

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Amendment No. 1 to

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 14, 2019 (October 30, 2019)

**GREENLAND TECHNOLOGIES HOLDING CORPORATION**

(Exact name of registrant as specified in its charter)

**British Virgin Islands**

(State or other jurisdiction of  
incorporation)

**001-38605**

(Commission File Number)

**N/A**

(IRS Employer  
Identification No.)

**11-F, Building #12, Sunking Plaza, Gaojiao Road  
Hangzhou, Zhejiang, People's Republic of China**

(Address of principal executive offices)

**311122**

(Zip Code)

Registrant's telephone number including area code: **(86) 010-53607082**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, no par value	GTEC	The NASDAQ Stock Market LLC
Warrants to purchase one-half of one ordinary share	GTECW	The NASDAQ Stock Market LLC

### **Explanatory Note**

This Amendment No. 1 (the “Amended Report”) to our Current Report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on October 30, 2019 (the “Original Report”) is being filed voluntarily to include (1) the unaudited financial statements for Zhongchai Holding (Hong Kong) Limited for the interim period ended September 30, 2019, (2) the Management’s discussion and analysis of financial condition and results of operations for the same period, and (3) the unaudited pro forma condensed combined financial information of the Company as of September 30, 2019.

Except for the foregoing amended information, this Amended Report continues to describe conditions as of the date of the Original Report and the disclosures contained herein. It does not reflect events occurring after October 30, 2019, nor does it modify or update those disclosures presented therein, except with regard to the modifications described in this Explanatory Note. As such, this Amended Report continues to speak as of October 30, 2019. Accordingly, this Amended Report should be read in conjunction with the Original Report and our other reports filed with the SEC subsequent to the filing of our Original Report, including any amendments to those filings.

---

TABLE OF CONTENTS

	<u>Page No.</u>
<a href="#">CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</a>	1
Item 9.01. <a href="#">Financial Statements and Exhibits.</a>	2

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Amended Report contains forward-looking statements. Any and all statements contained in this Report that are not statements of historical fact may be deemed forward-looking statements. Terms such as “may,” “might,” “would,” “should,” “could,” “project,” “estimate,” “pro-forma,” “predict,” “potential,” “strategy,” “anticipate,” “attempt,” “develop,” “plan,” “help,” “believe,” “continue,” “intend,” “expect,” “future,” and terms of similar import (including the negative of any of the foregoing) may be intended to identify forward-looking statements. However, not all forward-looking statements may contain one or more of these identifying terms. Forward-looking statements in the Report may include, without limitation, statements regarding (i) the plans and objectives of management for future operations, (ii) a projection of income (including income/loss), earnings (including earnings/loss) per share, capital expenditures, dividends, capital structure or other financial items, (iii) our future financial performance, including any such statement contained in a discussion and analysis of financial condition by management or in the results of operations included pursuant to the rules and regulations of the SEC, and (iv) the assumptions underlying or relating to any statement described in points (i), (ii) or (iii) above.

The forward-looking statements are not meant to predict or guarantee actual results, performance, events or circumstances and may not be realized because they are based upon our current projections, plans, objectives, beliefs, expectations, estimates and assumptions and are subject to a number of risks and uncertainties and other influences, many of which we have no control over. Actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of these risks and uncertainties. Factors that may influence or contribute to the accuracy of the forward-looking statements or cause actual results to differ materially from expected or desired results may include, without limitation:

- Market acceptance of our products and services;
- Competition from existing products or new products that may emerge;
- The implementation of our business model and strategic plans for our business and our products;
- Estimates of our future revenue, expenses, capital requirements and our need for financing;
- Our financial performance;
- Current and future government regulations;
- Developments relating to our competitors; and
- Other risks and uncertainties, including those listed under the section title “*Risk Factors*” in the Original Report.

Readers are cautioned not to place undue reliance on forward-looking statements because of the risks and uncertainties related to them and to the risk factors. We disclaim any obligation to update the forward-looking statements contained in this Report to reflect any new information or future events or circumstances or otherwise, except as required by law.

Readers should read the Amended Report in conjunction with the Original Report, our financial statements and the related notes thereto in this Report, and other documents which we may file from time to time with the SEC.

**Item 9.01. Financial Statements and Exhibits.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ZHONGCHAI HOLDING**

*You should read the following discussion of Zhongchai Holding's financial condition and results of operations in conjunction with its consolidated financial statements and the related notes included elsewhere in this report. The discussion in this statement contains forward-looking statements that involve risks and uncertainties, such as statements of Zhongchai Holding's plans, objectives, expectations and intentions. The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. Zhongchai Holding's actual results could differ materially from those discussed in these forward-looking statements. As a result of many factors, including those factors set forth in the "Risk Factors" section of our Definitive Proxy Statement filed on September 26, 2019, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

**Overview**

Zhongchai Holding, through its subsidiaries, is:

- a leading developer and manufacturer of traditional transmission products for material handling machineries in China; and
- a developer of a robotic cargo carrier prototype expected to be available for commercial use in the near future in China.

Zhongchai Holding's transmission products are key components for forklift trucks used in manufacturing and logistic applications, such as factories, workshops, warehouses, fulfillment centers, shipyards and seaports. Forklifts play an important role in logistics systems of many enterprises across different industries in China and globally. Generally, the industries with the largest demand for forklifts include the transportation, warehousing logistics, electrical machinery and automobile industries.

Zhongchai Holding has experienced increased demand for forklifts in the manufacturing and logistics industries in the PRC, as revenues increased from approximately \$49.1 million in 2017 to approximately \$60.2 million in 2018, albeit with declined revenue of approximately \$40.5 million in the nine months ended September 30 compared with approximately \$48 million in the same period of 2018, primarily due to reduction in production. Based on revenue of the nine months ended September 30, 2019 and 2018, Zhongchai Holding believes that it is one of the major developers and manufacturers of transmission products for small and medium-sized forklift trucks in China.

Zhongchai Holding's transmission products are used in 1-ton to 15-ton forklift trucks, some with mechanical shift and some with automatic shift. Zhongchai Holding sells these transmission products directly to forklift truck manufacturers. In the nine months ended September 30, 2019 and 2018, Zhongchai Holding sold, in the aggregate, more than 61,891 and 73,503 sets of transmission products, respectively, to over 100 forklift manufacturers in China.

## Results of Operations

(a) For the three months ended September 30, 2019 and 2018

### Overview

	For the Three Months Ended September 30,			
	2019	2018	change	Variance
	(Unaudited)			
<b>Revenues</b>	\$ 11,951,535	\$ 11,963,165	\$ (11,630)	(0.1)%
<b>Cost of Goods Sold</b>	9,949,895	9,379,348	570,547	6.1%
<b>Gross Profit</b>	<b>2,001,640</b>	<b>2,583,817</b>	<b>(582,177)</b>	<b>(22.5)%</b>
Selling expenses	180,252	122,994	57,258	46.6%
General and administrative expenses	363,353	76,365	286,988	375.8%
Research and development expenses	450,111	763,614	(313,503)	(41.1)%
<b>Total Operating Expenses</b>	<b>993,716</b>	<b>962,973</b>	<b>30,743</b>	<b>3.2%</b>
<b>Income (loss) from operations</b>	<b>1,007,924</b>	1,620,844	(612,920)	-37.8%
Interest income	7,547	2,946	4,601	156.2%
Interest expenses, net	(415,203)	(242,373)	(172,830)	71.3%
Other income (expense)	(310,454)	487,914	(798,368)	(163.6)%
<b>Income (loss) before income tax</b>	<b>289,814</b>	<b>1,869,331</b>	<b>(1,579,517)</b>	<b>(84.5)%</b>
<b>Income tax</b>	47,784	211,610	(163,826)	-77.4%
<b>Net income (loss)</b>	<b>242,030</b>	<b>1,657,721</b>	<b>(1,415,691)</b>	<b>(85.4)%</b>

### Components of Results of Operations

Component of Results of Operations	Three Months ended September 30,	
	2019	2018
	(Unaudited)	
Revenues	11,951,535	11,963,165
Cost of Goods Sold	9,949,895	9,379,348
Gross Profit	2,001,640	2,583,817
Operating Expenses	993,716	962,973
Net Income	242,030	1,657,721

### Revenues

Zhongchai Holding's revenues decreased by approximately \$ 0.01 million, or approximately 0.1%, to approximately \$11.95 million for the three months ended September 30, 2019, compared to approximately \$11.96 million for the three months ended September 30, 2018. The decrease was primarily attributable to the shortage of production capacity due to the moving process into new factory in Meizhou, Zhejiang, China. The new factory was fully completed by the end of April, 2019 and the company started in June to settle into the new factory, which caused production reduction in the second quarter. The company has fully settled into the new factory by the end of Oct. 2019.

### *Cost of Goods Sold*

Zhongchai Holding's cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the production of products. Write-down of inventory by using NRV impairment test is also recorded in cost of goods sold. The total cost of goods sold increased by approximately \$ 0.57 million, or approximately 6.1%, to approximately \$9.95million for the three months ended September 30, 2019, compared to approximately \$ 9.38 million for the three months ended September 30, 2018. Cost of goods sold increased due to increasing price of raw material.

### *Gross Profit*

Zhongchai Holding's gross profit decreased by approximately \$0.58million, or 22.5%, to approximately \$2 million for the three months ended September 30, 2019, from approximately \$2.58 million for the three months ended September 30, 2018. For the three months ended September 30, 2019 and 2018, Zhongchai Holding's gross margin was approximately 16.7% and 21.6%, respectively. The decrease of gross margin was primarily due to the increase in the price of certain raw materials and labor costs.

### *Operating Expense*

Zhongchai Holding's operating expenses consist of selling expenses, general and administrative expenses and research and development expenses

### *Selling Expense*

Selling expenses mainly include operating expenses such as sales staff payroll, traveling expenses and transportation expenses. Selling expenses just increased by \$0.06 million, or 46.6%, to approximately \$0.18 million for the three months ended September 30, 2019, as compared to approximately \$0.12 million for the three months ended September 30, 2018.

### *General and Administrative Expenses*

General and administrative expenses include management and office staff salaries and employee benefits, deprecation for office facility and office furniture and equipment, travel and entertainment, legal and accounting, consulting fees and other office expenses. General and administrative expenses increased by approximately \$0.29 million, or approximately 375.8%, to approximately \$0.36 million for the three months ended September 30, 2019, as compared to approximately \$0.08 million for the three months ended September 30, 2018. The increase of general and administrative was primarily due to Zhongchai Holding's legal and audit fee occurred in this period.

### *Research and Development Expenses*

Research and development ("R&D") expenses consist of R&D personnel compensation, costs of materials used in R&D projects, and depreciation costs for research-related equipment. R&D expenses decreased by approximately \$0.31 million, or 41.1%, to approximately \$0.45 million for the three months ended September 30, 2019, as compared to approximately \$0.76 million for the three months ended September 30, 2018. The decrease of R&D expenses was primarily due to the company starting to settle into the new facility in June, caused the decreasing activities on R&D.

### Income from Operations

As a result of the foregoing, income from operations for the three months ended September 30, 2019 was approximately \$1.01 million, a decrease of approximately \$0.61 million from the income from operations of approximately \$1.62 million for the three months ended September 30, 2018.

### Interest Income and Interest Expenses

Zhongchai Holding's interest income was approximately \$7,547 for the three months ended September 30, 2019, an increase of approximately \$4,601, or 156.2%, as compared to approximately \$2,946 for the three months ended September 30, 2018. The increase in interest income was primarily due to increase in interest income from bank deposits.

Zhongchai Holding's interest expenses was approximately \$(0.42) million for the three months ended September 30, 2019, an increase of approximately \$0.17 million, or 71.3%, as compared to approximately \$(0.24) million for the three months ended September 30, 2018. The increase was primarily due to new interest expenses from a "sale and leaseback" arrangement started in early 2019.

### Other Income

Zhongchai Holding's other income was approximately \$(0.31) million for the three months ended September 30, 2019, a decrease of approximately \$0.8 million, or 163.6%, as compared to approximately \$0.49 million for the three months ended September 30, 2018. The decrease was primarily due to the loss on disposal of a few machineries.

### Income Taxes

Zhongchai Holding's income tax was approximately \$0.05 million for the three months ended September 30, 2019, compared to approximately \$0.21 million for the three months ended September 30, 2018. Under the Income Tax Laws of the PRC, companies are generally subject to income tax at a rate of 25%. However, Zhongchai Holding obtained the "high-tech enterprise" tax status in November 2016, which reduced its statutory income tax rate to 15%.

Zhongchai Holding is registered in the Hong Kong Special Administrative Region of the People's Republic of China and is subject to 16.5% income tax for locally earned income, but is exempt from income tax for income or gains earned outside of Hong Kong. Zhongchai Holding had no sales revenue in Hong Kong for the three months ended September 30, 2019 and 2018.

### Net Income (Loss)

As a result of the foregoing, net income decreased by approximately \$1.42 million, to approximately \$0.24 million for the three months ended September 30, 2019, from an income of approximately \$1.66 million for the three months ended September 30, 2018.

### (b) For the nine months ended September 30, 2019 and 2018

#### Overview

	For the Nine Months Ended			
	September 30,			
	2019	2018	change	Variance
	(Unaudited)			
<b>Revenues</b>	\$ 40,502,305	\$ 47,968,726	\$ (7,466,421)	(15.6)%
<b>Cost of Goods Sold</b>	31,875,891	36,135,428	(4,259,537)	(11.8)%
<b>Gross Profit</b>	<b>8,626,414</b>	<b>11,833,298</b>	<b>(3,206,884)</b>	<b>(27.1)%</b>
Selling expenses	778,348	718,922	59,426	8.3%
General and administrative expenses	1,253,646	1,346,928	(93,282)	(6.9)%
Research and development expenses	1,600,890	1,954,090	(353,200)	(18.1)%
<b>Total Operating Expenses</b>	<b>3,632,884</b>	<b>4,019,940</b>	<b>(387,056)</b>	<b>(9.6)%</b>
<b>Income (loss) from operations</b>	<b>4,993,530</b>	<b>7,813,358</b>	<b>(2,819,828)</b>	<b>(36.1)%</b>
Interest income	20,640	18,160	2,480	13.7%
Interest expenses, net	(1,292,746)	(1,073,447)	(219,299)	20.4%
Other income (expense)	151,593	780,663	(629,070)	(80.6)%
<b>Income (loss) before income tax</b>	<b>3,873,017</b>	<b>7,538,734</b>	<b>(3,665,717)</b>	<b>(48.6)%</b>
<b>Income tax</b>	<b>624,735</b>	<b>1,195,661</b>	<b>(570,926)</b>	<b>(47.7)%</b>
<b>Net income (loss)</b>	<b>3,248,282</b>	<b>6,343,073</b>	<b>(3,094,791)</b>	<b>(48.8)%</b>



*Components of Results of Operations*

<b>Component of Results of Operations</b>	<b>Nine Months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	
Revenues	\$ 40,502,305	\$ 47,968,726
Cost of Goods Sold	31,875,891	36,135,428
Gross Profit	8,626,414	11,833,298
Operating Expenses	3,632,884	4,019,940
Net Income	3,248,282	6,343,073

*Revenues*

Zhongchai Holding's revenues decreased by approximately \$7.5 million, or approximately 15.6%, to approximately \$ 40.5 million for the nine months ended September 30, 2019, compared to approximately \$ 48.0 million for the nine months ended September 30, 2018. The decrease was primarily attributable to the shortage of production capacity due to the moving process into new factory in Meizhou, Zhejiang, China. The new factory was fully completed by the end of April, 2019 and the company started in June to settle into the new factory, which caused production reduction in the third quarter. The company has fully settled into the new factory by the end of Oct. 2019. On a RMB basis, revenues for the nine months ended September 30, 2019 decreased by approximately 11.42 %.

*Cost of Goods Sold*

Zhongchai Holding's cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the production of products. Write-down of inventory by using NRV impairment test is also recorded in cost of goods sold. The total cost of goods sold decreased by approximately \$4.2 million, or approximately 11.8%, to approximately \$31.9 million for the nine months ended September 30, 2019, compared to approximately \$36.1 million for the nine months ended September 30, 2018. Cost of goods sold decreased due to decrease of sale volume.

### *Gross Profit*

Zhongchai Holding's gross profit decreased by approximately \$3.2 million, or 27.1%, to approximately \$8.6 million for the nine months ended September 30, 2019, from approximately \$11.8 million for the nine months ended September 30, 2018. For the nine months ended September 30, 2019 and 2018, Zhongchai Holding's gross margin was approximately 21.3% and 24.7%, respectively. The decrease of gross margin was primarily due to the increase in the price of certain raw materials and labor costs.

### *Operating Expense*

Zhongchai Holding's operating expenses consist of selling expenses, general and administrative expenses and research and development expenses

#### *Selling Expense*

Selling expenses mainly include operating expenses such as sales staff payroll, traveling expenses and transportation expenses. Selling expenses just increased by \$ 59,426 or 8.3%, to approximately \$0.78 million for the nine months ended September 30, 2019, as compared to approximately \$0.72 million for the nine months ended September 30, 2018.

#### *General and Administrative Expenses*

General and administrative expenses include management and office staff salaries and employee benefits, depreciation for office facility and office furniture and equipment, travel and entertainment, legal and accounting, consulting fees and other office expenses. General and administrative expenses decreased by approximately \$0.09 million, or approximately 6.9%, to approximately \$1.25 million for the nine months ended September 30, 2019, as compared to approximately \$1.34 million for the nine months ended September 30, 2018. The decrease of general and administrative was primarily due to less impairment loss on receivable and inventory occurred in recent period.

#### *Research and Development Expenses*

Research and development ("R&D") expenses consist of R&D personnel compensation, costs of materials used in R&D projects, and depreciation costs for research-related equipment. R&D expenses decreased by approximately \$0.35 million, or 18.1%, to approximately \$1.6 million for the nine months ended September 30, 2019, as compared to approximately \$1.95 million for the nine months ended September 30, 2018. The decrease of R&D expenses was primarily due to the company starting to settle into the new facility in June, caused the decreasing activities on R&D.

### *Income from Operations*

As a result of the foregoing, income from operations for the nine months ended September 30, 2019 was approximately \$5 million, a decrease of approximately \$2.8 million, from the income from operations of approximately 7.8 million for the nine months ended September 30, 2018.

### *Interest Income and Interest Expenses*

Zhongchai Holding's interest income was approximately \$ 20,640 for the nine months ended September 30, 2019, an increase of approximately \$2,480, or 13.7%, as compared to approximately \$18,160 for the nine months ended September 30, 2018. The increase in interest income was primarily due to increase in interest income from bank deposits.

Zhongchai Holding's interest expenses was approximately \$(1.29) million for the nine months ended September 30, 2019, an increase of approximately \$0.22 million, or 20.4%, as compared to approximately \$(1.07) million for the nine months ended September 30, 2018. The increase was primarily due to new interest expenses from a "sale and leaseback" arrangement started in early 2019.

#### *Other Income*

Zhongchai Holding's other income was approximately \$0.15 million for the nine months ended September 30, 2019, a decrease of approximately \$0.63 million, or 80.6%, as compared to approximately \$0.78 million for the nine months ended September 30, 2018. The decrease was primarily due to the loss on disposal of a few machineries in recent period.

#### *Income Taxes*

Zhongchai Holding's income tax was approximately \$3.87 million for the nine months ended September 30, 2019, compared to approximately \$7.54 million for the nine months ended September 30, 2018. Under the Income Tax Laws of the PRC, companies are generally subject to income tax at a rate of 25%. However, Zhongchai Holding obtained the "high-tech enterprise" tax status in November 2016, which reduced its statutory income tax rate to 15%.

Zhongchai Holding is registered in the Hong Kong Special Administrative Region of the People's Republic of China and is subject to 16.5% income tax for locally earned income, but is exempt from income tax for income or gains earned outside of Hong Kong. Zhongchai Holding had no sales revenue in Hong Kong for the nine months ended September 30, 2019 and 2018.

#### *Net Income*

As a result of the foregoing, net income decreased by approximately \$3.1 million, to approximately \$3.2 million for the nine months ended September 30, 2019, from an income of approximately \$6.3 million for the nine months ended September 30, 2018.

### **Liquidity and Capital Resources**

Zhongchai Holding has funded working capital and other capital requirements primarily by equity contributions, cash flow from operations, short-term bank loans and bank acceptance notes, and long-term bank loans. Cash is required primarily to purchase raw materials, repay debts and pay salaries, office expenses, income taxes and other operating expenses.

Zhongchai Holding management believes that Zhongchai Holding has sufficient cash, together with expected profits and anticipated capital from existing funding sources, to operate for the next 12 months. Zhongchai Holding has generated, and is expected to continue to generate, positive cash flow from operations.

Zhongchai Holding may need additional cash resources in the future if it experiences failure in collection of receivables, changed business conditions or other developments, and may also need additional cash resources in the future if it wishes to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If it is determined that the cash requirements exceed Zhongchai Holding's cash and cash equivalents on hand, Zhongchai Holding may seek to issue debt or equity securities.

Zhongchai Holding has expended considerable resources to build a new factory, resulting in lower levels of available cash during such periods. However, Zhongchai Holding management anticipates that cash flow will improve in the remaining months of 2019, given that the new factory construction has been completed. Furthermore, management expects to pledge the new title deeds to banks in order to obtain additional loans and to refinance expiring loans next year, as well as to fund other working capital needs to the extent additional funds are available upon terms acceptable to Zhongchai Holding.

See "NOTE 16: Related Person Transactions" above for a description of amounts payable to, and receivable from, related parties. There is no guarantee that the amounts payable by Zhongchai Equity Holder will be repaid in whole or in part in the near future, if at all. Any such failure could have a material negative impact on Zhongchai Holding's balance sheet.

### ***Cash and Cash Equivalents***

Cash equivalents refers to all highly liquid investments purchased with original maturity of three months or less. As of September 30, 2019, Zhongchai Holding had approximately \$3.86 million of cash and cash equivalents, an increase of approximately \$0.48 million, or 14.2%, as compared to approximately \$3.38 million as of September 30, 2018. The increase of cash was mainly due to the increase in positive cash flows from operating and investing activities.

### ***Restricted Cash***

Restricted cash represents amounts held by a bank as security for bank acceptance notes and therefore is not available for use until the bank acceptance notes have been fulfilled or expired, normally within a twelve-month period. As of September 30, 2019, Zhongchai Holding had approximately \$2.13 million of restricted cash, a decrease of approximately \$1.27 million, or 37.4%, as compared to approximately \$3.40 million as of September 30, 2018. The decrease of restricted cash was due to maturity and settlement of bank acceptance notes that were subsequently released from escrow.

### ***Accounts Receivable***

As of September 30, 2019, Zhongchai Holding had approximately \$11.79 million of accounts receivables, an increase of approximately \$1.62 million or 15.9%, as compared to approximately \$10.17 million as of September 30, 2018. The increase in accounts receivable was due to the lower turnover on receivable.

Zhongchai Holding recorded approximately \$0.9 million of provision for doubtful accounts as of September 30, 2019. Zhongchai Holding conducted an aging analysis of each customer's delinquent payments to determine whether allowance for doubtful accounts is adequate. In establishing the allowance for doubtful accounts, Zhongchai Holding considers historical experience, the economic environment, and the expected collectability of past due receivables. An estimate of doubtful accounts is recorded when collection of the full amount is no longer probable. Known bad debts are written off against the allowance for doubtful accounts when identified. After Zhongchai Holding evaluated all the above considerations, Zhongchai Holding established a policy to provide a provision of 5% for accounts receivable aged within one year, provision of 20% for accounts receivable aged between one and two years, a provision of 50% for accounts receivable aged between two and three years, and a provision of 100% for accounts receivable aged over three years. Zhongchai Holding will continuously assess its potential losses based on the credit history and relationships with its customers on a regular basis to determine if its bad debt allowance on its accounts receivable is adequate. Zhongchai Holding believes that its collection policies are in line with the transmissions industry in China generally.

### ***Notes Receivable***

As of September 30, 2019, Zhongchai Holding had approximately \$14.46 million of notes receivables. The decrease was approximately \$1.88 million, or 11.5%, as compared to approximately \$16.34 million as of September 30, 2018.

## Cash Flow

	For the Nine Months Ended	
	September 30	
	2019	2018
	(Unaudited)	
Net cash provided by operating activities	\$ 4,544,055	\$ 3,439,906
Net cash provided by/(used in) investing activities	\$ 1,668,179	\$ (2,323,003)
Net cash (used in)/provided by financing activities	\$ (6,672,966)	\$ (1,625,385)
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ (792,756)	\$ (743,056)
Effect of exchange rate changes on cash and cash equivalents	\$ (332,024)	\$ (234,574)
Cash and cash equivalents and restricted cash at beginning of year	\$ 6,782,608	\$ 5,194,071
Cash and cash equivalents and restricted cash at end of year	\$ 5,989,852	\$ 4,451,015

### Operating Activities

Zhongchai Holding's net cash provided by operating activities was approximately \$4.54 million and \$3.44 million for the nine months ended September 30, 2019 and 2018, respectively.

In the nine months ended September 30, 2019, the main sources of cash inflow from operating activities were net income, change in inventories and other receivables, of approximately \$3.25 million, \$2.42 million and \$3.95 million, respectively. The main causes of cash outflow were change in account receivable and note payable, of approximately \$(2.18) million and \$(3.85) million, respectively.

In the nine months ended September 30, 2018, the main sources of cash inflow from operating activities were net income, change in note receivable and account payable, of approximately \$ 6.34 million, \$3.49 million and \$3.85 million, respectively. The main causes of cash outflow were change in account receivable and inventories, of approximately \$(6.12) million and \$(4.63) million, respectively.

### Investing Activities

Net cash provided in investing activities was approximately \$1.67 million for the nine months ended September 30, 2019. Cash provided in investing activities for the nine months ended September 30, 2019 was mainly due to the short-term investment in cash management products provided of approximately \$2.19 million offset by approximately \$ (0.41) million cash used for increase in construction-in-progress for the new factory.

Net cash provided in investing activities was approximately \$(2.32) million for the nine months ended September 30, 2018. Cash provided in investing activities for the nine months ended September 30, 2018 was mainly due to the short-term investment in cash management products provided of approximately \$2.57 million offset by approximately \$(3.52) million cash used for increase in construction-in-progress for the new factory.

### Financing Activities

Net cash used in financing activities was approximately \$(6.67) million for the nine months ended September 30, 2019, mainly attributable to approximately \$21.73 million proceeds from short-term bank loans, offset by repayments of short-term bank loans for approximately \$(22.18) million, repayments of long-term bank loans for approximately \$(4.74) million, approximately \$(2.92) million repayment of loans from third parties, as well as approximately \$(1.97) million repayment of loans from related parties.

Net cash used in financing activities was approximately \$(1.63) million for the nine months ended September 30, 2018 mainly attributable to repayment of short-term and long-term bank loans of approximately \$(8.87) million and \$(0.38) million, repayment of loans from third parties of approximately \$(3.06) million, respectively, mitigated by additional proceeds from short-term bank loans of approximately \$11.93 million

#### ***Credit Risk***

Credit risk is one of the most significant risks for Zhongchai Holding's business. Accounts receivable are typically unsecured and derived from revenues earned from customers, thereby exposing Zhongchai Holding to credit risk. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Zhongchai Holding identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management. In measuring the credit risk of sales to customers, Zhongchai Holding mainly reflects the "probability of default" by the customer on its contractual obligations and considers the current financial position of the customer and the exposures to the customer and its likely future development.

#### ***Liquidity Risk***

Zhongchai Holding is also exposed to liquidity risk that it is unable to provide sufficient capital resources and liquidity to meet its commitments and/or business needs. Liquidity risk is managed by the application of financial position analysis to test if Zhongchai Holding is in danger of liquidity issues and also by application of monitoring procedures to constantly observing its conditions and movements. When necessary, Zhongchai Holding resorts to other financial institutions to obtain additional short-term funding to meet the liquidity shortage.

#### ***Inflation Risk***

Zhongchai Holding is also exposed to inflation risk. Inflationary factors, such as increases in raw material and overhead costs, could impair Zhongchai Holding's operating results. Although Zhongchai Holding does not believe that inflation has had a material impact on its financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on its ability to maintain current levels of gross margin and operating expenses as a percentage of sales revenues if the selling prices of its products do not increase with such increased costs.

#### **Off Balance Sheet Arrangements**

None.

(a) Financial Statements of Business Acquired.

In accordance with Item 9.01(a), Zhongchai Holding's audited financial statements for the year ended December 31, 2018 and 2017, and unaudited financial statements for the six months ended June 30, 2019 are attached to the Report as Exhibit 99.1 hereto. Zhongchai Holding's unaudited financial statements as of September 30, 2019 are filed herein as Exhibit 99.3.

(b) Pro Forma Financial Information.

In accordance with Item 9.01(b), unaudited pro forma condensed combined financial statements for the nine months ended August 31, 2019 and year ended November 30, 2018 are attached to the Report as Exhibit 99.2 hereto. Unaudited pro forma condensed combined financial statements as of September 30, 2019 are attached to this Current Report as Exhibit 99.4.

(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
2.1	<a href="#"><u>Share Exchange Agreement dated as of July 12, 2019 (Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed by the registrant on July 12, 2019).(Incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
3.1	<a href="#"><u>Amended and Restated Memorandum and Articles of Association, effective on October 24, 2019 (Incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
10.1	<a href="#"><u>Employment Agreement, dated October 24, 2019 by and between the Company and Raymond Z. Wang (Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
10.2	<a href="#"><u>Employment Agreement, dated October 24, 2019 by and between the Company and Lei Chen (Incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
10.3	<a href="#"><u>Employment Agreement, dated October 24, 2019 by and between the Company and Jing Jin (Incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
14.1	<a href="#"><u>Form of Code of Business Conduct and Ethics (Incorporated by reference to Exhibit 14.1 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
17.1	<a href="#"><u>Resignation of Jiang Pu (Incorporated by reference to Exhibit 17.1 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
17.2	<a href="#"><u>Resignation of Yu Chen (Incorporated by reference to Exhibit 17.2 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
17.3	<a href="#"><u>Resignation of Shan Cui (Incorporated by reference to Exhibit 17.3 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
17.4	<a href="#"><u>Resignation of Yanming Liu (Incorporated by reference to Exhibit 17.4 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
17.5	<a href="#"><u>Resignation of River Chi (Incorporated by reference to Exhibit 17.5 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
21.1	<a href="#"><u>Subsidiaries of Registrant (Incorporated by reference to Exhibit 21.1 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
99.1	<a href="#"><u>Financial Statements of Zhongchai Holding (Hong Kong) Limited (Incorporated by reference to Exhibit 99.1 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
99.2	<a href="#"><u>Pro Forma Financial Statements for the nine months ended August 31, 2019 and year ended November 30, 2018 (Incorporated by reference to Exhibit 99.2 to the registrant's Current Report on Form 8-K filed on October 30, 2019)</u></a>
99.3	<a href="#"><u>Zhongchai Holding's Financial Report including unaudited financial statements of Zhongchai Holding (Hong Kong) Limited as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018 *</u></a>
99.4	<a href="#"><u>Pro Forma Financial Statements for the nine months ended September 30, 2019*</u></a>

\* Filed herewith.

**SIGNATURE**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Greenland Technologies Holding Corporation**

November 14, 2019

By: /s/ Raymond Z. Wang  
Raymond Z. Wang  
Chief Executive Officer and President



ZHONGCHAI HOLDING (HONG KONG) LIMITED

TRANSITION DISCLOSURE

Financial Report  
September 30, 2019

---

**TABLE OF CONTENTS**  
**Index to Financial Report**

	<b>Page</b>
<a href="#">Item 1. Financial Statements</a>	1
<a href="#">Condensed Consolidated Balance Sheets (Unaudited)</a>	1
<a href="#">Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)</a>	3
<a href="#">Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)</a>	4
<a href="#">Condensed Consolidated Statement of Cash Flows (Unaudited)</a>	5
<a href="#">Notes to Condensed Consolidated Financial Statements (Unaudited)</a>	7

ITEM 1. FINANCIAL STATEMENTS

**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2019 (UNAUDITED) AND DECEMBER 31, 2018**  
**(IN U.S. DOLLARS)**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,858,305	\$ 3,377,564
Restricted cash	2,131,547	3,405,044
Notes receivables	14,463,130	16,342,689
Accounts receivable, net of allowance for doubtful accounts of \$941,903 and \$906,138, respectively	11,791,075	10,176,069
Inventories (net of provision for slow moving inventory of \$199,607 and \$178,107, respectively)	9,587,338	12,400,474
Advance to suppliers	128,592	32,878
Prepayments and Other current assets	349,998	2,511,124
<b>Total Current Assets</b>	<b>\$ 42,309,985</b>	<b>\$ 48,245,842</b>
<b>Non-current asset</b>		
Property, plant and equipment, net	19,410,657	20,451,129
Construction in progress	332,247	1,607,324
Land use rights, net	3,791,392	3,888,756
Due from related parties	32,999,764	32,861,718
Deferred tax assets	502,224	578,652
Goodwill	3,796	3,954
Other non-current assets	854,524	2,913
<b>Total non-current assets</b>	<b>\$ 57,894,604</b>	<b>\$ 59,394,446</b>
<b>TOTAL ASSETS</b>	<b>\$ 100,204,589</b>	<b>\$ 107,640,288</b>

See accompanying notes to the consolidated financial statements.

**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2019 (UNAUDITED) AND DECEMBER 31, 2018 (CONTINUED)**  
**(IN U.S. DOLLARS)**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	
<b>Current Liabilities</b>		
Notes payable-bank acceptance notes	\$ 11,609,944	\$ 17,120,504
Short-term bank loans	18,398,926	19,620,585
Accounts payable	15,689,581	14,971,444
Taxes payables	93,945	155,346
Customer deposits	82,855	68,588
Due to related parties	2,961,184	3,309,998
Other current liabilities	1,919,497	4,203,881
Long-term payables - current portion	2,347,103	-
<b>Total current liabilities</b>	<b>\$ 53,103,035</b>	<b>\$ 59,450,346</b>
<b>Long-term liabilities</b>		
Long-term bank loans	1,748,814	6,556,708
Long-term payables	2,122,046	-
Other long-term liabilities	2,069,446	1,994,366
<b>Total long-term liabilities</b>	<b>\$ 5,940,306</b>	<b>\$ 8,551,074</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 59,043,341</b>	<b>\$ 68,001,420</b>
<b>EQUITY</b>		
Ordinary shares, \$0.00129 par value, 1,000,000 shares authorized	1,290	1,290
Additional paid-in capital	12,300,015	12,300,015
Retained earnings	22,019,059	19,191,427
Accumulated other comprehensive income	(1,215,313)	525,483
<b>Total shareholders' equity</b>	<b>\$ 33,105,051</b>	<b>\$ 32,018,215</b>
Non-controlling interest	8,056,197	7,620,653
<b>TOTAL EQUITY</b>	<b>\$ 41,161,248</b>	<b>\$ 39,638,868</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 100,204,589</b>	<b>\$ 107,640,288</b>

See accompanying notes to the consolidated financial statements.

**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
**(UNAUDITED, IN U.S. DOLLARS)**

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
<b>REVENUES</b>	\$ 11,951,535	\$ 11,963,165	\$ 40,502,305	\$ 47,968,726
<b>COST OF GOODS SOLD</b>	9,949,895	9,379,348	31,875,891	36,135,428
<b>GROSS PROFIT</b>	2,001,640	2,583,817	8,626,414	11,833,298
Selling expenses	180,252	122,994	778,348	718,922
General and administrative expenses	363,353	76,365	1,253,646	1,346,928
Research and development expenses	450,111	763,614	1,600,890	1,954,090
<b>Total operating expenses</b>	\$ 993,716	\$ 962,973	\$ 3,632,884	\$ 4,019,940
<b>INCOME FROM OPERATIONS</b>	\$ 1,007,924	\$ 1,620,844	\$ 4,993,530	\$ 7,813,358
Interest income	7,547	2,946	20,640	18,160
Interest expense	(415,203)	(242,373)	(1,292,746)	(1,073,447)
Other income	(310,454)	487,914	151,593	780,663
<b>INCOME BEFORE INCOME TAX</b>	\$ 289,814	\$ 1,869,331	\$ 3,873,017	\$ 7,538,734
<b>INCOME TAX</b>	47,784	211,610	624,735	1,195,661
<b>NET INCOME</b>	\$ 242,030	\$ 1,657,721	\$ 3,248,282	\$ 6,343,073
<b>OTHER COMPREHENSIVE LOSS</b>				
Foreign currency translation loss	(1,613,847)	(1,476,001)	(1,725,902)	(2,075,438)
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>	(1,613,847)	(1,476,001)	(1,725,902)	(2,075,438)
<b>TOTAL COMPREHENSIVE INCOME</b>	(1,371,817)	181,720	1,522,380	4,267,635
<b>NET INCOME ATTRIBUTABLE TO ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES</b>	\$ 155,684	\$ 1,483,954	\$ 2,827,632	\$ 5,666,028
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	86,346	173,767	420,650	677,045
<b>NET INCOME</b>	\$ 242,030	\$ 1,657,721	\$ 3,248,282	\$ 6,343,073
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>	(1,371,817)	181,720	1,522,380	4,267,635
OWNERS OF ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES	(1,506,847)	308,476	1,086,836	4,124,314
<b>NONCONTROLLING INTEREST</b>	\$ 135,030	\$ (126,756)	\$ 435,544	\$ 143,321
<b>EARNINGS PER ORDINARY SHARE</b>				
Basic and diluted	0.16	1.48	2.83	5.67

See accompanying notes to the consolidated financial statements.

**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
**(UNAUDITED, IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)**

	Total Zhongchai Holding (Hong Kong) Limited Shareholders' Equity										
	Ordinary Shares \$0.00129 Par Value		Additional Paid-in Capital	Treasury stock		Accumulated Other Comprehensive		Statutory Reserve	Retained Earnings	Non- controlling Interest	Total
	Shares	Amount		Shares	Amount	Income/(loss)	Income/(loss)				
	Shares	Amount	Capital	Shares	Amount	Income/(loss)	Reserve	Earnings	Interest	Total	
<b>Balance at June 30, 2018 (Unaudited)</b>	1,000,000	1,290	12,300,015	-	-	1,206,996	-	17,491,027	8,165,189	39,164,517	
<b>Net income</b>	-	-	-	-	-	-	-	1,483,954	173,767	1,657,721	
<b>Foreign currency translation adjustment</b>	-	-	-	-	-	(1,175,478)	-	-	(300,523)	(1,476,001)	
<b>Balance at September 30, 2018 (Unaudited)</b>	1,000,000	1,290	12,300,015	-	-	31,518	-	18,974,981	8,038,433	39,346,237	
<b>Balance at June 30, 2019 (Unaudited)</b>	1,000,000	\$ 1,290	\$ 12,300,015	-	-	\$ 447,218	-	\$ 21,863,375	\$ 7,921,167	\$ 42,533,065	
<b>Net income</b>	-	-	-	-	-	-	-	155,684	86,346	242,030	
<b>Foreign currency translation adjustment</b>	-	-	-	-	-	(1,662,531)	-	-	48,684	(1,613,847)	
<b>Balance at September 30, 2019 (Unaudited)</b>	1,000,000	\$ 1,290	\$ 12,300,015	-	-	\$ (1,215,313)	-	\$ 22,019,059	\$ 8,056,197	\$ 41,161,248	

**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
**(UNAUDITED, IN U.S. DOLLARS, EXCEPT FOR SHARE DATA)**

	<b>Total Zhongchai Holding (Hong Kong) Limited Shareholders' Equity</b>										
	<b>Ordinary Shares</b>		<b>Additional</b>	<b>Treasury stock</b>		<b>Accumulated</b>		<b>Statutory</b>	<b>Retained</b>	<b>Non-</b>	<b>Total</b>
	<b>\$0.00129</b>			<b>Paid-in</b>	<b>Other</b>		<b>Income/(loss)</b>				
	<b>Par Value</b>	<b>Shares</b>	<b>Amount</b>		<b>Capital</b>	<b>Shares</b>		<b>Amount</b>	<b>Interest</b>		
<b>Balance at December 31, 2017 (Audited)</b>	<b>1,000,000</b>	<b>1,290</b>	<b>12,300,015</b>	-	-	<b>1,573,232</b>	-	<b>13,308,953</b>	<b>7,895,112</b>	<b>35,078,602</b>	
<b>Net income</b>	-	-	-	-	-	-	-	<b>5,666,028</b>	<b>677,045</b>	<b>6,343,073</b>	
<b>Foreign currency translation adjustment</b>	-	-	-	-	-	<b>(1,541,714)</b>	-	-	<b>(533,724)</b>	<b>(2,075,438)</b>	
<b>Balance at September 30, 2018 (Unaudited)</b>	<b>1,000,000</b>	<b>1,290</b>	<b>12,300,015</b>	-	-	<b>31,518</b>	-	<b>18,974,981</b>	<b>8,038,433</b>	<b>39,346,237</b>	
<b>Balance at December 31, 2018 (Audited)</b>	<b>1,000,000</b>	<b>1,290</b>	<b>12,300,015</b>	-	-	<b>525,483</b>	-	<b>19,191,427</b>	<b>7,620,653</b>	<b>39,638,868</b>	
<b>Net income</b>	-	-	-	-	-	-	-	<b>2,827,632</b>	<b>420,650</b>	<b>3,248,282</b>	
<b>Foreign currency translation adjustment</b>	-	-	-	-	-	<b>(1,740,796)</b>	-	-	<b>14,894</b>	<b>(1,725,902)</b>	
<b>Balance at September 30, 2019 (Unaudited)</b>	<b>1,000,000</b>	<b>\$ 1,290</b>	<b>\$ 12,300,015</b>	-	-	<b>\$ (1,215,313)</b>	-	<b>\$ 22,019,059</b>	<b>\$ 8,056,197</b>	<b>\$ 41,161,248</b>	

See accompanying notes to the consolidated financial statements.

**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINEMONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
**(UNAUDITED, IN U.S. DOLLARS)**

	For the nine months ended September 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net income</b>	<b>\$ 3,248,282</b>	<b>\$ 6,343,073</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,723,564	1,037,130
Loss on disposal of property and equipment	253,870	7,265
Allowance for doubtful accounts	23,686	575,171
Investment (loss)	(111,501)	(208,689)
<b>Changes in operating assets and liabilities:</b>		
<b>Increase (Decrease) In:</b>		
Accounts receivable	(2,180,016)	(6,123,038)
Notes receivable	1,309,927	3,490,832
Inventories	2,417,293	(4,634,999)
Other receivables	3,950,388	1,981,968
Advance to suppliers	(101,112)	(223,540)
Other current and noncurrent assets	(1,470,171)	474,588
Deferred tax assets	55,645	(96,742)
<b>Increase (Decrease) In:</b>		
Accounts payable	192,786	3,847,565
Notes payable	(3,846,672)	(42,510)
Customer deposits	(2,699)	(379,677)
Other current liabilities	(970,318)	(2,236,084)
Income tax payable	(109,868)	(640,106)
Other long-term liabilities	160,971	267,699
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 4,544,055</b>	<b>\$ 3,439,906</b>

See accompanying notes to the consolidated financial statements.



**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)**  
**(UNAUDITED, IN U.S. DOLLARS)**

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of plant and equipment	\$ (189,536)	\$ (1,467,461)
Proceeds from sale of property, plant and equipment	91,176	2,409
Increase in construction-in-progress	(405,259)	(3,517,637)
Purchases of land use rights and other intangible assets	(126,703)	(118,596)
Short term investment in cash management products	2,187,000	2,569,593
Collection of Investment income	111,501	208,689
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>\$ 1,668,179</b>	<b>\$ (2,323,003)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term bank loans	\$ 21,725,658	\$ 11,930,254
Repayments of short-term bank loans	(22,184,928)	(8,871,215)
Repayments of long-term bank loans	(4,738,500)	(382,380)
Bank acceptance deposit	(1,185,914)	(157,046)
Loans from related parties	1,968,300	-
Repayment of loans from related parties	(1,968,300)	(1,085,959)
Repayment of loans from third parties	(2,916,000)	(3,059,039)
Dividend paid	(1,228,837)	-
Proceeds from long-term payables	6,429,050	-
Deposits for the long-term payables	(801,900)	-
Repayment of long-term payables	(1,586,046)	-
Financing expense for the long-term payables	(185,549)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>\$ (6,672,966)</b>	<b>\$ (1,625,385)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>\$ (792,756)</b>	<b>\$ (743,056)</b>
Effect of exchange rate changes on cash	(332,024)	(234,574)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>6,782,608</b>	<b>5,194,071</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD</b>	<b>\$ 5,989,852</b>	<b>\$ 4,451,015</b>
Bank balances and cash	3,858,305	912,691
Bank balances and cash included in assets classified as restricted cash	2,131,547	3,538,324
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Income taxes paid	654,779	1,795,285
Interest paid	990,752	1,065,552

See accompanying notes to the consolidated financial statements.

**ZHONGCHAI HOLDING (HONG KONG) LIMITED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND PRINCIPAL ACTIVITIES**

Zhongchai Holding (Hong Kong) Limited, (“Zhongchai Holding” or the “Company”) was established on April 23, 2009 in Hong Kong Special Administrative Region of the People's Republic of China.

**The Company’s Shareholders**

Currently, Cenntro Holding Limited owns 100% of Zhongchai Holding’s outstanding ordinary shares. Cenntro Holding Limited is controlled and beneficially owned by Mr. Peter Zuguang Wang, chairman of the Company.

**The Company’s Subsidiaries**

Zhejiang Zhongchai Machinery Co., Ltd. (“Zhejiang Zhongchai”), the subsidiary of the Company, is the sole shareholder of Zhejiang Shengte Transmission Co., Ltd. (“Shengte”). It also owned 62.5% of Shanghai Hengyu Enterprise Management Consulting Co., Ltd. (“Hengyu”) until transferred its ownership to Zhongchai Holding on July 15, 2019.

*Zhejiang Zhongchai*

Zhejiang Zhongchai, a limited liability company registered on November 21, 2005, is the direct operating subsidiary of Zhongchai Holding in China. On April 5, 2007, Usunco Automotive Limited (“Usunco”), a British Virgin Islands limited liability company incorporated on April 24, 2006, invested \$8,000,000 USD into Zhejiang Zhongchai for its approximately 75.47% interest. On December 16, 2009, Usunco agreed to transfer its 75.47% interest in Zhejiang Zhongchai to Zhongchai Holding. On April 26, 2010, Xinchang County Keyi Machinery Co., Ltd. transferred all its 24.528% interest in Zhejiang Zhongchai to Zhongchai Holding for a consideration of US\$2.6 million. On November 1, 2017, Xinchang County Jiuxin Investment Management Partnership (LP) (“Jiuxin”), an entity controlled and beneficially owned by Mr. He Mengxing, president of Zhejiang Zhongchai, closed its investment of approximately RMB31,590,000 in Zhejiang Zhongchai for 10.53% of its interest. As of September 30, 2019, Zhongchai Holding owns approximately 89.47% of Zhejiang Zhongchai and Jiuxin owns approximately 10.53% of Zhejiang Zhongchai.

Through Zhejiang Zhongchai, the Company has been engaged in the manufacture and sale of transmission systems mainly for forklift trucks since 2006. These forklift trucks are used in manufacturing and logistics applications, such as factory, workshop, warehouse, fulfillment centers, shipyards and seaports. The transmission systems are the key components for the forklift trucks. The Company supplies transmission systems to forklift truck manufacturers. Its transmission systems fit for forklift trucks ranging from 1 to 15 tons, with either mechanical shift or automatic shift. All the products are currently manufactured at the Company’s facility in Xinchang, Zhejiang Province, China and are sold to both domestic and oversea markets. The Company has completed the move to the new factory in Meizhu, Zhejiang Province, China, by the end of October 2019.

*Shengte*

Shengte is a limited liability company registered on February 24, 2006 in Xinchang High-Tech Industrial Park, Zhejiang, China.

Shengte manufactures parts of transmission boxes for Zhejiang Zhongchai. All the parts are manufactured in the Company’s Xinchang facility and are sold internally to Zhejiang Zhongchai.

*Hengyu*

Hengyu is a limited liability company registered on September 10, 2015 in Shanghai Free Trade Zone, Shanghai, China. Hengyu holds no assets other than an account receivable owed by Cenntro Holding Limited. Main business of Hengyu are investment management and consulting services.

## Hangzhou Greenland

Hangzhou Greenland is a limited liability company registered on August 9, 2019 in Hangzhou Sunking Plaza, Zhejiang, China. Hangzhou Greenland manufactures and sales carrier cargo robotics.

As of September 30, 2019, the subsidiaries of the Company were as follows:

<b>Name</b>	<b>Domicile and Date of Incorporation</b>	<b>Paid-in Capital</b>		<b>Percentage of Effective Ownership</b>	<b>Principal Activities</b>
Zhejiang Zhongchai Machinery Co., Ltd.	PRC November 21, 2005	USD	28,612,943	89.47%	Manufacture, sale of various transmission boxes
Zhejiang Shengte Transmission Co., Ltd.	PRC February 24, 2006	RMB	5,000,000	89.47%	Manufacture and sale of parts of transmission box
Shanghai Hengyu Enterprise Management Consulting Co., Ltd.	PRC September 10, 2015	RMB	251,500,000	62.5%	Investment management and consulting services.
Hangzhou Greenland Robotic Technologies Co., Ltd.	PRC August 8, 2019	-	-	100%	manufactures and sales carrier cargo robotics.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The consolidated financial statements include the accounts of Zhongchai Holding (Hong Kong) Limited and its subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). Intercompany accounts and transactions have been eliminated upon consolidation.

### Use of Estimates

The preparation of the consolidated and combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made. Actual results could differ from those estimates.

### Non-controlling Interest

Non-controlling interests in the Company’s subsidiaries are recorded in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 810 Consolidation (“ASC 810”) and are reported as a component of equity, separate from the parent’s equity. Purchase or sale of equity interests that do not result in a change of control are accounted for as equity transactions. Results of operations attributable to the non-controlling interest are included in our consolidated results of operations and, upon loss of control, the interest sold, as well as interest retained, if any, will be reported at fair value with any gain or loss recognized in earnings.

## Foreign Currency Translation

The accompanying consolidated financial statements are presented in United States dollars (“US\$” or “\$”). The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are translated into United States dollars from RMB at year-end exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The resulting transaction adjustments are recorded as a component of shareholders’ equity. Gains and losses from foreign currency transactions are included in net income.

	For the nine months ended September 30,	
	2019	2018
Period end RMB: US\$ exchange rate	7.1477	6.8792
Period average RMB: US\$ exchange rate	6.8587	6.5380

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at the rates used in translation.

## Revenue Recognition

In accordance with the ASC Topic 606, “Revenue from Contracts with Customers”, the Company recognizes revenues when goods or services are transferred to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. In determining when and how revenues are recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenues when (or as) the Company satisfies each performance obligation. The Company derives revenues from the processing, distribution and sale of own products. The Company recognizes its revenues net of value-added taxes (“VAT”). The Company is subject to VAT which had been levied at the rate of 17% on the invoiced value of sales until April 30, 2018, after which date the rate was reduced to 16%. VAT rate was further reduced to 13% starting from April 1, 2019. Output VAT is borne by customers in addition to the invoiced value of sales and input VAT is borne by the Company in addition to the invoiced value of purchases to the extent not refunded for export sales.

Revenues are recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the performance obligation is fulfilled, usually at the time of delivery, at the net sales price (transaction price) and each of the criteria under ASC 606 have been met. Contract terms may require the Company to deliver the finished goods to the customers’ location or the customer may pick up the finished goods at the Company’s factory. International sales are recognized when shipment clears customs and leaves the port.

The Company started adoption of ASC 606 for the fiscal year ended December 31, 2018, using the transition method of Modified-Retrospective Method (“MRM”). The adoption of ASC 606 had no impact on the Company’s beginning balance of retained earnings.

The Company’s contracts are predominantly short-term in nature with a contract term of one year or less. For those contracts, the Company has utilized the practical expedient in ASC Topic 606 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less. Receivables are recorded when the Company has an unconditional right to consideration.

Contracts do not offer any chargeback or price protection. The Company experienced no product returns and recorded no reserve for sales returns for the nine months ended September 30, 2019 and 2018, respectively.

The following table sets forth disaggregation of revenue:

Major Product	For the nine months ended September 30,	
	2019	2018
Transmission boxes for Forklift	35,600,679	38,144,827
Transmission boxes for Non-Forklift (EV, etc.)	4,901,626	9,823,899
<b>Total</b>	<b>40,502,305</b>	<b>47,968,726</b>

#### Cost of Goods Sold

Cost of goods sold consists primarily of material costs, freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, wages, employee compensation, amortization, depreciation and related costs, which are directly attributable to the production of products. Write-down of inventory to lower of cost or net realizable value is also recorded in cost of goods sold.

#### Selling Expenses

Selling expenses include operating expenses such as payroll and traveling and transportation expenses.

#### General and Administrative Expenses

General and administrative expenses include management and office salaries and employee benefits, depreciation for office facility and office equipment, travel and entertainment, legal and accounting, consulting fees and other office expenses.

#### Research and Development

Research and development costs are expensed as incurred and totaled approximately \$1,600,890 and \$1,954,090 for the nine months ended September 30, 2019 and 2018, respectively. Research and development costs are incurred on a project specific basis.

#### Retirement Benefits

Retirement benefits in the form of contributions under defined contribution retirement plans to the relevant authorities are charged to operations as incurred. Retirement benefits of \$144,997 and \$197,817 were charged to operations for the nine months ended September 30, 2019 and 2018, respectively.

#### Income Taxes

The Company accounts for income taxes following the liability method pursuant to FASB ASC 740 "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in income in the period that includes the enactment date.

The Company also follows FASB ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of September 30, 2019, the Company did not have a liability for unrecognized tax benefits. It is unlikely that the amount of liability for unrecognized tax benefits will significantly change over the next 12 months. It is the Company's policy to include penalties and interest expense related to income taxes as a component of other expense and interest expense, respectively, as necessary. The Company's historical tax years will always remain open for examination by the local authorities.

#### **Value-Added Tax**

Enterprises or individuals, who sell commodities, engage in repair and maintenance or import or export goods in the PRC are subject to a value added tax in accordance with Chinese Laws. The VAT standard rate had been 17% of the gross sale price until April 30, 2018, after which date the rate was reduced to 16%. VAT rate was further reduced to 13% starting from April 1, 2019. A credit is available whereby VAT paid on the purchases of semi-finished products or raw materials used in the production of the Company's finished products can be used to offset the VAT due on the sales of the finished products.

#### **Statutory Reserve**

In accordance with the PRC Regulations on Enterprises with Foreign Investment, an enterprise established in the PRC with foreign investment is required to provide for certain statutory reserves, namely (i) General Reserve Fund, (ii) Enterprise Expansion Fund and (iii) Staff Welfare and Bonus Fund, which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A wholly-owned foreign enterprise is required to allocate at least 10% of its annual after-tax profit to the General Reserve Fund until the balance of such fund has reached 50% of its respective registered capital. A non-wholly-owned foreign invested enterprise is permitted to provide for the above allocation at the discretion of its board of directors. Appropriations to the Enterprise Expansion Fund and Staff Welfare and Bonus Fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

#### **Comprehensive Income**

Comprehensive income is defined as the change in equity during the year from transactions and other events, excluding the changes resulting from investments by owners and distributions to owners, and is not included in the computation of income tax expense or benefit. Accumulated comprehensive income consists of foreign currency translation. The Company presents comprehensive income in accordance with ASC Topic 220, "Comprehensive Income". ASC Topic 220 states that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in the consolidated financial statements.

#### **Cash and Cash Equivalents**

For financial reporting purposes, the Company considers all highly liquid investments purchased with original maturity of three months or less to be cash equivalents. The Company maintains no bank account in the United States of America. The Company maintains its bank accounts in China. Balances at financial institutions or state-owned banks within China are not covered by insurance. However, the Company has not experienced any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

#### **Restricted Cash**

Restricted cash represents amounts held by a bank as security for bank acceptance notes and therefore is not available for the Company's use until such time as the bank acceptance notes have been fulfilled or expired, normally within a twelve-month period.

## **Fair Value of Financial Instruments**

The Company applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, to the financial instruments that are required to be carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs that prioritizes the information used to develop our assumptions regarding fair value. Fair value measurements are separately disclosed by level within the fair value hierarchy.

- Level 1—defined as observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2—defined as inputs other than quoted prices in active markets, that are either directly or indirectly observable; and
- Level 3—defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The company's financial instruments primarily consist of cash and cash equivalents, restricted cash, accounts receivable, notes receivable, accounts payable, other payables and accrued liabilities, short-term bank loans, and bond payable.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and other current assets and liabilities approximate fair value because of the short-term nature of these items. The estimated fair values of short-term bank loans were not materially different from their carrying value as presented due to the short maturities and that the interest rates on the borrowing approximate those that would have been available for loans of similar remaining maturity and risk profile. As the carrying amounts are reasonable estimates of the fair value, these financial instruments are classified within Level 1 of the fair value hierarchy.

## **Earnings per share**

The Company calculates earnings per share in accordance with ASC Topic 260, "Earnings per Share." Basic earnings per share is computed by dividing the net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential ordinary shares equivalents had been issued and if the additional common shares were dilutive.

## **Accounts Receivable**

Accounts receivable are carried at net realizable value. The Company reviews its accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, customer's historical payment history, its current creditworthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. If accounts receivable are to be provided for, or written off, they would be recognized in the consolidated statement of operations within operating expenses. Balance of allowance of doubtful accounts was \$932,389 and \$906,138 as of September 30, 2019 and December 31, 2018, respectively.

## **Inventories**

Inventories are stated at the lower of cost or net realizable value, which is based on estimated selling prices less any further costs expected to be incurred for completion and disposal. Cost of raw materials is calculated using the weighted average method and is based on purchase cost. Work-in-progress and finished goods costs are determined using the weighted average method and comprise direct materials, direct labor and an appropriate proportion of overhead. As of September 30, 2019 and December 31, 2018, the Company had reserves for inventories of \$199,607 and \$178,107, respectively.

### Advance to Suppliers

Advance to suppliers represents interest-free cash paid in advance to suppliers for purchases of parts and/or raw materials. The balance of advance to suppliers was \$128,592 as of September 30, 2019, of which \$128,592 aged within one year. The balance of advance to suppliers was \$32,878 as of December 31, 2018, of which \$31,655 aged within one year and \$578 between one and two years.

### Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation, and include expenditure that substantially increases the useful lives of existing assets.

Depreciation is provided over their estimated useful lives, using the straight-line method. Estimated useful lives are as follows:

Plant, buildings and improvements	20 years
Machinery and equipment	2~10 years
Motor vehicles	4 years
Office Equipment	3~5 years
Fixed Assets decoration	5 years

When assets are sold or retired, their costs and accumulated depreciation are eliminated from the consolidated financial statements and any gain or loss resulting from their disposal is recognized in the period of disposition as an element of other income. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and betterments are capitalized.

### Land Use Rights

According to the PRC laws, the government owns all the land in the PRC. Companies or individuals are authorized to possess and use the land only through land use rights granted by the Chinese government. The land use rights granted to the Company are being amortized using the straight-line method over the lease term of fifty years.

### Impairment of Long-Lived Assets

Long-lived assets are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with FASB ASC 360, "Property, Plant and Equipment".

In evaluating long-lived assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the asset and eventual disposition in accordance with FASB ASC 360-10-15. To the extent that estimated future, undiscounted cash inflows attributable to the asset, less estimated future, undiscounted cash outflows, are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal, whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell.

No impairment loss is subsequently reversed even if facts and circumstances indicate recovery. There was no impairment loss recognized for the nine months ended September 30, 2019 and 2018.

### Segments and Related Information

ASC 280-10-50, "Operating Segments", define the characteristics of an operating segment as a) being engaged in business activity from which it may earn revenues and incur expenses, b) being reviewed by the Company's chief operating decision maker ("CODM") for decisions about resources to be allocated and assess its performance and c) having discrete financial information. Although the Company indeed looks at its products to analyze the nature of its revenues, other financial information, such as certain costs and expenses and net income are not captured or analyzed by these categories. Therefore, discrete financial information is not available by product line and the Company has no CODM to make resource allocation decisions or assess the performance of the business based on these categories, but rather in the aggregate. Based on this, management believes that the Company operates in one business segment.



In the analysis of product lines as potential operating segments, management also considered ASC 280-10-50-11, “Aggregation Criteria”, which allows for the aggregation of operating segments if the segments have similar economic characteristics and if the segments are similar in each of the following areas:

- the nature of the products and services;
- the nature of the production processes;
- the type or class of customer for their products and services;
- the methods used to distribute their products or provide their services; and
- the nature of the regulatory environment, if applicable.

The Company is engaged in the business of manufacturing and selling various transmission boxes. The Company’s manufacturing process is essentially the same for the entire Company and is performed in-house at the Company’s facilities in China. The Company’s customers primarily consist of entities in the automotive, construction machinery or warehousing equipment industries. The distribution of the Company’s products is consistent across the entire Company. In addition, the economic characteristics of each customer arrangement are similar in that the Company maintains policies at the corporate level.

### **Related Party**

In general, related parties exist when there is a relationship that offers the potential for transactions at less than arm’s-length, favorable treatment, or the ability to influence the outcome of events different from that which might result in the absence of that relationship. A related party may be any of the following: a) an affiliate, which is a party that directly or indirectly controls, is controlled by, or is under common control with another party; b) a principle owner, owner of record or known beneficial owner of more than 10% of the voting interest of an entity; c) management, which are persons having responsibility for achieving objectives of the entity and requisite authority to make decision; d) immediate family of management or principal owners; e) a parent company and its subsidiaries; and f) other parties that have ability to significant influence the management or operating policies of the entity.

### **Economic and Political Risks**

The Company’s operations are conducted in the PRC. Accordingly, the Company’s business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

The Company’s operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company’s results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

### **Exchange Risk**

The Company cannot guarantee that the current exchange rate will remain steady. Therefore, there is a possibility that the Company could post the same amount of profit for two comparable periods and yet, because of a fluctuating exchange rates, record higher or lower profit depending on exchange rate of PRC Renminbi (RMB) converted to U.S. dollars on the relevant dates. The exchange rate could fluctuate depending on changes in the political and economic environment without notice.

## Recently Issued Accounting Pronouncements

Recent accounting pronouncements that the Company has adopted or may be required to adopt in the future are summarized below:

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments", to require financial assets carried at amortized cost to be presented at the net amount expected to be collected based on historical experience, current conditions and forecasts. Subsequently, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, in April 2019, to clarify that receivables arising from operating leases are within the scope of lease accounting standards. The ASUs are effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. Adoption of the ASUs is modified retrospective. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers Other than Inventory, which requires companies to recognize the income-tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset has been sold to an outside party. The Company started adoption of ASU 2016-16 for the fiscal year ended December 31, 2017. The impact of adoption on the Company's Consolidated Financial Statements for any period presented is not material.

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Operating leases result in straight-line expense (similar to operating leases under the prior accounting standard) while finance leases result in a front-loaded expense pattern (similar to capital leases under the prior accounting standard). The amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for a public business entity. Early application of the amendments in this Update is permitted for all entities. As of December 31, 2018, the Company concluded its nominal "sale-leaseback" transaction does not qualify for sale-leaseback accounting in accordance with ASC 840-40-25-11 and shall record under the lease financing method. Under the lease financing method, the assets remain on the Company's consolidated balance sheet and the proceeds from the transactions are recorded as a financing liability. The Company started adoption of ASU 2016-02 for the fiscal year ended December 31, 2019, including interim periods within those fiscal years. Under ASC 842, the Company concluded the transactions do not qualify for the sale-leaseback accounting in accordance with ASC 842-40-25-5 and shall not derecognize the transferred asset and shall account for any amounts received as a financial liability. Thus, the impact of adoption on the Company's Consolidated Financial Statements for any period presented is not material.

In January 2017, the FASB issued ASU No. 2017-04 (Topic 350) Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment, which removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Under the amended guidance, a goodwill impairment charge will now be recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill. This ASU will be applied on a prospective basis and is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for any impairment tests performed after January 1, 2017. The Company does not expect the adoption will have a material impact on the Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13 Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates, adds, and modifies certain disclosure requirements for fair value measurements under ASC 820. This ASU is to be applied on a prospective basis for certain modified or new disclosure requirements, and all other amendments in the standard are to be applied on a retrospective basis. The new standard is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of adoption on the Consolidated Financial Statements.

### NOTE 3 – CONCENTRATION ON REVENUES AND COST OF GOODS SOLD

Concentration of major customers and suppliers:

	For the three months ended September 30,			
	2019		2018	
Major customers representing more than 10% of the Company's revenues				
Company A	\$ 1,529,066	12.79%	\$ -	-%
<b>Total Revenues</b>	<b>\$ 1,529,066</b>	<b>12.79%</b>	<b>\$ -</b>	<b>-%</b>

	For the nine months ended September 30,			
	2019		2018	
Major customers representing more than 10% of the Company's revenues				
Company A	\$ 5,553,382	13.71%	\$ 6,563,475	13.68%
<b>Total Revenues</b>	<b>\$ 5,553,382</b>	<b>13.71%</b>	<b>\$ 6,563,475</b>	<b>13.68%</b>

	As of			
	September, 2019		December 31, 2018	
Major customers of the Company's accounts receivable, net				
Company A	1,135,751	9.64%	892,651	8.05%
Company B	1,010,863	8.58%	1,276,086	11.51%
Company C	1,002,078	8.51%	1,147,108	10.35%
Company D	825,743	7.01%	-	-
<b>Total</b>	<b>\$ 3,974,435</b>	<b>33.74%</b>	<b>\$ 3,315,845</b>	<b>29.91%</b>

Accounts receivable from the Company's major customers accounted for 33.74% and 29.91% of total accounts receivable balances as of September 30, 2019 and December 31, 2018, respectively.

There were no suppliers representing more than 10% of the Company's total purchases for the nine months ended September 30, 2019 and 2018, respectively.

### NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable is net of allowance for doubtful accounts.

	As of	
	September 30, 2019	December 31, 2018
Accounts receivable	\$ 12,723,464	\$ 11,082,207
Less: allowance for doubtful accounts	(932,389)	(906,138)
<b>Accounts receivable, net</b>	<b>\$ 11,791,075</b>	<b>\$ 10,176,069</b>

Changes in the allowance for doubtful accounts are as follows:

	For the nine months ended September 30,	
	2019	2018
Beginning balance	\$ 906,138	\$ 651,248
Provision for doubtful accounts	26,251	446,075
<b>Ending balance</b>	<b>\$ 932,389</b>	<b>\$ 1,097,323</b>

**NOTE 5 – INVENTORIES**

	<b>As of</b>	
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Raw materials	\$ 3,400,414	\$ 5,055,940
Revolving material	655,686	573,907
Consigned processing material	34,421	33,470
Work-in-progress	1,291,091	2,020,295
Finished goods	2,662,757	3,752,899
Goods in transit	1,742,576	1,142,070
Less: reserve for inventories	(199,607)	(178,107)
<b>Inventories, net</b>	<b>\$ 9,587,338</b>	<b>\$ 12,400,474</b>

**NOTE 6 – NOTES RECEIVABLE**

	<b>As of</b>	
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Bank notes receivable:	\$ 13,503,381	\$ 14,048,004
Commercial notes receivable	903,787	1,021,226
Endorsed but undue notes	55,962	1,273,459
<b>Total</b>	<b>\$ 14,463,130</b>	<b>\$ 16,342,689</b>

Bank notes and commercial notes are means of payment from customers for the purchase of the Company's products and are issued by financial institutions or business entities, respectively, that entitle the Company to receive the full nominal amount from the issuer at maturity, which bears no interest and generally ranges from three to six months from the date of issuance. As of September 30, 2019, the Company pledged notes receivable for an aggregate amount of \$9,566,103 to Bank of Communications as a means of security for issuance of bank acceptance notes for an aggregate amount of \$6,454,226. As of December 31, 2018, the Company pledged notes receivable for an aggregate amount of \$9,190,808 to Bank of Communications as a means of security for issuance of bank acceptance notes for an aggregate amount of \$7,713,085.

**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

	<b>As of</b>	
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Buildings	\$ 10,286,504	\$ 10,330,265
Machinery	18,616,469	18,753,984
Motor vehicles	248,351	258,646
Electronic equipment	113,476	106,542
Fixed assets decoration	-	198,085
Total property plant and equipment, at cost	29,264,800	29,647,522
Less: accumulated depreciation	(9,854,143)	(9,196,393)
Property, plant and equipment, net	<b>19,410,657</b>	<b>\$ 20,451,129</b>

## NOTE 8 – LAND USE RIGHTS

Land use rights consisted of the following:

	As of	
	September 30, 2019	December 31, 2018
Land use rights, cost	\$ 4,307,484	\$ 4,356,216
Less: Accumulated amortization	(516,092)	(467,460)
<b>Land use rights, net</b>	<b>\$ 3,791,392</b>	<b>\$ 3,888,756</b>

As of September 30, 2019, there was land use rights with net book value of \$3,791,392, out of which approximately \$2,601,279 were used as collateral for the Company's short-term bank loans. As of December 31, 2018, there was land use rights with net book value of \$3,888,756, out of which approximately \$3,744,139 were used as collateral for the Company's short-term bank loans.

Estimated future amortization expense is as follows as of September 30, 2019:

Years ending September 30,	Amortization expense
2020	\$ 89,715
2021	89,715
2022	89,715
2023	89,715
2024	89,715
Thereafter	3,342,817
<b>Total</b>	<b>\$ 3,791,392</b>

## NOTE 9 – NOTES PAYABLE

	As of	
	September 30, 2019	December 31, 2018
Bank acceptance notes	\$ 11,609,944	\$ 17,120,504
<b>Total</b>	<b>\$ 11,609,944</b>	<b>\$ 17,120,504</b>

The interest-free notes payable, ranging from nine months to one year from the date of issuance, were secured by \$2,131,547 and \$3,405,044 restricted cash, as of September 30, 2019 and December 31, 2018, respectively.

All the notes payable are subject to bank charges of 0.05% of the principal amount as commission, included in the financial expenses in the statement of operations, on each loan transaction.

## NOTE 10 – SHORT TERM BANK LOANS

Short-term loans are summarized as follow:

	As of	
	September 30, 2019	December 31, 2018
Collateralized bank loans	\$ 7,996,978	\$ 7,766,057
Guaranteed bank loans	10,401,948	11,854,528
<b>Total</b>	<b>\$ 18,398,926</b>	<b>\$ 19,620,585</b>

All short term bank loans are obtained from local banks in China and are repayable within one year. Normally banks will renew the loan facilities but will require full repayment on maturity under existing loan facility and then drawdown under the new facility.

The average annual interest rate of the short-term bank loans was 4.900% and 5.119% for the nine months ended September 30, 2019 and 2018, respectively. The Company was in compliance with their financial covenants at September 30, 2019 and 2018, respectively.

#### NOTE 11 – LONG-TERM BANK LOANS

Long-term loans are summarized as follow:

	As of	
	September 30, 2019	December 31, 2018
Guaranteed bank loans - Bank of Hangzhou	\$ 1,748,814	\$ 6,556,708
<b>Total</b>	<b>\$ 1,748,814</b>	<b>\$ 6,556,708</b>

Long-term loans as of September 30, 2019 are as follow:

Maturity Date	Type	Bank Name	Interest Rate per Annum (%)	September 30, 2019
Dec.20, 2020	Project Loans	Bank of Hangzhou	5.70	1,748,814
<b>Total</b>				<b>\$ 1,748,814</b>

Long-term loans as of December 31, 2018 are as follow:

Maturity Date	Type	Bank Name	Interest Rate per Annum (%)	December 31, 2018
Dec.20, 2020	Project Loans	Bank of Hangzhou	5.88	\$ 3,642,616
Dec.20, 2020	Project Loans	Bank of Hangzhou	5.88	\$ 2,914,092
<b>Total</b>				<b>\$ 6,556,708</b>

#### NOTE 12 – LONG-TERM PAYABLES

	As of September 30, 2019
Long-term payables – current portion	\$ 2,347,103
Long-term payables – non-current portion	2,122,046
<b>Total</b>	<b>\$ 4,469,149</b>

On December 19, 2018, Zhejiang Zhongchai conducted a “sale and leaseback” transaction with Shanghai Dingce Financial Leasing Co., Ltd. (hereinafter referred to as “Dingce”), under which Zhongchai nominally ‘sold’ a set of manufacturing equipment (with original value of RMB54,946,372) to Dingce for RMB25,000,000, and hence leased the equipment back. Simultaneously Zhejiang Zhongchai pledged the leased equipment with Dingce as a security. Term of the lease is 36 months starting from January 3, 2019 to January 2, 2022, and total rental payment under the lease contract adds up to RMB28,179,685. The two shareholders of Zhejiang Zhongchai, namely Zhongchai Holding and Jiuxin, respectively, pledged 8.947% and 1.053% of their ownership interest in Zhejiang Zhongchai with Dingce on January 2, 2019 and December 21, 2018, respectively, as security for the lease transaction, representing US\$2,560,000 and \$301,294, respectively, based on par value of registered capital of Zhejiang Zhongchai.

The set of manufacturing equipment is currently being used by the Company for its production purposes. As of December 31, 2018, the Company concluded this transaction does not qualify for sale-leaseback accounting in accordance with ASC 840-40-25-11 and shall record under the lease financing method. Under the lease financing method, the assets remain on the Company’s consolidated balance sheet and the proceeds from the transactions are recorded as a financing liability. The Company adopted ASC 842 on January 1, 2019 and concluded this transaction does not qualify for the sale-leaseback accounting in accordance with ASC 842-40-25-5 and not derecognize the transferred asset and shall account for any amounts received as a financial liability.

On April 24, 2019, Zhejiang Zhongchai signed a Pledge Contract with Donghai Financing Lease Co., Ltd. (“Donghai Lease”), pledging its equipment including the general assembly line and the differential assembly line as security for the total exposure under a Financing Lease Contract capped at RMB 16.80 million between Zhejiang Zhongchai and Donghai Lease from April 26, 2019 to April 26, 2021. As of September 30, 2019, the net book value of the pledged equipment was RMB 21,856,535.

The pledged equipment is currently being used by the Company for its production purposes. The Company adopted ASC 842 on January 1, 2019 and concluded this transaction does not qualify for the sale-leaseback accounting in accordance with ASC 842-40-25-5 and not derecognize the transferred asset and shall account for any amounts received as a financial liability.

#### NOTE 13 – GEOGRAPHICAL SALES AND SEGMENTS

Our management does not capture full financial information or utilize operating segments to make decisions about the business. As discussed in Note 1, management believes that it operates in one business segment.

Information for the Company’s sales by geographical area for the three and nine months ended September 30, 2019 and 2018 are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Domestic Sales	\$ 11,952,872	\$ 11,912,349	\$ 40,398,463	\$ 47,829,811
International Sales	(1,337) <sup>1</sup>	50,816	103,842	138,915
<b>Total</b>	<b>\$ 11,951,535</b>	<b>\$ 11,963,165</b>	<b>\$ 40,502,305</b>	<b>\$ 47,968,726</b>

<sup>1</sup> For the three months ended September 30, 2019, the Company has no international sales. The number is caused by foreign exchange fluctuation.

#### NOTE 14 – INCOME TAXES

##### Hong Kong SAR

Zhongchai Holding (Hong Kong) Limited is registered in the Hong Kong Special Administrative Region of the People's Republic of China and is subject to 16.5% income tax for locally earned income, but is exempt from income tax for income or gains earned outside of Hong Kong. The Company had no sales revenue in Hong Kong for the nine months ended September 30, 2019 and 2018.

## The PRC

According to the relevant laws and regulations in the PRC, foreign invested enterprises established prior to January 1, 2008 are entitled to full exemption from income tax for two years beginning with the first year in which such enterprise is profitable and a 50% income tax reduction for the subsequent three years. Zhejiang Zhongchai Machinery Co., Ltd. was entitled to an exemption during the two years ended December 31, 2007 and was subject to a 50% income tax reduction during the three years ended December 31, 2010. Starting from January 1, 2013, Zhejiang Zhongchai has been enjoying a tax rate of 15% as it is considered as a High and New Technology Enterprise (“HNTE”) by the PRC government, which may be renewable every three years if Zhejiang Zhongchai continues to obtain this award. Between January 1, 2016 and December 31, 2018, the company continue enjoyed this preferential tax rate. Between January 1, 2016 and December 31, 2018, Zhejiang Zhongchai continued enjoying this preferential tax rate. Zhejiang Zhongchai under the re-application process of the HNTE. In condition of approval, Zhejiang Zhongchai would continue enjoying the preferential tax rate of 15% for the fiscal year of 2019 to 2021.

Shengte, the wholly owned subsidiary of Zhejiang Zhongchai and Hengyu, the 62.5% owned subsidiary of Zhongchai Holding incorporated in the PRC, are both imposed at the standard income tax rate of 25%.

Enterprises established under the laws of foreign countries or regions and whose “place of effective management” is located within the PRC territory are considered PRC resident enterprises and subject to the PRC income tax at the rate of 25% on worldwide income. The definition of “place of effective management” refers to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting, properties, etc. of an enterprise. As of September 30, 2019 no detailed interpretation or guidance has been issued to define “place of effective management”. Furthermore, as of September 30, 2019, the administrative practice associated with interpreting and applying the concept of “place of effective management” is unclear. If the Company’s non-PRC incorporated entities are deemed PRC tax residents, such entities would be subject to PRC tax. The Company has analyzed the applicability of this law, as of September 30, 2019, and the Company has not accrued for PRC tax on such basis. The Company will continue to monitor changes in the interpretation or guidance of this law.

PRC tax law also imposes a 10% withholding income tax, subject to reduction based on tax treaty where applicable, for dividends distributed by a foreign invested enterprise to its immediate holding company outside China. Such dividends were exempted from PRC tax under the previous income tax law and regulations. The foreign invested enterprise is subject to the withholding tax starting from January 1, 2008.

The Company adopted the guidance in ASC 740 related to uncertain tax positions. The guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

As of September 30, 2019 and December 31, 2018, the Company did not have any liability for unrecognized tax benefits, and no interest related to unrecognized tax benefits and penalties as income tax expense was recognized for these years.

The Company files income tax returns with the annual settlement and payment of enterprise income tax system of PRC and is subject to examinations by the tax authorities in PRC for years after the establishment.

As of September 30, 2019 and December 31, 2018, the Company was not aware of any pending income tax examinations by PRC tax authorities and no accrued interest or penalties related to uncertain tax positions was recognized.

The tax years from September 30, 2015 to September 30, 2019 are subject to examination by the tax authorities according to the tax regulations of PRC. With few exceptions, as of September 30, 2019, the Company is no longer subject to examinations by PRC tax authorities for years before September 30, 2015.



As of September 30, 2019, there was approximately US\$8.2 million retained earnings at the Company's PRC subsidiary, Zhejiang Zhongchai's account. Given the Company's plan to expand into a new business line of automatic guided vehicles ("AGVs") in near future, Zhejiang Zhongchai is prepared to be the future supplier of transmission boxes for the AGVs, and the board of Zhejiang Zhongchai does not intend to further repatriate these earnings to the Hong Kong parent company, Zhongchai Holding, but instead to reinvest into research and development, moldings, production line and fittings and tools to produce transmission boxes for AGVs, total expenditure of which estimated at approximately US\$20 million. Zhejiang Zhongchai's two subsidiaries in PRC, Shengte and Hengyu, had retained earnings of approximately US\$0.5 million and accumulated deficits of US\$0.03 million, respectively, in their balance sheets as of September 30, 2019. Neither do they intend to distribute any current or future earnings, if any. Accordingly, the Company did not provide for the 10% PRC withholding tax on retained earnings as of September 30, 2019, which would be imposed on dividends distributed to the holding company outside China.

Income tax consisted of the following:

	<b>For the nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Current	\$ 569,090	\$ 1,292,403
Deferred	55,645	(96,742)
<b>Income tax</b>	<b>\$ 624,735</b>	<b>\$ 1,195,661</b>

#### NOTE 15 – COMMITMENTS AND CONTINGENCIES

Guarantees and pledged collateral for bank loans to other parties:

(1) Guarantees for bank loans to other parties

	<b>As of</b>	
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Zhejiang Xinchai Co., Ltd.	\$ 6,995,257	\$ 14,497,610
<b>Total</b>	<b>\$ 6,995,257</b>	<b>\$ 14,497,610</b>

(2) Pledged collateral for bank loans

On May 22, 2019, Zhejiang Zhongchai signed a Maximum Amount Pledge Contract with Agricultural Bank of China Co., Ltd. Xinchang County Sub-Branch (ABC Xinchang), pledging its land use rights for original book value of RMB13,405,600.00 and property ownership for original book value of RMB35,124,152.67 as security with ABC Xinchang, for its loan facility with maximum exposure of RMB69,769,000.00 during the period from May 22, 2019 to May 21, 2022. As of September 30, 2019, the net book value of the land use rights and the property was RMB11,573,501.03 and RMB33,254,574.28, respectively, and outstanding amount of the short-term bank loan under this Pledge Contract was RMB48,830,000.

On May 23, 2019, Zhejiang Zhongchai signed a Maximum Amount Pledge Contract with Agricultural Bank of China Co., Ltd. Xinchang County Sub-Branch (ABC Xinchang), pledging its land use rights for original book value of RMB4,221,371.37 and property ownership for original book value of RMB11,275,182.44 as security with ABC Xinchang, for its loan facility with maximum exposure of RMB24,220,000 during the period from May 23, 2019 to May 22, 2022. As of September 30, 2019, the net book value of the land use rights and the property was RMB3,735,913.73 and RMB10,675,030.24, respectively, and outstanding amount of the short-term bank loan under this Pledge Contract was RMB16,830,000.

(3) Litigation

As of September 30, 2019 and December 31, 2018, there was no pending or threatened litigations known to the Company.

**NOTE 16 – RELATED PARTY TRANSACTIONS**

**(a) Names and Relationship of Related Parties:**

	<b>Existing Relationship with the Company</b>
Sinomachinery Holding Limited	Under common control of Peter Zuguang Wang
Cenntro Holding Limited	Controlling shareholder of the Company
Zhejiang Kangchen Biotechnology Co., Ltd.	Under common control of Peter Zuguang Wang
Cenntro Smart Manufacturing Tech. Co., Ltd.	Under common control of Peter Zuguang Wang
Zhejiang Zhonggong Machinery Co., Ltd.	Under common control of Peter Zuguang Wang
Zhejiang Zhonggong Agricultural Equipment Co., Ltd.	Under common control of Peter Zuguang Wang
Jiuxin Investment Management Partnership (LP) <sup>6</sup>	Under control of Mr. Mengxing He, the General Manger and one of the directors of Zhejiang Zhongchai
Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership)	Under common control of Peter Zuguang Wang

**(b) Summary of Balances with Related Parties:**

	<b>As of</b>	
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Due to related parties:</b>		
Sinomachinery Holding Limited <sup>1</sup>	\$ 1,757,285	\$ 1,775,869
Zhejiang Kangchen Biotechnology Co., Ltd. <sup>2</sup>	62,957	65,567
Zhejiang Zhonggong Machinery Co., Ltd. <sup>3</sup>	1,021,857	1,276,691
Xinchang County Jiuxin Investment Management Partnership (LP) <sup>4</sup>	-	160,337
Zhejiang Zhonggong Agricultural Equipment Co., Ltd. <sup>5</sup>	10,691	11,135
Cenntro Smart Manufacturing Tech. Co., Ltd. <sup>6</sup>	16,218	20,399
Zhuhai Hengzhong Industrial Investment Fund (Limited Partnership) <sup>7</sup>	92,176	-
<b>Total</b>	<b>\$ 2,961,184</b>	<b>\$ 3,309,998</b>

The balance of Due to related parties as of September 30, 2019 and December 31, 2018 consisted of:

- 1 Overpayment from Sinomachinery Holding Limited for certain purchase order;
- 2 Temporary borrowings from Zhejiang Kangchen Biotechnology Co., Ltd.;
- 3 Unpaid balances for purchasing of materials and equipment and temporary borrowing from Zhejiang Zhonggong Machinery Co., Ltd.;
- 4 Dividends declared but unpaid to Xinchang County Jiuxin Investment Management Partnership (LP).
- 5 Unpaid balances for purchasing of materials from Zhejiang Zhonggong Agricultural Equipment Co., Ltd.;
- 6 Prepayment from Cenntro Smart Manufacturing Tech. Co., Ltd.
- 7 Zhuhai Hengzhong paid audit fee on behalf of Zhongchai Holding

	As of	
	September 30, 2019	December 31, 2018
<b>Due from related parties:</b>		
Cenntro Holding Limited	\$ 32,656,994	\$ 32,861,718
Cenntro Smart Manufacturing Tech. Co., Ltd.	342,770	
<b>Total</b>	<b>\$ 32,999,764</b>	<b>\$ 32,861,718</b>

The balance of Due from related parties as of September 30, 2019 and December 31, 2018 consisted of:

Net other receivable from Cenntro Holding Limited was \$32,656,994 and \$32,861,718 as of September 30, 2019 and December 31, 2018, respectively, representing the proceeds from transfer of long-term investment to Cenntro Holding Limited, balance of which being \$35,178,028 and \$36,636,262 as of September 30, 2019 and December 31, 2018, respectively with variance due to change in USD/RMB exchange rate, offset by the dividend payable to Cenntro Holding Limited, balance of which being \$2,521,034 and \$3,774,544, respectively as of the ending date of the two reporting periods, with variance due to payment of dividend incurred in first half of 2019. Cenntro Holding will pay the full balance due to Zhongchai Holding by October 27, 2020.

**(c) Summary of Related Party Transactions:**

A summary of trade transactions with related parties for the nine months ended September 30, 2019 and 2018 are listed below:

	For the nine months ended September 30,	
	2019	2018
<b>Purchases from related parties:</b>		
Zhejiang Zhonggong Machinery Co., Ltd.	Purchase of materials and equipment	1,038,680
<b>Sales to related parties:</b>		
Zhejiang Zhonggong Agricultural Equipment Co., Ltd.	Sale of goods	\$ -
Zhejiang Zhonggong Machinery Co., Ltd.	Sale of goods	7,732
Cenntro Smart Manufacturing Tech. Co., Ltd.	Provide service and Sale of goods	59,453
Cenntro Holding Limited	Sale of investment	-

**NOTE 17 – SUBSEQUENT EVENTS**

We have evaluated all events or transactions that occurred after September 30, 2019 up through November 14, 2019. The company had no subsequent events that need to be disclosed.

**UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION****Introduction**

Greenland is providing the following unaudited pro forma combined financial information to aid you in your analysis of the financial aspects of the Business Combination.

The unaudited pro forma combined balance sheet as of August 31, 2019 gives pro forma effect to the Business Combination as if it had been consummated as of that date. The unaudited pro forma combined statements of operations for the nine months ended August 31, 2019 and year ended November 30, 2018 give pro forma effect to the Business Combination as if it had occurred as of the earliest period presented. This information should be read together with Zhongchai Holding's and Greenland's respective audited and unaudited financial statements and related notes, "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Zhongchai Holding*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Greenland*" and other financial information included elsewhere in this report.

The unaudited pro forma combined balance sheet as of August 31, 2019 has been prepared using the following:

- Zhongchai Holding's unaudited historical consolidated balance sheet as of September 30, 2019; and
- Greenland's unaudited historical balance sheet as of August 31, 2019.

The unaudited pro forma combined statement of operations for the nine months ended August 31, 2019 has been prepared using the following:

- Zhongchai Holding's unaudited historical consolidated statement of operations and comprehensive income for the nine months ended September 30, 2019; and
- Greenland's unaudited historical statement of operations for the nine months ended August 31, 2019.

The unaudited pro forma combined statement of operations for the year ended November 30, 2018 has been prepared using the following:

- Zhongchai Holding's audited historical consolidated statement of operations and comprehensive income for the year ended December 31, 2018; and
- Greenland's audited historical statement of operations for the period from December 28, 2017 (inception) through November 30, 2018.

**Description of the Transaction**

The Business Combination consists of a series of transactions pursuant to which Greenland will acquire 100% of the issued and outstanding capital stock of Zhongchai Holding, in exchange for the issuance of 7,500,000 Greenland Shares to the Zhongchai Equity Holder.

**Accounting for the Transaction**

The Business Combination will be accounted for as a reverse merger, accompanied by a recapitalization, in accordance with U.S. GAAP. Under this method of accounting, Greenland will be treated as the "acquired" company for financial reporting purposes. This determination was primarily based on Zhongchai Equity Holder controlling the majority of the relative voting rights, Zhongchai Equity Holder being expected to have the largest interest of the combined company, Zhongchai Holding's senior management comprising the senior management of the combined company, the relative size of Zhongchai Holding compared to Greenland, and Zhongchai Holding's operations comprising the ongoing operations of the combined company. Accordingly, for accounting purposes, the Business Combination will be treated as the equivalent of Zhongchai Holding issuing stock for the net assets of Greenland, accompanied by a recapitalization. The net assets of Greenland will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be those of Zhongchai Holding.

---

## ***Basis of Pro Forma Presentation***

The historical financial information has been adjusted to give pro forma effect to events that are related and/or directly attributable to the Business Combination, are factually supportable, and as it relates to the unaudited pro forma combined statements of operations, are expected to have a continuing impact on the results of the combined company. The adjustments presented on the unaudited pro forma combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the combined company upon consummation of the Business Combination.

The unaudited pro forma combined financial information is for illustrative purposes only. The financial results may have been different had the companies always been combined. You should not rely on the unaudited pro forma combined financial information as being indicative of the historical financial position and results that would have been achieved had the companies always been combined or the future financial position and results that the combined company will experience. Zhongchai Holding and Greenland have not had any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

On October 24, 2019 (the “Closing Date”), Greenland consummated the business combination following a special meeting of stockholders (the “Special Meeting”) where the stockholders of Greenland considered and approved, among other matters, a proposal to adopt a share exchange agreement (the “Share Exchange Agreement”), dated as of July 12, 2019, entered into by and among (i) Greenland, (ii) Zhongchai Holding (Hong Kong) Limited, a Hong Kong company (“Zhongchai Holding”), (iii) Greenland Asset Management Corporation, a British Virgin Islands company with limited liability, in the capacity as the purchaser representative (the “Purchaser Representative”), and (iv) Cenntro Holding Limited, the sole member of Zhongchai Holding (the “Zhongchai Equity Holder” or the “Seller”). Upon consummation of the Business Combination, Greenland shareholders exercised redemption Rights with respect to their Public Shares with total of 3,794,058 shares redeemed.

The unaudited pro forma combined financial information has been prepared assuming Redemptions of 3,794,058 Public Shares for cash at a Redemption Price of approximately \$10.21 per share. The Redemption amount is derived from a minimum net tangible asset requirement of \$5,000,001 required pursuant to the Share Exchange Agreement, after giving effect to the payments to redeeming shareholders. There could be more Public Shares redeemed as long as Greenland has at least \$5,000,001 of net tangible assets upon consummation of the Business Combination.

Included in the shares outstanding and weighted average shares outstanding as presented in the pro forma combined financial statements are 7,500,000 Greenland Shares to be issued to the Zhongchai Equity Holder.

As a result of the Business Combination and immediately following the Closing, if 3,794,058 Greenland Shares are redeemed for cash, the existing shareholder of Zhongchai Holding will own approximately 75.0%, existing Greenland shareholders will own approximately 24.5%, and an independent third party that is a China-based entity that acted as finder in connection with the Business Combination will own approximately 0.5%, of the Greenland Shares to be outstanding immediately after the Business Combination (in each case, not giving effect to any shares issuable to them upon exercise of Warrants).

**PRO FORMA COMBINED BALANCE SHEET  
AS OF AUGUST 31, 2019  
(UNAUDITED)**

	(A) <u>Zhongchai</u>	(B) <u>Greenland</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Balance Sheet</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 3,858,305	\$ 192,000	\$ 45,470,537 <sup>(1)</sup>	
			(900,000) <sup>(2)</sup>	
			(2,010,580) <sup>(3)</sup>	
			(38,723,353) <sup>(4)</sup>	\$ 7,886,909
Restricted cash	2,131,547	—	—	2,131,547
Notes receivable	14,463,130	—	—	14,463,130
Accounts receivables, net	11,791,075	—	—	11,791,075
Inventories	9,587,338	—	—	9,587,338
Prepaid expenses and other current assets	478,590	44,724	—	523,314
<b>Total Current Assets</b>	<b>42,309,985</b>	<b>236,724</b>	<b>3,836,604</b>	<b>46,383,313</b>
Marketable securities held in Trust Account	—	45,470,537	(45,470,537) <sup>(1)</sup>	—
Property, plant and equipment, net	19,742,904	—	—	19,742,904
Land use rights, net	3,791,392	—	—	3,791,392
Deferred tax assets	502,224	—	—	502,224
Goodwill	3,796	—	—	3,796
Due from related parties	32,999,764	—	—	32,999,764
Other assets	854,524	—	—	854,524
<b>Total Assets</b>	<b>\$ 100,204,589</b>	<b>\$ 45,707,261</b>	<b>\$ (41,633,933)</b>	<b>\$ 104,277,917</b>
<b>Liabilities and Shareholders' Equity</b>				
Current liabilities:				
Current maturities of long-term debt	\$ 32,355,973	\$ —	\$ —	\$ 32,355,973
Accounts payable and accrued expenses	15,689,581	73,327	—	15,762,908
Taxes payable	93,945	—	—	93,945
Customer deposits	82,855	—	—	82,855
Promissory note – related party	—	210,000	(210,000) <sup>(2)</sup>	—
Due to related party	2,961,184	—	—	2,961,184
Other current liabilities	1,919,497	—	—	1,919,497
<b>Total Current Liabilities</b>	<b>53,103,035</b>	<b>283,327</b>	<b>(210,000)</b>	<b>53,176,362</b>
Long-term debt	1,748,814	—	—	1,748,814
Convertible promissory notes – related party	—	690,000	(690,000) <sup>(2)</sup>	—
Deferred underwriting fee	—	1,010,580	(1,010,580) <sup>(3)</sup>	—
Other liabilities	4,191,492	—	—	4,191,492
<b>Total Liabilities</b>	<b>59,043,341</b>	<b>1,983,907</b>	<b>(1,910,580)</b>	<b>59,116,668</b>
<b>Commitments and Contingencies</b>				
Ordinary shares subject to redemption	—	38,723,353	(38,723,353) <sup>(4)</sup>	—
<b>Shareholders' Equity</b>				
Ordinary Shares	1,290	5,369,298	11,930,718 <sup>(5)</sup>	17,816,306
			515,000 <sup>(6)</sup>	
Additional paid-in capital	12,300,015	—	(12,300,015) <sup>(5)</sup>	—
Retained earnings (Accumulated deficit)	22,019,059	(369,297)	(1,000,000) <sup>(3)</sup>	20,649,762
			369,297 <sup>(5)</sup>	
			(515,000) <sup>(6)</sup>	20,504,059
Accumulated other comprehensive income	(1,215,313)	—	—	(1,215,313)
<b>Total Shareholders' Equity</b>	<b>33,105,051</b>	<b>5,000,001</b>	<b>(1,000,000)</b>	<b>37,105,052</b>
Non-controlling interest	8,056,197	—	—	8,056,197
<b>Total Equity</b>	<b>41,161,248</b>	<b>5,000,001</b>	<b>(1,000,000)</b>	<b>45,161,249</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 100,204,589</b>	<b>\$ 45,707,261</b>	<b>\$ (41,633,933)</b>	<b>\$ 104,277,917</b>

### Pro Forma Adjustments to the Unaudited Combined Balance Sheet

- (A) Derived from the unaudited consolidated balance sheet of Zhongchai Holding as of September 30, 2019.
- (B) Derived from the unaudited balance sheet of Greenland as of August 31, 2019.
- (1) Reflects the release of cash from marketable securities held in the Trust Account.
- (2) Reflects the repayment of promissory notes payable and convertible promissory note at the closing of the Business Combination.
- (3) Reflects the payment of fees and expenses related to the Business Combination, including the deferred underwriting fee of approximately \$1.0 million, legal, financial advisory, accounting and other professional fees. The direct, incremental costs of the Business Combination related to the legal, financial advisory, accounting and other professional fees of approximately \$1.0 million is reflected as an adjustment to accumulated deficit and is not shown as an adjustment to the statement of operations since it is a nonrecurring charge resulting directly from the Business Combination.
- (4) Assumes 3,794,058 Greenland Shares are redeemed for cash by Greenland shareholders, \$38.9 million would be paid out in cash. The \$38.9 million, which is the amount required to redeem 3,794,058 Greenland Shares, represents the maximum Redemption amount to leave a minimum of \$5.0 million of net tangible assets from Greenland, including the cash to be released from Greenland's Trust Account, after giving effect to payments to redeeming shareholders based on a consummation of the Business Combination on August 31, 2019.
- (5) Reflects recapitalization of Zhongchai Holding through (a) the contribution of all the share capital in Zhongchai Holding to Greenland, (b) the issuance of 7,500,000 Greenland Shares and (c) the elimination of the historical accumulated deficit of Greenland, the accounting acquiree.
- (6) Reflects the issuance of 50,000 Greenland Shares, valued at \$0.52 million (or approximately \$10.30 per share) to an independent third party that is a China-based entity that acted as finder in connection with the Business Combination as compensation for services provided. The amount is reflected as an adjustment to accumulated deficit and is not shown as an adjustment to the statement of operations since it is a nonrecurring charge resulting directly from the Business Combination.

Upon consummation of the Business Combination, 4,682,000 rights would convert into 468,200 Greenland Shares.

**PRO FORMA COMBINED STATEMENT OF OPERATIONS**  
**NINE MONTHS ENDED AUGUST 31, 2019**  
**(UNAUDITED)**

	(A) Zhongchai	(B) Greenland	Pro Forma Adjustments	Pro Forma Income Statement
Revenues	\$ 40,502,305	\$ —	\$ —	\$ 40,502,305
Cost of goods sold	31,875,891	—	—	31,875,891
<b>Gross profit</b>	<b>8,626,414</b>	<b>—</b>	<b>—</b>	<b>8,626,414</b>
Operating expenses				
Selling expenses	778,348	—	(153)	778,195
General and administrative expenses	1,253,646	994,570	(307,083) <sup>(1)</sup>	1,941,133
Research and development	1,600,890	—	—	1,600,890
Total operating expenses	3,632,884	994,570	(307,236)	4,320,218
<b>Operating income (loss)</b>	<b>4,993,530</b>	<b>(994,570)</b>	<b>307,236</b>	<b>4,306,196</b>
<b>Other income (expense):</b>				
Interest income	20,640	717,589	(717,589) <sup>(2)</sup>	20,640
Unrealized gain on marketable securities	—	5,561	(5,561) <sup>(2)</sup>	—
Interest expense	(1,292,746)	—	—	(1,292,746)
Other	151,593	(31,093)	—	120,500
<b>Income (loss) before income taxes</b>	<b>3,873,017</b>	<b>(302,513)</b>	<b>(415,914)</b>	<b>3,154,590</b>
Provision for income taxes	624,735	—	(62,387) <sup>(3)</sup>	562,348
<b>Net income</b>	<b>3,248,282</b>	<b>(302,513)</b>	<b>(353,527)</b>	<b>2,592,242</b>
Less: net income attributable to noncontrolling interest	420,650	—	—	420,650
<b>Net (loss) income attributable to Company</b>	<b>\$ 2,827,632</b>	<b>\$ (302,513)</b>	<b>\$ (353,527)</b>	<b>\$ 2,171,592</b>
Weighted average shares outstanding, basic and diluted		1,931,932	8,074,210 <sup>(4)</sup>	10,006,142
Basic and diluted net (loss) income per share		\$ (0.48)		\$ 0.22



**PRO FORMA COMBINED STATEMENT OF OPERATIONS**  
**YEAR ENDED NOVEMBER 30, 2018**  
**(UNAUDITED)**

	(C) Zhongchai	(D) Greenland	Pro Forma Adjustments	Pro Forma Income Statement
Revenues	\$ 60,213,088	\$ —	\$ —	\$ 60,213,088
Cost of goods sold	46,139,858	—	—	46,139,858
<b>Gross profit</b>	<b>14,073,230</b>	<b>—</b>	<b>—</b>	<b>14,073,230</b>
Operating expenses				
Selling expenses	1,215,976	—	—	1,215,976
General and administrative expenses	1,647,599	372,998	—	2,020,597
Research and development	2,512,403	—	—	2,512,403
Total operating expenses	5,375,978	372,998	—	5,748,976
<b>Operating income (loss)</b>	<b>8,697,252</b>	<b>(372,998)</b>	<b>—</b>	<b>8,324,254</b>
<b>Other income (expense):</b>				
Interest income	22,668	315,911	(315,911) <sup>(2)</sup>	22,668
Unrealized loss on marketable securities	—	(8,524)	8,524 <sup>(2)</sup>	—
Interest expense	(1,554,864)	—	—	(1,554,864)
Other	851,451	(1,173)	—	850,278
<b>Income (loss) before income taxes</b>	<b>8,016,507</b>	<b>(66,784)</b>	<b>(307,387)</b>	<b>7,642,336</b>
Provision for income taxes	1,392,956	—	(46,108) <sup>(3)</sup>	1,346,848
<b>Net income (loss)</b>	<b>6,623,551</b>	<b>(66,784)</b>	<b>(261,279)</b>	<b>6,295,488</b>
Less: net income attributable to noncontrolling interest	741,077	—	—	741,077
<b>Net income (loss) attributable to Company</b>	<b>\$ 5,882,474</b>	<b>\$ (66,784)</b>	<b>\$ (261,279)</b>	<b>\$ 5,554,411</b>
Weighted average shares outstanding, basic and diluted		1,415,310	8,590,832 <sup>(4)</sup>	10,006,142
Basic and diluted net loss (income) per share		\$ (0.24)		\$ 0.56

**Pro Forma Adjustments to the Unaudited Combined Statements of Operations**

- (A) Derived from the unaudited consolidated statement of operations and comprehensive income of Zhongchai Holding for the nine months ended September 30, 2019.
- (B) Derived from the unaudited statement of operations of Greenland for the nine months ended August 31, 2019.
- (C) Derived from the audited consolidated statement of operations and comprehensive income of Zhongchai Holding for the year ended December 31, 2018.
- (D) Derived from the audited statement of operations of Greenland for the period from December 28, 2017 (inception) through November 30, 2018.

- (1) Represents an adjustment to eliminate direct, incremental costs of the Business Combination which are reflected in the historical consolidated financial statements of Zhongchai and Greenland in aggregated of \$0.3 million, for the nine months ended August 31, 2019. There were no such amounts recorded for the year ended November 30, 2018.
- (2) Represents an adjustment to eliminate interest income and unrealized loss on marketable securities held in the Trust Account as of the beginning of the period.
- (3) To record the tax effect of the pro forma adjustments applied at Zhongchai Holding's normalized blended statutory income tax rate of 15.0%.
- (4) The calculation of weighted average shares outstanding for basic and diluted net income (loss) per share assumes that the IPO occurred as of the earliest period presented. In addition, as the Business Combination is being reflected as if it had occurred on this date, the calculation of weighted average shares outstanding for basic and diluted net income (loss) per share assumes that the shares have been outstanding for the entire period presented. This calculation is retroactively adjusted to eliminate the number of shares redeemed in the Business Combinations for the entire period.

The following presents the calculation of basic and diluted weighted average shares outstanding. The computation of diluted income (loss) per share excludes the effect of (1) Warrants to purchase 2,341,000 Greenland Shares and (2) a unit purchase option exercisable for 240,000 Greenland Shares, Warrants to purchase 120,000 Greenland Shares and Rights that convert into 24,000 Greenland Shares, because the inclusion of these securities would be anti-dilutive.

<b>Nine Months Ended August 31, 2019</b>	<b>Proforma</b>
<b>Weighted average shares calculation, basic and diluted</b>	
Greenland Public Shares <sup>(1)</sup>	1,045,942
Greenland Shares held by Sponsor and Chardan <sup>(1)</sup>	1,410,200
Greenland Shares issued to Zhongchai Equity Holder in Business Combination	7,500,000
Greenland Shares issued to finder in Business Combination	50,000
<b>Weighted average shares outstanding</b>	<b>10,006,142</b>
Percent of shares owned by existing Zhongchai Equity Holder	75.0%
Percent of shares owned by existing holders of Greenland Shares	24.5%
Percent of shares owned by third party	0.5%