO**)

YOGOMO was established in 2016 when it was separated from Hebei Yujie Automobile Industry Co., Ltd. (now known as Linktour Automobile Co., Limited). The purpose of this separation was so that YOGOMO now specializes in LSEVs, while Linktour Automobile Co., According to the formulation plan of Technical Conditions for Four-wheel Low-speed Electric Vehicles issued by the Ministry of Industry and Information Technology on 21 March 2019, the management of four-wheel LSEVs will be included in the motor vehicle management scope, and mandatory national standards will be formulated by 2021. Accordingly, the investment requirements, production scale and product quality of LSEVs may gradually need to be improved to the same level as that for traditional auto-mobiles. Therefore, the advantages of four-wheel LSEVs such as there being no requirement for licence plate and driving licence to operate these vehicles will not exist in the future. More people may choose to increase their budgets to purchase traditional electric vehicles, particularly the cheaper models.

(iii) New production capacity of low-speed electric vehicles is strictly prohibited

According to the Notice, new production capacity of low-speed electric vehicles is strictly prohibited. The Notice requires governments at all levels to stop issuing policies encouraging the development of existing LSEV enterprises, releasing access conditions for LSEVs or giving approval to new LSEV investment projects or new enterprises.

5.2. Market size forecast in 2019-2020

China's sales of LSEVs in total are predicted to decline by about 4% to 5% annually in the years 2019 and 2020. The sales volume is expected to drop to 1,259, 000 in 2020. For four-wheel LSEVs, the 2019 and 2020 will be a transitional period for the industry before the release of the national standard in 2021. Its sales in the coming two years are predicted to drop around 10% annually. However, we do not expect the sales of low-speed electric speciality vehicles to be adversely affected by these industry developments, and it is forecasted to continue increasing by about 20% annually these coming two years.

After the national standards are released in 2021, LSEV production lines that do not meet requirements of the national standards are to be eliminated. Therefore, during 2019 and 2020, we expect that existing LSEV manufacturers who are capable of meeting the coming standards to increase its R&D investment, improve product quality, apply for national production qualifications for new-energy vehicles or cooperate with existing auto-mobile manufacturers through transformation and upgrading, enter into mergers and reorganizations in order to be able to produce vehicles meeting the coming standards. We further expect that small-sized enterprises that is not likely to meet the standards will transform its production facilities to produce auto parts in this period, failing which they will be eliminated from the market when the national technical standards on LSEVs is released and implemented in 2021.

6. Major players in China's low-speed electric vehicle industry

Attracted by the rapidly growing market for LSEVs in China in recent years, many enterprises have entered this industry and the number of manufacturers has been increasing year by year. By August 2019, the number of LSEV manufacturers in China has exceeded 100. Below are the top four LSEV enterprises in China. While none of these four enterprises are listed on a recognized securities exchange, they dominate the Chinese market. In 2018, the total sales of LSEVs of these four enterprises accounted for about 40% of the total sales of LSEVs in China.

6.1. Hebei YOGOMO Times Automobile Co., Limited (**YOGOMO**)

YOGOMO was established in 2016 when it was separated from Hebei Yujie Automobile Industry Co., Ltd. (now known as Linktour Automobile Co., Limited). The purpose of this separation was so that YOGOMO now specializes in LSEVs, while Linktour Automobile Co., Limited continues to focus on traditional new energy passenger vehicles. The separation of the business was intended to mitigate the negative impact caused by the uncertainties caused by new policies on the LSEV industry which the Chinese government will implement in the coming two years.

Table 1: Info of Hebei YOGOMO Times Automobile Co., Limited, 2016-2018

Company name abbreviation	YOGOMO
Established year	2016
Registered capital	RMB100 million
Capacity in 2018, per annum	325,000
Sales volume in 2016	94,000
Sales volume in 2017	110,000
Sales volume in 2018	95,000

Source: YOGOMO and Darun Consulting

6.2. Shandong Lichi New Energy Automobile Co. Limited (**Lichi**)

Lichi has four fully automatic low-speed electric vehicle production workshops, namely stamping, welding, painting and general assembly, with an annual production capacity of 300,000. More than 60% of the components of the company needs are manufactured by itself. In July 2015, Lichi was invested by and became a subsidiary of Loncin Motor Co., Limited, a leading producer of motorcycles, motorcycle engines and universal gasoline engines in China, whose motorcycle output in 2018 was the second largest in China and whose motorcycle export was the largest of all Chinese exporters in 2018.

Table 2: Info of Shandong Lichi New Energy Automobile Co., Limited, 2016-2018

Company name abbreviation	Lichi
Established year	2011
Registered capital	RMB360 million
Capacity in 2018, per annum	300,000
Sales volume in 2016	59,000
Sales volume in 2017	66,000
Sales volume in 2018	53,000

Source: Lichi and Darun Consulting

6.3. Shandong Levdeo Electric Drive Technology Co., Limited (**Levdeo**)

Levdeo is engaged in the R&D, manufacturing, sales and after-sales service system of LSEVs and key parts. Levdeo has upgraded its product line to offer a range of products from single speed LSEV to traditional passenger vehicles, commercial vehicles and new energy vehicles. Levdeo established a manufacturing base for new energy vehicles after acquiring Shaanxi Qinxing Automobile Co., Limited in April 2018. It took full ownership of Sichuan Yema Automobile Co., Limited and obtained the qualification of producing fuel vehicles and new energy vehicles in January 2019.

Table 3: Info of Shandong Levdeo Electric Drive Technology Co., Limited, 2016-2018

Company name abbreviation	Levdeo
Established year	2012
Registered capital	RMB100 million
Capacity in 2018, per annum	250,000

Sales volume in 2016	150,000
Sales volume in 2017	210,000
Sales volume in 2018	287,000

Source: Levdeo and Darun Consulting

6.4. Weifang Hantour New Energy Automobile Technology Co., Limited (**Hantour**)

Hantour entered the LSEV industry in 2014, and its newly built high-standard industrial park was put into production in 2018. It is a professional vehicles and accessory manufacturer of new energy vehicles, integrating research, development, manufacturing, sales and service. The company and its subsidiaries have the capacity of 200,000 per annum for LSEVs and 100,000 per annum for high-speed electric vehicles.

Table 4: Info of Weifang Hantour New Energy Automobile Technology Co., Limited, 2016-2018

Company name abbreviation	Hantour
Established year	2014
Registered capital	RMB100 million
Capacity in 2018, per annum	200,000
Sales volume in 2016	30,000
Sales volume in 2017	50,000
Sales volume in 2018	80,000

Source: Hantour and Darun Consulting

5. Risk factors

An investment in the Company is not risk free. Before deciding to trade in the Shares, Shareholders and prospective investors should read this information memorandum in its entirety, consider at least the following risk factors in light of their personal circumstances and investment objectives (including financial and taxation issues) and seek professional advice from their accountant, bank manager, stockbroker, lawyer or other professional adviser.

The operating and financial performance and position of the Group, the value of Shares and the amount and timing of any dividends that the Company may pay will be influenced by a range of factors. These include factors will are beyond the control of the Group and Directors. These factors may have a material effect on the Group's performance and profitability which may cause the market price of Shares to rise or fall over any given period.

This section identifies the areas Directors regard as major risks associated with an investment in the Company. This list is not intended to be an exhaustive list of the risk factors to which the Group is exposed. The risks and uncertainties described below are not the only ones faced by the Group. There are other risks and uncertainties which directors deem immaterial or not currently known may also have a material adverse effect on the Group's business, financial condition, operating results and/or cash flow.

5.1. Specific risks

In addition to the general risks outlined in paragraph 5.2, there are specific risks associated with the Group’s existing and proposed business operations. These include:

(a) The industry in which the Group operates is experiencing uncertainties arising from the upcoming regulatory changes

The LSEV industry in China has developed and prospered for years without central government subsidies, regulation and restrictions. However, because of the issues which has arisen in recent years, in particular road safety issues, the Chinese government has announced that it will roll out intensive policy initiatives to regulate and supervise this industry. The issues which the industry faces and the impending regulatory initiatives are described in detail in the market report prepared by Guangzhou Darun Consulting Co., Limited which is set out in full in Section 4.

To address these issues, the Chinese government has announced that it will issue a regulatory instrument, namely the Technical Conditions for Four-wheel Low-speed Electric Cars, in 2021. This regulatory instrument is expected to have a significant impact on the whole LSEV industry in China. In particular, this regulatory instrument is expected to, amongst other things:

(1) set technical and safety standards which four-wheel LSEVs must meet before they are allowed to be sold in the market;

(2) set minimum qualifications before an enterprise is given the licence to carry on the business of manufacturing LSEVs; and

(3) include LSEVs under the scope of the management of auto-mobiles. In other words, the use of LSEVs will subject to the same requirements as traditional auto-mobiles such as the requirements for a LSEV to have a valid vehicle registration plate before it is allowed on public roads, and for users to have a valid driving licence to drive a LSEV on public roads.

Therefore, if Kaifeng Jinnuo is not able to:

(i) ensure that LSEVs it produces meets these new technical and safety standards; or

(ii) upgrade its production facilities to meet the minimum qualifications for it to be granted the licence to continue the business of manufacturing LSEVs; or

(iii) satisfy the conditions set out in paragraphs (i) and (ii) above at a cost which does not materially affect the cost-competitiveness of its products viz-a-viz other LSEV and /or low-cost auto-mobile manufacturers' products,

the Group's sales, business operations and financial performance will be adversely affected.

(b) Demand for LSEVs which the Group's produces can be affected by policy factors and other macroeconomic factors which are beyond the Group's control

Generally, the demand for LSEVs in China are driven primarily by two factors:

(1) its ease of use and simple maintenance, in that a user do not need to have valid driving licence and LSEVs do not need to comply with vehicle registration procedures such as annual vehicle inspections;

(2) the affordability of LSEVs, which in turn is dependent firstly on the prices of the LSEVs, and secondly on the disposable incomes of the target consumers.

Therefore, if consumer behaviour does not change to accept the regulatory changes when LSEVs are included under the scope of the management of auto-mobiles or if Kaifeng Jinnuo is not able to educate its existing and future customers to accept the regulatory changes, the Group's sales, business operations and financial performance will be adversely affected.

Currently, the low prices of LSEVs make it affordable to a vast majority of consumers, especially relative to their disposable incomes. Consumers' disposable income is in turn affected by a number of factors such as GDP and GDP growth, which in turn are affected by macroeconomic factors which are beyond the Group's control. Therefore, if prices of the Group's LSEVs significantly increase due to costs increases resulting from its compliance of the impending regulatory changes and/or if these macroeconomic factors cause a noticeable reduction in consumers' disposable incomes, the Group's sales and financial performance will be adversely affected.

(c) Raw materials which the Group uses for its production is subject to significant price fluctuations

The major raw materials which Kaifeng Jinnuo uses for its production of LSEVs are steel and aluminium sheets, lead, copper pipes and plastics. These raw materials are subject to price fluctuations depending on the prices of the commodities from which they are produced. Kaifeng Jinnuo does not hedge against the price fluctuations of these raw materials. However, its procurement department monitors price trends of these raw materials and adjust its order quantities accordingly. For example, in times when steel plate prices are on an upward trend, Kaifeng Jinnuo will purchase more of these steel plates and stock up on them to meet its production requirements. Conversely, in times of downward trend of prices of steel plates, Kaifeng Jinnuo will purchase steel plates in smaller batches. Nonetheless, if Kaifeng Jinnuo is not able to manage cost increases arising from any increase in prices of raw materials effectively or to pass on these increased costs or a substantial portion thereof to consumers, the Group's sales, business operations and financial performance will be adversely affected.

(d) The Group relies substantially on the successful implementation of the ERHV project for its future growth

The Group has formulated a diversification plan to mitigate any adverse impact of the impending national level policy changes on its existing LSEV business. One aspect of this diversification plans, and a key pillar for the Group's future growth, is the implementation ERHV project. Successful implementation of the ERHV project will not only give the Group an extra source of income, but will likely become its key product which is capable of meeting the competition from traditional auto-mobiles and electric vehicles. While Directors are of the view that the future prospects of the the Group's existing LSEV business is independent of the implementation of the ERHV project, it still remains that if the Group is not able to implement this diversification plan, in particular the ERHV project, successfully then the Group's future growth will be adversely affected.

(e) Internal controls

The system of internal controls currently implemented by the Group is designed for the operations of an owner-managed enterprise. It comprises a number of undocumented procedures which require the substantial hands-on involvement of the owner-manager. Directors are of the opinion that while this system of internal control is adequate and effective for the current level of operations, it may become inadequate after the Group's business expands. If the Group is not able to improve and subsequently maintain the quality of the Group's internal controls, any weaknesses could materially and adversely affect the Company's ability to properly manage the operations of the Group, provide timely and accurate information about the Group's operations and finance, and could cause the Group to be susceptible to internal fraud.

Directors will continually review the Group's system of internal controls and ensure that they are developed to, and maintained at, a level appropriate for a publicly listed company of comparable size and scale of operations. Any weaknesses in effective internal controls may create additional challenges in the Company complying with its continuous disclosure obligations. To mitigate risks associated with compliance with continuous disclosure obligations, directors will be appointing as listing adviser and other advisers firms whom have a good track record of advising clients whose operations are of similar size and scale as the Group's.

(f) Currency and foreign exchange

Revenue generated, and capital and operating costs incurred, by the Group is denominated in RMB. The Group's financial results when stated in US Dollar will be subject to foreign exchange currency risks due to exchange rate movements. These exchange rates are affected by numerous factors outside the Group's control. These factors include the economic conditions of China, interest rates, inflation and other economic factors which may have a material effect on the Group's financial performance if its financial results are translated into US Dollar or currencies other than RMB.

The value of RMB is subject to change in the Chinese government's policies and to international economic and political developments. There can be no assurance that RMB will not become volatile against other currencies or that RMB will not be devalued. The Company does not hedge against movements in RMB. There can be no assurance that future changes in the exchange rate of RMB against other currencies will not have adverse effects on the Group's financial position.

The conversion of RMB into foreign currencies is regulated in China. Under Chinese government regulations, all foreign enterprises must establish a "current account" and a "capital account" with a bank authorized to deal in foreign exchange. Currently, foreign enterprises are able to exchange RMB into foreign currencies at designated foreign exchange banks for settlement of "current account" transactions, which include payment of dividends on the basis of a board resolution authorizing the distribution of profits or dividends, without other regulatory approval. Conversion of RMB into foreign currencies for "capital account transactions" which include the receipt and payment of foreign exchange for loans, contributions and purchases of fixed assets continues to be subject to limitations and requires regulatory approval. There can be no assurance that the Group will be able to repatriate funds from China to pay dividends or satisfy foreign exchange requirements in the future.

(g) Legal considerations

China operates under a civil law system. This system is different from the common law system which exists in BVI where the Company is incorporated. While individual court decisions in China may be noted for reference, they may not have precedent value. Although legislative reforms during the last two decades have significantly enhanced the protection enjoyed by enterprises in China, some of these laws, regulations and measures are relatively recent and their interpretation and enforcement remain uncertain. In addition, the legal system in China is subject to continuing development in areas such as foreign investment, tax and foreign exchange and these could adversely affect the operations of the Group's operating companies.

Should it be necessary for the Company to enforce its legal rights in relation to its business, it would need to do so in accordance with the laws of China and perhaps other jurisdictions. If multiple jurisdictions or cross-border issues are involved, the matters may well attract unusual complexities which may result in added costs.

(h) Political, economic and social reforms

The Chinese economy has gradually changed from a centralised economy to a market economy. This reform has, among other things, resulted in significant economic growth. Political, economic and social factors may lead to further readjustment of the reforms already in place. However, there is no assurance that any change that occurs as a result of political, economic or social reforms in China will have a positive effect on China's economic development or that the Group's operating companies will benefit from or will be able to capitalise on these reforms. There is a risk that the Group's operating companies' operations, markets and financial position may be adversely affected by these continuing changes.

5.2. General investment risks

In addition to the specific risks associated with the Group's existing and proposed business operations outlined in paragraph 5.1, there are also general risks associated with an investment in the Shares. These include:

(a) Investment in securities

Shareholders and interested investors should be aware that there are risks associated with any investment in securities such as the Shares, and should recognise that the price of securities may fall as well as rise. In particular, the trading price of securities at any given time may be higher or lower than the price paid by the investor for these securities. Further, there can be no assurance that an active trading market will develop in the Shares.

Many other factors will affect the price of the Shares, including general fluctuations in the performance of local and international stock markets, movements in interest and exchange rates, industry-specific as well as general economic conditions and investor sentiment. Stock markets have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. There can be no guarantee that trading prices and volumes of any securities will be sustained. These factors may materially affect the market price of the Shares, regardless of the Group's operational performance.

No guarantee can be given by the Company in respect of the payment of dividends, any returns of capital or the market value of the Shares. Such issues are dependent on the Group's performance after listing, the control of costs and the need for working capital and other funding requirements.

(b) Economic risk

Changes in the general economic climate in which the Group operates may adversely affect the financial performance of the Group. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Group, industrial disruption and the rate of growth of the gross domestic product in China where it operates, interest and exchange rates and the rates of inflation.

No assurances can be given or forecasts made regarding the continuing strong growth experienced by the Chinese economy nor whether or when it will slow materially or shrink. If the Chinese economy does not continue to grow or if it slows materially, stops growing or goes into recession, there may be a diminished market for the Group's services. This would have a material adverse effect on the performance and profitability of the Group.

(c) Changes in legislation and government regulation

The introduction of new legislation or amendments to existing legislation and regulations by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Group. In addition, any adverse changes in political and regulatory conditions in China, BVI or Curaçao could affect the prospects of the Group's operating company or those of the Group as a whole. Financial and economic changes such as changes in both monetary and fiscal policies, import regulations and tariffs, taxation, methods of taxation and currency exchange could affect the profitability of the Group and adversely affect the return to Shareholders.

6. Capital structure and shareholding information

6.1. Share class information

(a) As of the date of this information memorandum, the Company has one class of shares in issue, namely ordinary shares, the details of which are as follows:

Number of shares issued	Votes attached to each share
700,000,000	Each shareholder is entitled to one vote for each Share

The rights attaching to these ordinary shares are summarized in paragraph 10.2 of this information memorandum.

(b) These shares were issued to Shareholders on the following dates and in the following manner:

Date of issue	Description of issue	Number of shares
23 August 2019	Initial issue of shares for cash	1
29 October 2019	Shares issued as consideration for the acquisition of 100% of the share capital of Nuenergy Holdings	699,999,999
		700,000,000

(c) There is no option or any convertible securities on issue as of the date of this information memorandum.

6.2. Substantial shareholders

As of the date of this information memorandum, the details of shareholders who hold more than 10% of the Company's issued share capital are as follows:

Name	No. of shares	As a % of issued capital
LI Zhongcai	191,773,866	27.40%

6.3. Restricted securities

To demonstrate their confidence in the future prospects of the Company, Directors who hold Shares have given the Company undertakings that each of them will restrict from dealing in any Share held by him during the restriction period. The voluntary restriction arrangements are as follows:

Name	Restriction period and no. of restricted shares: 12 months from date of listing on DCSX	Restriction period and no. of restricted shares: 24 months from date of listing on DCSX
LI Zhongcai	95,000,000	96,773,866

6.4. Shareholding spread

As of the date of this information memorandum, the Shareholders distribution (including Shares which has been offered as restricted securities – see paragraph 6.3) are as follows:

	Number of holders	Number of Shares	As a % of issued Shares
1,000,000 and below	-	-	-
1,000,001 – 10,000,000	25	129,641,869	18.52%
10,000,001 – 30,000,000	13	245,040,610	35.01%
30,000,001 and above	5	325,317,521	46.47%
	43	700,000,000	100.00%

7. Directors and key managers

7.1. Directors

The Company is managed by a board of directors which currently comprise five directors, namely:

Name	Age	Date appointed	Designation
LI Zhongcai	65	29 October 2019	Chair and chief executive officer
ZHAO Haitao	36	29 October 2019	Independent director
SUN Baohong	42	29 October 2019	Executive director
FAN Junfeng	38	29 October 2019	Executive director
WANG Pengfei	32	29 October 2019	Executive director

The qualifications, business and working experience of each director is summarized below:

(a)

LI Zhongcai
Chinese national

LI Zhongcai led a group of investors to acquire a controlling stake in then loss-making Henan Tiangong Vehicle Industry Co., Limited. After acquiring this company, the investor group renamed the company as Kaifeng Jinnuo and appointed LI Zhongcai as general manager, a position equivalent to chief executive officer in China. Under the stewardship of LI Zhongcai, Kaifeng Jinnuo shifted its product focus to more profitable product lines and implemented an research and development programme for product and technology innovation. LI Zhongcai is an experienced executive with more than 18 years experience in the motor vehicle industry having worked in senior positions in a number of motor vehicle companies. His previous work experience covers a wide range of functional responsibilities including production, sales and marketing, procurement and general management.

LI Zongcai has attended a number of short-term executive training programmes conducted by various universities such as Zhejiang University, Zhengzhou University and Shanghai Jiaotong University.

(b)

ZHAO Haitao
General diploma, Henan Luoyang Number Three Normal School
Chinese national

Zhao Haitao, the Company's independent director, is currently the head of administration of Luoyang Hengting Trading Co., Limited. Since graduation, he has accumulated vast experience in operations control, production and quality control. Since graduation, he has worked in quality inspection and control, operations and general management in two enterprises. Therefore, as independent director, ZHAO Haitao brings to the board these skills and knowledge.

(c)

SUN Baohong
Certificate in sales and marketing, Hebei Vocational College
Chinese national

SUN Baohong is one of the longer serving staff member of Kaifeng Jinnuo which he joined in 2015. In Kaifeng Jinnuo, we worked at all levels of sales and marketing before he was promoted earlier this year to be its vice-president with responsibility for the company's sales and marketing. In this role, he oversees the entire sales and marketing function of Kaifeng Jinnuo including implementing the company's marketing strategy and the development of the company's network of dealers.

SUN Baohong completed his tertiary education at Hebei Vocational College where he graduated with a diploma in sales and marketing. Prior to joining Kaifeng Jinnuo, he worked in a various companies in different industries either in a general management or in a sales capacity.

(d)

FAN Junfeng
Attended the Diploma in international economics and trade programme (3 years), Henan University (did not graduate)
Chinese national

Another long serving staff of Kaifeng Jinnuo who joined in 2014, FAN Junfeng is currently its vice-president with primary responsibility for purchases and procurement where his duties include pre-qualifying suppliers, contract management and negotiating terms and conditions with suppliers. He is also responsible to work closely with the company's production department to maintaining the minimum level of raw materials without affecting the company's normal production schedule. Prior to assuming this role, he worked in the company's human resources department.

After attending the course for a diploma in international economics and trade at Henan University in 2005, he started a business providing transportation and warehousing services with other business partners. He was the business manager and ran this business for seven years.

(e)

WANG Pengfei
Diploma in construction engineering and quantity surveying, Henan Technical College of Construction
Chinese national

WANG Pengfei joined Kaifeng Jinnuo initially as an executive in its purchases and procurement department. He was promoted to vice-president of administration and human resources in 2019 where he is responsible for the proper functioning of both the administration and human resources departments of Kaifeng Jinnuo. He is also responsible for all regulatory compliance and for all of Kaifeng Jinnuo's dealings at the working level with all departments of the local government.

Since graduation and prior to joining Kaifeng Jinnuo, WANG Pengfei worked in the civil service where he is posted to the department of city housing and rural development. His last position in the civil service was a station and showroom deputy manager.

7.2. Senior management

The day-to-day management of the Group's business is tasked to the chief executive officer, LI Zhongcai and the other executive directors, namely SUN Baohong, FANG Junfeng and WANG Pengfei. They are supported by a team of experienced and qualified senior management personnel. These key managers, their highest educational qualifications and their areas of responsibilities are set out below:

(a) WAN Qianming (Age: 42)
Diploma in business administration, The Open University of China
WANG Qianming is Kaifeng Jinnuo's vice-president in-charge of production. He is responsible for all aspects of the Kaifeng Jinnuo's production, including work safety at the production floor and the quality control of LSEVs which Kaifeng Jinnuo produces.

(b) REN Nan (Age: 38)
Diploma in economics and management, Party School of the provincial committee of the CPC (also known as Anhui Academy of Government)
REN Nan is the Group's head of operations, where he is responsible for daily operations of Kaifeng Jinnuo and with special duties for new product development (commercial aspects).

(c) YANG Jinna (Age: 25)
Diploma in logistics management, Xi'an Eurasia Institute
YANG Jinna is the Group's senior finance officer who manages a small team of personnel responsible for the full spectrum of the Group's accounting and finance functions.

(d) WANG Youjun (Age: 55)
Bachelor's degree in Physics, Beijing University
Vice-president in-charge of research and development covering both product development (technical aspects) and technology innovation.

(e) YUN Boheng (Age: 27)
Diploma in engineering project management, Sanmenxia Polytechnic
Vice-president in-charge of engineering where he is responsible for all engineering, maintenance and upgrading works for the Group's factory and production facilities.

7.3. Directors' holdings

As of the date of this information memorandum, directors' interests in Shares are as follows:

Director	Total interest	% of issued capital
LI Zhongcai	191,773,866	27.40%
ZHAO Haitao	–	–
SUN Baohong	–	–
FAN Junfeng	–	–
WANG Pengfei	–	–

7.4. Other information on directors

Save as disclosed below, as of the date of this information memorandum:

(a) there are no family relationships among any of the directors; and

(b) none of the directors has, in any jurisdiction, been convicted in any criminal proceeding or has had a bankruptcy petition filed against him or any partnership in which he is or was a partner or any corporate entity of which he is or was a director or has been sanctioned or otherwise disciplined by any self-regulatory securities association of which he is or has been a security holder or any securities supervisory or regulatory body or any such event is pending.

Disclosure:

None

7.5. Corporate governance statement

Given the size of the Company the board is yet to formally adopt corporate governance procedures. The board will continually review the need for corporate governance practices, and to adopt them as and when the need arises in the future. Disclosure of these corporate governance practices will be given in accordance with the Listing Rules.

8. Financial information

8.1. Introduction

(a) The Group is a result of the Restructuring which was carried out for the purpose of the Listing. As the Company was incorporated only on 30 July 2019, it has no track record of its own because it had remained dormant and had not entered into any financial transaction since its incorporation. The sole purpose for its incorporation was to hold 100% of the equity capital of the Operating Company which has an operating track record of more than two financial years. The Operating Company became a subsidiary of the Company on completion of the Restructuring on 29 October 2019. Therefore, financial information (the **Financial Information**) set out in this section has been derived from and relates to audited historical financial information of the Operating Company for the financial years ended:

(i) 31 March 2018; and

(ii) 31 March 2019,

collectively, the **Relevant Financial Periods**.

(b) The Financial Information were prepared in accordance with International Financial Reporting Standards, and is prepared on a proforma basis from audited financial statements of the Operating Company for the Relevant Financial Periods, after adjusting for the effects of Restructuring as if the Group was in place throughout the whole of the Relevant Financial Periods.

(c) Shanghai Liyong Certified Public Accountants audited the financial statements of the Operating Company for the Relevant Financial Periods and had issued unmodified audit opinions on these financial statements. The Company appointed Ivan & Ho (AF 002224), Chartered Accountants (Malaysia) as reporting accountants to prepare a reporting accountants' report on the Financial Information and an audited proforma financial statements of the Group for the Relevant Financial Periods. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information are not presented fairly, in all material respects, in accordance with the stated basis of preparation.

8.2. Reporting accountants' report

The reporting accountant's report which contains a summary of the Financial Information is attached in its entirety to this information memorandum as Annexure A. The audited proforma financial statements of the Group for the Relevant Financial Periods is lodged and disclosed separately on the DCSX announcements portal. Investors are advised to read the reporting accountant's report and the audited proforma financial statements of the Group for the Relevant Financial Periods in full.

8.3. Tabulation of statement of financial position

A tabulation of the proforma consolidated Statement of Financial Position (or balance sheet) as at the end of the two preceding financial years are set out below:

	Note	31.03.2018 USD	31.03.2019 USD
Assets			
Non-current asset			
Property, plant and equipment	5	4,875,816	7,504,821
Current assets			
Inventories		582,248	963,066
Other receivables	6	233,305	949,709
Cash and bank balances	7	2,460	1,464
		818,013	1,914,239
Total assets		5,693,829	9,419,060
Liabilities and equity			
Current liability			
Trade and other payables	8	5,502,132	2,254,110
Equity			
Share capital		924,499	3,552,236
Share premium		-	6,763,054
Other reserves		(50,939)	(290,678)
Accumulated losses		(681,863)	(2,859,662)
		191,697	7,164,950
Total liabilities and equity		5,693,829	9,419,060

8.4. Tabulation of statement of comprehensive income

A tabulation of the statement of comprehensive Income (or profit & loss statement) for the two preceding financial years are set out below:

	31.03.2018 USD	31.03.2019 USD
Revenue	562,189	115,447
Cost of sales	(504,656)	(99,427)
Gross profit	57,533	16,020
Other items of income		
Other income	-	17,347
Other items of expense		
Administrative expenses	(1,189,213)	(1,478,412)
Finance cost	-	(253,877)
Other expenses	(109,065)	(159,397)
Research expenses	(586,711)	(225,241)
Sales and marketing expenses	-	(94,239)
Loss before tax	(1,827,456)	(2,177,799)
Income tax expense	-	-
Loss for the year	(1,827,456)	(2,177,799)
Other comprehensive loss:		
Exchange difference	(50,939)	(239,739)
Total comprehensive loss for the year	(1,878,395)	(2,417,538)

8.5. Working capital

As at the date of this information memorandum, the Group has sufficient working capital for its current requirements.

9. Details of the listing

9.1. DCSX listing

The Company has applied to list on DCSX. The fact that DCSX may list these Shares or other securities issued by the Company is not to be taken in any way as an indication of the merits and commercial viability of the Company or the listed securities. DCSX takes no responsibility for the contents of this information memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this information memorandum.

9.2. Initial listing price of the Shares

Subject always to the important note below and strictly for the purpose of the Company's application for admission to the official list of DCSX, the Company proposes to list the Shares at an initial listing price of US$1.00 (or approximately RMB7.07) per Share. The bases for Directors determining this initial listing price is set out in paragraph 9.3.

Important note:

Quotation and trading of the Shares on DCSX's trading platform after the Company's listing on DCSX may commence after it satisfies additional requirements under the Listing Rules or any such further requirements as DCSX may, at their absolute discretion, impose. In particular, the Company must:

(a) arrange for the Shares to be quoted and traded must be deposited with a depositary nominee designated by DCSX, which is currently Vidanova Global Custody Foundation in Curaçao; and

(b) satisfy DCSX on a realistic valuation of the price for the shares to be quoted and traded.

Shareholders and investors should note that there is a possibility that the quotation prices or, if there are successful trades, the traded prices may be lower than the initial listing price.

9.3. Bases for Director's determination of the initial listing price

(a) Directors propose this initial listing price after taking into account the following factors:

(i) the Operating Company's accumulated know-how, including but not limited to the technologies protected by the patents, in the development, design, quality control and production of its products;

(ii) the wide marketing network and sales channel which the Operating Company has developed;

(iii) the future profitability and free cash-flows from the ERHV product range which the Operating Company will introduce to the market in the foreseeable future. In particular, Directors project that, barring unforeseen circumstances, the Group's future financial performance will be as follows:

Year	Revenue	Net profit after tax[2]
2020	¥340,000,000	255,000,000
2021	¥1,700,000,000	1,275,000,000
2022	¥5,100,000,000	3,825,000,000
2023	¥10,200,000,000	7,650,000,000
Future maintainable earnings[3] from 2024	¥10,200,000,000	7,650,000,000

(iv) the discounted cash-flow method is the most suited and appropriate method to estimate the Group's enterprise value and, by extension, its market capitalization;

(v) given the low interest rates environment in China now, a 6% discount rate is used for the valuation model.

(b) Caution on the valuation model used by Directors

More details of the prospective ERHV range referred to in paragraph 9.3(a)(iii) above is not disclosed in the information memorandum because disclosure of this information before the product range is introduced to the market will adversely affect the Operating Company's competitive first-mover advantage. Therefore, **Shareholders and other users of the information memorandum should take note that the initial listing price, which takes into account future profitability and free cash-flows from this product range, is highly speculative**.

9.4. All Shares are not trade-able on the DCSX trading platform

The Company has applied for a technical listing on the DCSX. This means that all its 700,000,000 Shares are not trade-able on the DCSX trading platform until such time when the Company makes, and DCSX approves, the Company's application for the Shares, or any portion thereof, to be trade-able. In the meantime, any dealing in the Shares must be done in accordance with provisions of the Constitution.

2 Directors consider the Group's future net profits after tax as being a reasonable proxy for its future free cash-flows.
3 For the valuation model, the Directors have considered only eight years of these future maintainable earnings.

9.5. Registered holder of Shares and depositary arrangements

Currently, the Shares are registered in the name of One Advisers Limited, the Company's share registry, who holds them for the account of the Existing Shareholders. When:

(a) the DCSX approves the Shares to become trade-able on the DCSX trading platform; and

(b) the Shares or any portion thereof are deposited with Vidanova by an Existing Shareholder,

they will be registered in the name of Vidanova[4] who holds them for the credit of the DCSX approved broker which that Existing Shareholder has chosen to open a brokerage account with. This DCSX approved broker will in turn hold these Shares for the further credit of that Existing Shareholder. Under this arrangement, in the Company's register of shareholders, these Shares which are deposited with Vidanova are registered in name of Vidanova.

9.6. Purpose of the Listing

The Company's application to DCSX is to list the Shares on DCSX by way of a technical listing. No new capital will be raised by the Company as a result of the Listing. Nonetheless, Directors believe that the listing of the Shares on DCSX is beneficial us and our shareholders because a listing on DCSX will:

(a) facilitate the Group to raise further capital when such additional capital is required to expand the Group's business operations or for such other purposes as they may arise; and

(b) make the Company a more attractive investment target to suppliers, customers and other strategic partners because the Company accepts and submits itself to the regulations under the Listing Rules, particularly on issues such as continual disclosures and corporate governance. This will allow for these other stakeholders to take equity stakes in the Company so that their interests are aligned with those of the Company and the Group.

9.7. Listing Adviser

Companies intending to list on DCSX are required to have a Listing Adviser (**LAD**). It is contemplated that, with a LAD for each company, investors will be offered better protection because LADs are required to make sure that companies meet the ongoing requirements for listing on DCSX. The Company has appointed Biztrack Consultants Private Limited as its LAD.

4 Technically, the Shares to be deposited with Vidanova by that Existing Shareholder will be transferred by One Advisers Limited to Vidanova.

10. Other information

10.1. Litigation

Save as disclosed below, there is no litigation or claims of material importance made against the Company, any of its child entities, its directors or key management personnel in the last five (5) years or which is pending or threatened against.

Disclosure:

(1) As a result of losses incurred by Kaifeng Jinnuo during its start-up stage, a number of civil suits were filed against it for non-payment of monies owed. In particular, 16 judgements were made against it. All 16 judgements relates to liabilities incurred prior to April 2016. However, 14 of these 16 judgements have been settled and discharged in full since the New Investors acquired a controlling stake in Kaifeng Jinnuo and installed a new management team. Judgements for the remaining two claims have lapsed and are no longer valid and enforceable by operation of law because of non-action by the claimants.

(2) In March 2019, one Henan Haopeng Construction & Engineering Co., Limited (**Henan Haopeng**) obtained a judgement from the lower people's court of Tongxu County, Kaifeng City against Kaifeng Jinnuo for the payment of a sum of ¥4,500,688.70 (approximately USD636,000) plus interests. This claim was in relation to a construction dispute arising from Kaifeng Jinnuo's construction of its production facilities. Although Henan Haopeng has subsequently obtained an execution judgement against Kaifeng Jinnuo for this judgement debt, it has not executed this execution judgement. This is because Henan Haopeng and Kaifeng Jinnuo are finalizing terms of a settlement agreement under which this judgement debt will be discharged in full by Kaifeng Jinnuo delivering a certain number of ERHVs at a discounted market price to Henan Haopeng.

(3) In July 2018, one Yuanfa Construction Group Co., Limited (**Yuanfa Construction**) obtained a judgement from the lower people's court of Tongxu County, Kaifeng City against Kaifeng Jinnuo for the payment of a sum of ¥4,948,678.84 (approximately USD699,000) plus interests. This claim was in relation to a construction dispute arising from Kaifeng Jinnuo's construction of its production facilities. Although Yuanfa Construction has subsequently obtained an execution judgement against Kaifeng Jinnuo for this judgement debt, it has not executed this execution judgement. This is because Yuanfa Construction and Kaifeng Jinnuo are finalizing terms of a settlement agreement under which this judgement debt will be discharged in full by Kaifeng Jinnuo delivering a certain number of ERHVs at a discounted market price to Yuanfa Construction.

(4) In December 2015, the intermediate people's court of Kaifeng City endorsed a mediated settlement agreement under which Kaifeng Jinnuo (then known as Henan Tiangong Motors Co., Limited) and two other co-defendants are to pay one

Henan Lankao Rural Commercial Bank Co., Limited (**Lankao RCB**) a sum of ¥22,000,000 (approximately USD3,110,000) plus interests[5]. This claim was in relation to a loan contract. In December 2018 and upon the application by Kaifeng Jinnuo, the judicial committee of the intermediate people's court of Kaifeng City ruled that this mediated settlement agreement contained errors and ordered that the substantive dispute to be re-tried and that any enforcement procedures based on this mediated settlement agreement be suspended. However, pending the outcome of the re-trial, the court also issued an asset preservation injunction to the extent of the disputed sum. As of the Latest Practicable Date, the court has informed Kaifeng Jinnuo that the re-trial has been set to commence on 5 November 2019.

(5) In March 2018, the Tongxu County branch of the Nationl Taxation Bureau imposed an administrative penalty of ¥300 (approximately USD42) on Kaifeng Jinnuo for failure to install and use tax-controlled facilities in accordance with the relevant regulations. Kaifeng Jinnuo has paid this administrative penalty and rectified this operational lapse.

10.2. Rights attaching to the Shares

Full details of the rights and liabilities attaching to the Shares are:

(1) detailed in the Constitution, a copy of which can be inspected, free of charge, at our registered office during normal business hours; and

(2) in certain circumstances, regulated by the BVI Business Companies Act, the listing rules of DCSX and the general law.

The following is a summary of the more significant rights attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. Investors should seek their own independent legal advice if they wish to have such a statement or have any doubt as to their own legal position.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with the BVI Companies Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

5 The claimant subsequently waived its right to the interests.

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, Directors may from time to time declare a dividend to be paid to Shareholders who are entitled to be paid this dividend and shall be paid to Shareholders according to the proportion of the number of Shares they hold on the record date determined by Directors.

Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest against the Company. Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the Listing Rules and the BVI Companies Act, the Company may, by resolution of Directors, implement a dividend reinvestment plan on such terms and conditions as Directors think fit and which provides for any dividend which Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either, pursuant to the Constitution, or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out among the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit.

(e) Shareholder liability

As the shares issued under this information memorandum are fully paid shares, they are not subject to any calls for money by Directors and will therefore not become liable for forfeiture.

(f) Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of BVI and the transfer not being in breach of the BVI Companies Act or the Listing Rules.

(g) Variation of rights

Pursuant to the Constitution, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders, vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorized by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) Alteration of Constitution

The Constitution can be amended only by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

10.3. Continual Disclosure

On listing on DCSX, the Company is required to notify the DCSX of information which may have a material effect on the price or value of the Shares. To comply with its continual disclosure obligations:

(a) the Company's listing adviser have provided and will continue to provide on a periodic basis briefings on continuous disclosure obligations to Directors and the Company's senior management; and

(b) Directors will meet regularly during which continual disclosure is a standing agenda item.

10.4. Electronic information memorandum

Investors who received this information memorandum in electronic form should ensure that they have received the entire information memorandum. If not, investors may contact the Company's listing adviser at info@mybiztrack.com, who will send to the requesting investor, free of charge, either a hard copy or a further electronic copy of this information memorandum or both.

10.5. Electronic register of securities

The Company operates an electronic register of securities. Under this arrangement, we will not issue certificates to Shareholders. Instead, Shareholders will receive holding statements that set out the number of Shares each Shareholder owns. This statement will also advise Shareholders of their security holding number. A statement will be sent to Shareholders within three business days from the date the balance of their holding changes. A Shareholder may at any other time request a statement of his or her shareholding from the Company's share registry. However, the Company's share registry may charge a fee for these additional statements.

10.6. Privacy statement

The Company will include information about Shareholders (including names, addresses and details of the Shares held) in its register. The information contained in the Company's register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communication (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

10.7. Consents

Each of the following persons who were involved in the preparation of this information has given and has not, before the date of this information memorandum, withdrawn his written consent to be named in this information memorandum in the form and context in which he is named:

(a) Biztrack Consultants Private Limited, who is the Company's listing adviser;

(b) Guangzhou Darun Consulting Co., Limited, who prepared the market analysis set out in section 4 of this information memorandum;

(c) Ivan & Ho, Chartered Accountants (Malaysia) (AF 002224), who is the reporting accountants for the Listing; and

(d) Beijing Yingke (Shanghai) Law Firm, who is the Company's counsel as to Chinese law.

11. Directors' responsibility statement

This information memorandum has been seen and approved by all directors who collectively and individually accept responsibility for this information memorandum, and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this information memorandum are fair and accurate in all material respects as at the date of this information memorandum and that there are no material facts the omission of which would make any statement in this information memorandum misleading.

Each director has consented to the lodgement of this information memorandum with DCSX and has not withdrawn that consent, and has authorized this information memorandum for issue on the date of this information memorandum.

For and on behalf of
CHINA JINNUO MOTORS LIMITED

LI Zhongcai
Executive director and chief executive officer

FAN Junfeng
Executive director

Corporate directory

Directors

LI Zhongcai, chair and chief executive officer

ZHAO Haitao, independent director

SUN Baohong, executive director
FAN Junfeng, executive director
WANG Pengfei, executive director

Principal place of business

c/- South Side of East Section of Xianping Avenue, Tongxu County
Kaifeng City, Henan Province
China

E-mail: kfjncy@126.com

Registered office

Vistra Corporate Services Centre
Wickhams Cay II
Road Town, Tortola
VG1110 British Virgin Islands

Company secretary

MAH Seong Kung, *B.Acc Singapore, Chartered Accountant (Singapore)*

Listing adviser

Biztrack Consultants Private Limited
Room 703 Kowloon Building
555 Nathan Road
Hong Kong

Counsel as to Chinese law

Beijing Yingke (Shanghai) Law Firm
Yingke Lawyers Building
181 Jiangchang 3rd Road
Jing'an District, Shanghai
China

Auditor of the Chinese subsidiaries

Shanghai Liyong Certified Public Accountants
Room 1601, No. 3255 Zhoujiazui Road
Yangpu District, Shanghai
China

Share registry

Silk Road Registries
No. 1-23AB Jalan Desa 1/3 Desa Aman Puri
52100 Kuala Lumpur
Malaysia

Reporting accountants

Ivan + Ho (AF 002224), Chartered Accountants (Malaysia)
E-3-11 Level 3, Block Eaton Plaza Arkadia
No. 3 Jalan Initisari Perdana
52200 Kuala Lumpur
Malaysia

Partners-in-charge	TEO Kok Wing (Ivan) and HO Tze Lih
Professional qualification	Fellows, Association of Chartered Certified Accountants (UK) Chartered Accountant (Malaysia), Malaysian Institute of Accountants

Principal bankers

Zhongyuan Bank Co., Limited
Kaifeng City, Tongxu County sub-branch

Annexure A
Reporting accountant's report

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

E-3-11, Level 3, Block Eaton,
Plaza Arkadia,
No. 3, Jalan Intisari Perdana,
Desa ParkCity,
52200 Kuala Lumpur

31 October 2019

Kaifeng Jinnuo Motors Limited
Vistra Corporate Services Centre,
Wickhams Cay II, Road Town, Tortola,
VG1110 British Virgin Islands

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON THE PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF KAIFENG JINNUO MOTORS LIMITED

Ivan & Ho, Chartered Accountants (Malaysia) (AF 002224) ("we" or "Ivan & Ho") have been engaged to report on the proforma consolidated historical financial information of Kaifeng Jinnuo Motors Limited (the "Company" or "Kaifeng Jinnuo") and its controlled entities as at the date of this report (the "Group" or, when before the legal structure of the Group became effective, the "Proforma Group") for the following financial years:

(a) the year ended 31 March 2018; and

(b) the year ended 31 March 2019,

collectively, the "Relevant Financial Years".

This reporting accountants' report has been prepared for inclusion in the Information Memorandum to be dated on or about 31 October 2019 in connection with the Company's proposed compliance listing on the Dutch Caribbean Securities Exchange ("DCSX") (the "Information Memorandum"). Expressions and capitalised terms used in this report shall have the same meanings as defined in the Information Memorandum.

1. Background

The Company was incorporated in British Virgin Islands on 30 July 2019 with a company registration number 2018952. In connection with and for the purpose of the listing, existing shareholders restructured their interests in Kaifeng Jinnuo Vehicle Co., Limited (collectively, the "Operating Company"), a company which has an operating track record since 2013 (i.e., the Restructuring). The purpose of the Restructuring was so that existing shareholders hold their interests in the Operating Company indirectly through their shareholdings in the Company in the proportion of their interests in the equity capital of the Operating Company prior to the Restructuring.

On 29 October 2019, the Company acquired 100% of the issued share capital of JNCY Nuenergy Holdings Sdn. Bhd., a Company incorporated in Malaysia, which is the registered holder of 100% of the issued capital of Henan Yaluoshi Trading Co., Limited, which in turn owns 100% of the Operating Company (the "Acquisition").

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

2. Scope

We have been requested by the Company to review:

(a) the proforma consolidated statements of comprehensive income of the Proforma Group for the Relevant Financial Years;

(b) the proforma consolidated statements of financial position of the Proforma Group as at the end of the Relevant Financial Years; and

(c) the proforma consolidated statements of changes in equity of the Proforma Group for the Relevant Financial Years.

The historical financial information of the Operating Company were presented in Chinese Renminbi ("RMB"). For the purpose of our report, we have translated the proforma consolidated financial statements mentioned as above into United States Dollars ("USD") using the prevailing spot rates as at the end of each Relevant Financial Year, as taken from rates published by Bank Negara Malaysia, the central bank of Malaysia.

The historical financial information has been prepared in accordance with the stated basis of preparation and the Operating Company's adopted accounting policies, and was audited by Shanghai Liyong Certified Public Accountants who issued unmodified audit opinions on those financial reports.

The proforma consolidated historical financial information in this report has been derived from the historical financial information of the Operating Company for the Relevant Financial Years, after adjusting for the effects of proforma adjustments as described in paragraphs 4 and 5 of this report. The stated basis of preparation of the proforma consolidated historical financial information is the recognition and measurement principles contained in International Financial Reporting Standards, as applied to the historical financial information and the events or transactions to which the proforma adjustments relate, as described in paragraphs 4 and 5 of this report, as if those events or transactions had occurred as at the date of the historical financial information.

Non-trading entities

Kaifeng Jinnuo Motors Limited was incorporated on 30 July 2019. As such, no historical financial information is presented for this entity.

Based on our enquiries of management of the Company, JNCY Nuenergy Holdings Sdn. Bhd. and Henan Yaluoshi Trading Co., Limited are newly incorporated or registered and dormant entities. Their sole purpose is to hold the investment in the Operating Company. The only transactions these two entities entered into relate to share capital issued and the investments in subsidiaries, both of which are eliminated in full upon consolidation.

Directors' responsibility

The legal representatives of the Operating Company are responsible for the preparation of the historical financial information which had been used to prepare the proforma consolidated historical financial information. This includes the responsibility for such internal controls as the legal representatives determine are necessary to enable the preparation of the historical financial information that are free from material misstatements, whether due to fraud or error. Directors of Kaifeng Jinnuo are responsible for the preparation of the proforma consolidated historical financial information, including the basis of their preparation and the selection and determination of proforma adjustments made to the historical financial information and included in the proforma consolidated historical financial information.

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

Our responsibility

Our responsibility is to express a limited assurance conclusion on the proforma consolidated historical financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with *International Standard on Review Engagements 2400 (Revised) - Engagements to Review Historical Financial Statements* issued by the International Auditing and Assurance Standards Board. Our review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the proforma consolidated historical financial information.

3. Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the proforma consolidated historical financial information, comprising:

(a) the proforma consolidated statements of comprehensive income of the Proforma Group for the Relevant Financial Years;

(b) the proforma consolidated statements of financial position of the Proforma Group as at the end of the Relevant Financial Years; and

(c) the proforma consolidated statements of changes in equity of the Proforma Group for the Relevant Financial Years,

as described in Appendices 1-3 (which we have stamped for the purpose of identification) is not presented fairly in all material respects, in accordance with the stated basis of preparation being the recognition and measurement principles contained in the International Financial Reporting Standards and the Proforma Group's adopted accounting policies as described in Appendix 4 of this report.

4. Bases and proforma adjustments

The following bases and proforma adjustments were made in the preparation of the proforma consolidated historical financial statements set out in this report:

4.1. the Acquisition was completed on 1 April 2017, being the commencement date of the financial year ended 31 March 2018, the earliest of the Relevant Financial Years;

4.2. the Proforma Group which comprises:

(a) Kaifeng Jinnuo Motors Limited;

(b) JNCY Nuenergy Holdings Sdn. Bhd.;

(c) Henan Yaluoshi Trading Co., Limited; and

(d) Kaifeng Jinnuo Vehicle Co., Limited,

were in place on and since 1 April 2017; and

4.3. the proforma consolidated historical financial statements includes financial information relating only to the Proforma Group.

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

5. Assumptions Adopted in Compiling the Pro Forma Adjustments

The Acquisition is treated as a reverse acquisition under *International Financial Reporting Standard 3 - Business Combinations,* in that Kaifeng Jinnuo Vehicle Co., Limited is identified as the acquirer in the Acquisition and Kaifeng Jinnuo is the acquiree. Under this accounting treatment, the shares in the share capital of Kaifeng Jinnuo issued prior to the Acquisition and the formation of the Group are eliminated on accounting consolidation.

6. Liability

Ivan & Ho has consented to the inclusion of this report in the information memorandum in the form and context in which it is included. The liability of Ivan & Ho is limited to the inclusion of this report in the information memorandum, and makes no representation regarding, and has no liability for, any other statement or other material in, or any omissions from, the information memorandum.

7. Indemnity

To the fullest extent permitted by applicable laws and professional regulations, we shall be indemnified and held harmless by the directors and shareholders of the Company from and against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of the disclosure of any report, or a third party's use of or reliance on any report.

8. Declaration of Interest

Ivan & Ho does not have any interest in the outcome of the Company's application for a compliance listing on the DCSX other than in the preparation of this report for which Ivan & Ho will receive normal professional fees.

Yours faithfully,

IVAN & HO
AF 002224
Chartered Accountants

4

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

IVAN & HO Firm No. AF 002224 For identification only Chartered Accountants

APPENDIX 1

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE PROFORMA GROUP AS AT 31 MARCH 2018 AND 2019

	31.03.2018 USD	31.03.2019 USD
Assets		
Non-current asset		
Property, plant and equipment	4,875,816	7,504,821
Current assets		
Inventories	582,248	963,066
Other receivables	233,305	949,709
Cash and bank balances	2,460	1,464
	818,013	1,914,239
Total assets	5,693,829	9,419,060
Liabilities and equity		
Current liability		
Trade and other payables	5,502,132	2,254,110
Equity		
Share capital	924,499	3,552,236
Share premium	-	6,763,054
Other reserves	(50,939)	(290,678)
Accumulated losses	(681,863)	(2,859,662)
	191,697	7,164,950
Total liabilities and equity	5,693,829	9,419,060

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

IVAN & HO
Firm No. AF 002224
For identification only
Chartered Accountants

APPENDIX 2

PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE PROFORMA GROUP FOR THE FINANCIAL YEARS ENDED 31 MARCH 2018 AND 2019

	31.03.2018 USD	31.03.2019 USD
Revenue	562,189	115,447
Cost of sales	(504,656)	(99,427)
Gross profit	57,533	16,020
Other items of income		
Other income	-	17,347
Other items of expense		
Administrative expenses	(1,189,213)	(1,478,412)
Finance cost	-	(253,877)
Other expenses	(109,065)	(159,397)
Research expenses	(586,711)	(225,241)
Sales and marketing expenses	-	(94,239)
Loss before tax	(1,827,456)	(2,177,799)
Income tax expense	-	-
Loss for the year	(1,827,456)	(2,177,799)
Other comprehensive loss:		
Exchange difference	(50,939)	(239,739)
Total comprehensive loss for the year	(1,878,395)	(2,417,538)

6

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

IVAN & HO
Firm No. AF 002224
For identification only
Chartered Accountants

APPENDIX 3

PROFORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE PROFORMA GROUP FOR THE FINANCIAL YEARS ENDED 31 MARCH 2018 AND 2019

	Share capital USD	Share premium USD	Other reserves USD	Accumulated losses USD	Total USD
s at 01.04.2017	924,499	-	-	1,145,593	2,070,092
otal comprehensive loss for the year	-	-	(50,939)	(1,827,456)	(1,878,395)
s at 31.03.2018/ 01.04.2018	924,499	-	(50,939)	(681,863)	191,697
;suance of new shares	2,627,737	6,763,054	-	-	9,390,791
otal comprehensive loss for the year	-	-	(239,739)	(2,177,799)	(2,417,538)
s at 31.03.2019	3,552,236	6,763,054	(290,678)	(2,859,662)	7,164,950

7

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

APPENDIX 4

SUMMARY OF THE ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THE PROFORMA CONSOLIDATED HISTORICAL FINANCIAL STATEMENTS OF THE PROFORMA GROUP FOR THE FINANCIAL YEARS ENDED 31 MARCH 2018 AND 2019

The significant accounting policies adopted in the preparation of the proforma consolidated historical financial statements included in this report have been set out below.

1.1 Basis of preparation

The financial statements of the Proforma Group are prepared under the historical cost convention, and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with International Financial Reporting Standards ("IFRS"). In the preparation of the proforma consolidated historical financial statements, the Proforma Group has adopted all the IFRSs and Interpretation to IFRS that are relevant to its operations and effective for the Relevant Financial Years presented in the proforma consolidated historical financial statements.

The proforma consolidated historical financial statements are presented in United States Dollar ("USD") using prevailing spot rates as at the end of each Relevant Financial Year.

1.2 Adoption of new and amended IFRSs

The Proforma Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for financial periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Proforma Group.

1.3 IFRS not yet effective

The IASB has issued a number of new and revised IAS and IFRS which were relevant to the Proforma Group. The Proforma Group have not early adopted the following IAS and IFRS that have been issued but are not yet effective.

Reference	Description	Effective for annual periods beginning on or after
Amendments to IFRS 3	Business combinations	1 January 2020
Amendments to IFRS 7	Financial instruments: disclosures	1 January 2020
Amendments to IAS 1 and IAS 8	Presentation of financial statements and accounting policies, changes in accounting estimates and errors	1 January 2020
Amendments to Conceptual Framework	Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

1.4 Going concern

The proforma consolidated historical financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

1.5 Foreign currency translations and balances

(a) *Functional and presentation currency*

The proforma consolidated historical financial statements are measured using Chinese Renminbi ("RMB"), the currency of the primary economic environment in which the entity operates ("the functional currency") and presented in United States Dollars ("USD") ("the presentation currency") for the purpose of this proforma consolidated financial statements which was prepared in connection with the Company's proposed compliance listing on the Dutch Caribbean Securities Exchange ("DCSX").

(b) *Foreign currency transactions and balances*

Foreign currency transactions of the respective Proforma Group entity are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in proforma consolidated historical statement of comprehensive income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

1.6 Basis of combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Proforma Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Proforma Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in proforma consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9: Financial Instruments is measured at fair value with changes in fair value recognised in proforma consolidated statements of comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

1.6 Basis of combination (Cont'd.)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Proforma Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in proforma consolidated statements of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Proforma Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

1.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line method so as to write off the cost or valuation of the property, plant and equipment net of the estimated residual values over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Electronic equipment and office equipment	3 years	5%
Leasehold land	50 years	Nil
Machinery	8 years	5%
Motor vehicle	5 years	5%
Property	10 - 25 years	5%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and year of depreciation are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the proforma statement of comprehensive income in the period the asset is derecognised.

IVAN & HO

(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value (which is the estimated selling price less costs to complete and sell). Cost comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition. Inventory cost is determined on the weighted average cost basis. Net realisable value is determined on an item-by-item basis or on Proforma Group of similar items basis.

1.9 Impairment of non-financial asset

The Proforma Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Proforma Group estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Proforma Group assesses their impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Proforma Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the proforma statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Proforma Group estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the proforma statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

1.9 Impairment of non-financial asset (Cont'd.)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

1.10 Impairment of financial assets

The Proforma Group assesses at each reporting dates whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Proforma Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Proforma Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

1.11 Subsidiaries

A subsidiary is an entity over which the Proforma Group have all the following:

(a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
(b) exposure, or rights, to variable returns from its investment with the investee; and
(c) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

1.12 Financial instruments

The Proforma Group recognises a financial asset or a financial liability (including derivative instruments) in the proforma consolidated statements of financial position when, and only when, an entity in the Proforma Group becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets (including intra-Company loans and advances) and financial liabilities (including intra-Company payables) are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss.

After initial recognition, the Proforma Group measures all financial liabilities at amortised cost using the effective interest method.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Proforma Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Proforma Group acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or not continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires.

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

1.14 Provisions

Provisions are recognised when the Proforma Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. When the Proforma Group expect some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the proforma statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

1.15 Revenue recognition and measurement

The Proforma Group measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivable, which is usually the invoice price, net of any trade discounts and volume rebates given to the customer. For a multiple-element contract with a customer, the fair value of the consideration receivable is allocated to the identifiable elements on the relative stand-alone selling price basis.

Revenue from a sale of goods or service is recognised when:

(a) the Proforma Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the Proforma Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of the revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the Proforma Group; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.16 Employment benefits

The employees of the Proforma Group are required to participate in a central pension scheme operated by the government. The Proforma Group are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the proforma statement of comprehensive income in the period to which the contributions relate. The Proforma Group's obligations under these plans are limited to the fixed percentage contributions payable.

1.17 Value added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount VAT, except where the amount of VAT incurred is not recoverable from the tax office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the proforma consolidated statements of financial position are shown as inclusive of VAT.

1.18 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the proforma statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or tax deductible. The Proforma Group's liability for current tax is calculated using tax rates that have been enacted at the dates of proforma consolidated statements of financial position.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the proforma consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

1.18 Income tax (Cont'd.)

The carrying amount of deferred tax assets is reviewed at each dates of proforma consolidated statements of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the proforma consolidated statements of financial position. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Proforma Group intends to settle its current tax assets and liabilities on a net basis.

1.19 Related parties

A party is related to the Proforma Group if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the Proforma Group; or
- (ii) has an interest in the Proforma Group that gives it significant influence over the Proforma Group; or
- (iii) has joint control over the Proforma Group;

(b) the party is an associate of the Proforma Group;

(c) the party is a joint venture in which the Proforma Group is a venture;

(d) the party is a member of the key management personnel of the Proforma Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Proforma Group, or of any entity that is a related party of the Proforma Group.

Amounts owing by/to related parties are classified as loans and receivables, and financial liabilities respectively at amortised cost.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Proforma Group.

Annexure B

Overview of the Chinese legal framework

This section was prepared by the Company has been reviewed by Beijing Yingke (Shanghai) Law Firm, the Company's counsel for Chinese law. It contains a brief outline of the legal framework and key laws and regulations of China which are relevant to the Group. This summary is not exhaustive and investors should seek their own advice if necessary.

China's legal system

The legal system of China is based on its Constitution (**Chinese Constitution**) and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents in the PRC.

The National People's Congress of China (**NPC**) and the Standing Committee of the NPC (**Standing Committee**) are empowered by the Chinese Constitution to exercise the legislative powers of the State including the power to amend the Chinese Constitution and to enact and amend primary laws.

The State Council of China (**State Council**) is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations.

The power to interpret laws is vested by the Chinese Constitution in the Standing Committee. In cases where the limits of articles of laws need to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the local people's government may promulgate administrative rules and directives applicable to their own administrative area. However, these local laws and regulations may not be in conflict with the Chinese Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Judicial system

The People's Courts are the judicial organs of the PRC. The People's Courts comprise the Supreme People's Court, the local level of the People's Courts, military courts and other special People's Courts. The local People's Courts are divided into three levels, namely, the lower People's Courts, intermediate People's Courts and higher People's Courts. The lower People's Courts are divided into civil, criminal and administrative divisions. The intermediate People's Courts have divisions similar to those of the lower People's Courts and, where the circumstances so warrant, may have other special divisions such as intellectual property divisions. The higher People's Courts deal with significant impact cases, in civil, criminal and administrative divisions. The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Courts adopt a two-tier final appeal system. A party may before the taking effect of a judgement or order appeal against the judgement or order of the first instance of a local People's Court to the People's Court at the next higher level. Judgements or orders of the second instance of the same level and at the next higher level are final and binding.

A foreign individual or foreign enterprise is accorded the same litigation rights and obligations as a Chinese citizen or legal person. But if the courts of a foreign country impose restrictions on the civil litigation rights of Chinese citizens, legal persons and other organizations, the People's Courts of China shall follow the principle of reciprocity regarding the civil litigation rights of the citizens, legal persons and organizations of that foreign country. If any party to a civil action refuses to comply with a judgement or order made by a People's Court or an award made by an arbitration body in China, the aggrieved party may apply to the People's Court to enforce the judgement, order or award.

A party seeking to enforce a judgement or order of a People's Court against a party who or whose property is not within China may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or order.

China has not concluded or acceded to any international convention on recognition and enforcement of foreign courts judgements. Nonetheless, enforcement of judgements of a foreign court is possible in principle but it may be difficult to do so. To enforce a judgement of a foreign court in China, it is necessary to demonstrate either that:

(i) there is a bilateral enforcement treaty between China and the country where the judgement originates; or

(ii) reciprocity between China and that country. That is to say, that the foreign jurisdiction from which the judgement originates enforces Chinese judgements.

Arbitration and enforcement of arbitral awards

Under the Arbitration Law of China, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there are mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

China has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **New York Convention**) adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain specific circumstances. Under the terms of China's accession to the New York Convention, China will recognize and enforce foreign arbitral awards only if the foreign arbitral award is made:

(a) by an arbitration committee from a state which recognises arbitral awards from the PRC; and

(b) in relation to disputes considered under Chinese laws as disputes arising from contractual and non-contractual mercantile (or commercial) legal relations.

Foreign Exchange Control and payments by a PRC entity to a foreign entity

The Regulations on Administration of Foreign Exchange of the People's Republic of China of January 1996 and the subsequent amendments in 1997 and in 2008 by the State Council set out the regulatory framework on foreign exchange of China (**Foreign Exchange Regulations**). In accordance with the Foreign Exchange Regulations, RMB (or the Renminbi) can be freely exchanged for settling current accounts transactions, including trading and service related foreign exchange transactions and dividend distributions. This means that WFOE can, subject to the conditions and procedures set out in the section below, freely exchange funds denominated in RMB to foreign currency to pay dividends to the Company.

Foreign exchange for purposes of direct investments, loans or securities investments outside China is restricted and requires the prior approval of the State Administration of Foreign Exchange. In 2016, the People's Bank of China issued the directive Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions. This directive, which came into effect in July 2017, directs all banks and financial institutions in China to report cash and other foreign currency transactions in excess of certain set amounts. It also directs the State Administration of Foreign Exchange to supervise all overseas direct investments by Chinese entities in excess of US$50 million. This means that in the future, if the Company proposes to make investments outside China or for its Chinese subsidiaries to make loans to the Company using RMB denominated funds the Group earns or raises in China, exchanging foreign currency for any of these purposes will be restricted and requires prior approval of the State Administration of Foreign Exchange.

Taxation

The applicable income tax laws, regulations, notices and decisions related to foreign invested enterprises (**FIE**) and their investors within China (collectively, the **Applicable Foreign Enterprises Tax Law**) include the following:

(a) Enterprise Income Tax Law

The enterprise income tax in China is calculated based on the taxable income determined under Chinese accounting standards and regulations.

In March 2007, the NPC enacted a new Enterprise Income Tax Law (**EIT Law**), which came into effect on 1 January 2008. The new tax law imposes a unified income tax rate of 25% on all domestic invested enterprises (**DIE**) and FIEs unless they qualify under certain limited exceptions. The new tax law permits companies to continue to enjoy their preferential tax treatment under the prior tax regime until such treatment expires in accordance with its terms, on condition that such preferential tax treatment is available under the "grandfather clause" of the new tax law.

The EIT Law provides that a withholding tax of 10% is normally applicable to dividends payable to a "non-resident enterprise" to the extent such dividends are derived from sources within China, or a lower tax rate on the condition that China has a tax treaty with the national jurisdiction which the "non-resident enterprise" is subject to.

Under the EIT Law and its implementing rules, an enterprise established outside China with "de facto management bodies" within China is considered a resident enterprise and will be subject to enterprise income tax at the rate of 25% on worldwide income. The implementing rules define the term "de facto management bodies" as entities that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties or other such management functions of the enterprises. This definition was further defined under the Notice Regarding the Determination of Chinese Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies dated 22 April 2009 issued by the State Administration of Taxation (Circular No. 82).

This means that:

(i) the Operating Subsidiary or any of the Company's Chinese subsidiaries, being a DIE and not having received any preferential tax treatment, is subject to enterprise income tax at a rate of 25% of its worldwide income; and

(ii) should the Company directly earn income in China (i.e., not income earned by its Chinese subsidiaries) in the future, if:

    (A) the Company, notwithstanding it being a foreign entity, is deemed by the relevant tax authorities in China to have a "de facto management body" within China (i.e., that the Company is a Chinese tax resident enterprise), the Company will be subject to enterprise income tax at a rate of 25% of its worldwide income; or

    (B) if the Company is deemed by the relevant tax authorities in China as not being a Chinese tax resident enterprise, its Chinese-sourced income will either be subject to a withholding tax at a rate of 10% (if it is determined that the Company does not have a permanent establishment in China) or be subject to enterprise income tax at a rate of 25% (if it is determined that the Company has a permanent establishment in China).

Intellectual property protection

Patents

The principal legislation governing intellectual property in China is the *Patent Law of the People's Republic of China* (**China Patent Law**) which was adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on 12 March 1984. Since then, it was amended three times, in 1992, 2000 and 2008. The current form of China Patent Law has been implemented since 1 October 2009 after the third amendment came to force.

The State Council approved the implementation rules formulated under China Patent Law, the *Rules for the Implementation of the Patent Law of the People's Republic of China* (the **Rules**). The Rules was amended twice, in 2002 and 2010. The current form of the Rules has been implemented since 1 February 2010 after the second amendment came to force.

In addition to China Patent Law and the Rules, the Supreme People's Court adopted the *Second interpretation of the Supreme People's Court on several issues concerning the application of law in the trial of cases involving patent infringement* (the **Judicial Interpretation**) on 25 January 2016 which was implemented on and became binding on all courts in China from 1 April 2016.

China Patent Law, the Rules and the Judicial Interpretation form the main body of law which governs intellectual property rights in China.

(a) The enforcement body of laws governing intellectual property rights in China

The administrative department in charge of enforcing intellectual property rights in China is the *State Intellectual Property Office of the People's Republic of China* or **SIPO**. SIPO is in charge of all patent works in China, including accepting and checking patent applications and granting patent rights. SIPO also implements international treaties on intellectual properties which China is a party and which China had ratified and acceded to.

(b) Types of patent in China and their protection period

Under China Patent Law, there are three types of registrable patents, namely:

(i) inventions, which covers new technical solutions for products, methods and their improvements;

(ii) utility patents, which covers new technical solutions for the forms, structures and their combination of products in use; and

(iii) design patents, which covers new designs of the shape, pattern or their combination, or the combination of the colour with shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.

Protection period of any patent for invention is 20 years from the date application for that patent is filed (**Filing Date**). Protection period of any utility patent and design patent is 10 years from Filing Date of that patent. Under Chinese law, the protection period for a patent cannot be extended. Any improvement made to an existing patent must be submitted as a new patent application, and shall undergo the same assessment procedures to determine whether this improvement to an existing patent satisfies all legal requirement to be granted a new patent in its own right.

During the protection period, the registered proprietor of a patent shall enjoy exclusive rights to use and exploit the invention, utility or design (as the case may be) protected under patent. However, under specific circumstances and subject to the procedures and protection provided under China Patent Law, SIPO may grant a compulsory licence (**Compulsory Licence**) to a third party to use an invention, utility or design protected under a patent. The specific circumstances when a Compulsory Licence may be granted can be summarised as follows:

(A) when there is negative impact caused by the monopoly and anti-competition arising from the patent which needs to be eliminated;

(B) when national emergency, extraordinary state of affairs or is in the public interest to do so; and

(C) when it is for the benefit of public health.

A party given a Compulsory Licence to a patent does not exclusive rights to use exclusively that patent, in that the registered proprietor of that patent may continue to use that patent and/or licence other parties to use that patent. The Compulsory Licence holder cannot sub-license the use of that patent to another party and must pay reasonable royalties to the registered proprietor of that patent, such reasonable royalties to be agreed between the parties or, in the absence of such agreement, to be determined by SIPO.

Trademarks

The principal legislation governing trademarks in China is the *Trademark Law of the People's Republic of China* (**China Trademark Law**) which was adopted at the 24th Session of the Standing Committee of the NPC on 23 August 1982. Since then, it was amended three times, in 1993, 2001 and 2013. The current form of China Trademark Law has been implemented since 1 May 2014 after the third amendment came to force. The amendments seek to facilitate trademark registration procedures, ensure a fair market for trademark holders and strengthen the legal protection of trademarks in China in line with international standards.

The administrative department in charge of enforcing trademark rights in China is the trademark office (**CTMO**) of the State Administration for Industry and Commerce (**SAIC**) who shall also establish a trademark review and adjudication board to be responsible for handling trademark disputes.

Under China Trademark Law, there are three types of registrable trademarks, namely:

(a) trademarks for goods and services;

(b) collective trademarks; and

(d) certification trademarks.

The owner of a registered trademark (including trademarks for goods and service) enjoys the exclusive right to the use of the trademark, which shall be protected by law. The protection period for a registered trademark is 10 years, counted from the day the registration is approved. Where the owner of a registered trademark intends to continue using the registered trademark upon expiry of this initial protection period, the owner of the registered trademark must apply to renew the registration period within 12 months prior to the expiry date. A six-months extension for the period to apply for renewal of a trademark may be granted. Each renewal of registration for a trademark shall be valid for ten years calculating from the date immediately following the expiry date of the last validity period of the trademark. If no application for renewal is filed upon expiry of the extension period, the registered trademark shall be cancelled.

The following briefly describes the application and approval procedures for trademarks:

(1) An applicant can apply for registration of a trademark according to the prescribed categories of goods indicating in the application the types and the names of goods for which the trademark is to be used. CTMO must complete the examination of a trademark application within nine months from the date of receiving the application documents for trademark registration, and will issue a preliminary decision whether the application is in compliance with the relevant provisions of China Trademark Law.

(2) Where CTMO determines that a trademark for which an application has been made does not conform to the relevant provisions of China Trademark Law or that is identical with or similar to the trademark already registered by another person or is given preliminary examination and approval for use on the same kind of goods or similar goods, CTMO shall reject the application. Where CTMO approves a trademark registration application, it shall issue the certificate of trademark registration to the applicant and make an announcement thereon.

(3) A person whose trademark is infringed may commence civil proceedings against the defaulting for damages. In addition and as an alternative to commencing civil proceedings against the infringing party, the trademark owner can refer the infringement to SAIC for action. If SAIC is of the opinion that the infringement is established, it may:

    (a) order the infringing party to immediately cease the infringing acts;

    (b) confiscate and destroy the infringing goods and instruments mainly used for manufacturing the infringing goods;

    (c) in certain circumstances, impose a fine on the infringing party.

Membership of the World Intellectual Property Organisation and international treaties

China joined the World Intellectual Property Organisation (**WIPO**) by acceding to the *Convention establishing the World Intellectual Property Organization* (**WIPO Convention**) on 3 March 1980, and which came to force on 3 June 1980. As a member of WIPO, China is a party to a number of international treaties administered by WIPO. SIPO administers all of China's obligations under the WIPO Convention and other WIPO-administered treaties which China is a party and had acceded to. One of these international treaties is the *Strasbourg Agreement Concerning the International Patent Classification* (the **Strasbourg Agreement**) which establishes the International Patent Classification (**IPC**). The IPC divides technology into eight sections with approximately 70,000 subdivisions. China's accession date for and the effective date of the Strasbourg Agreement was 17 June 1996 and 19 June 1997. Therefore, since 19 June 1997, China adopts the IPC for patent registrations in China.