

**Guangdong Symphony Keruilai Air Coolers Co., Ltd.**

**Audited Special Purpose Financial Statements**

**For the year ended 31 March 2018**

# **GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD**

For the year ended 31 March 2018

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## Independent Auditor's Report on Special Purpose Financial Statements

### To Deloitte Haskins & Sells

In accordance with the instructions in your letter dated 4 January 2018, we have audited, for purposes of your audit of the consolidated financial statements of Symphony Limited, the accompanying special purpose financial statements of Guangdong Symphony Keruilai Air Coolers Co., Ltd. (the "Company") which comprise the balance sheets as at 31 March 2018, the statements of income and appropriation of income and the statement of cash flows for the year then ended, and notes to the special purpose financial statements.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and operating results and cash flows for the year then ended in accordance with the Accounting System for Business Enterprises.

### Basis of Opinion

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Significant Uncertainties Associated with Going Concern

We draw the special purpose financial statements users' attention to Note 3 to the Company's special purpose financial statements which indicate that the Company's net loss amounted to RMB 4,826,969.76 for the year ended 31 March 2018. The Company had accumulated losses of RMB 110,074,863.54 and its total liabilities exceeded its total assets by RMB 23,413,054.82 as at 31 March 2018. As stated in Note 3 to the Company's special purpose financial statements, these matters and circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

### Responsibilities of the Management for the Special Purpose Financial Statements

Management of the Company is responsible for the preparation of the special purpose financial statements that give a true and fair view in accordance Accounting System for



Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements**

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

As part of an audit in accordance with Chinese Certified Public Accountants Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of management's use of the going concern basis. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material



uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the special purpose financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on information available at the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern;

- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that they identify during the audit.

#### **Restriction on Use and Distribution**

This special purpose financial statements have been prepared for purposes of providing information to Symphony Limited to enable it to prepare the consolidated financial statements of the group. As a result, the special purpose financial statements are not a complete set of financial statements of the Company in accordance with the Accounting System for Business Enterprises and is not intended to give a true and fair view of, in all material respects, the financial position of the Company as of 31 March 2018, and of its financial performance for the year then ended in accordance with the Accounting System for Business Enterprises. The special purpose financial statement may, therefore, not be suitable for another purpose.

*BDO China Shu Lun Pan CPAs LLP Shenzhen Branch*

BDO China Shu Lun Pan Certified Public Accountants LLP Shenzhen Branch  
Shenzhen, The People's Republic of China  
May 17, 2018

GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD

BALANCE SHEET

31 MARCH 2018

Currency : RMB

Assets	Note 7	31 March 2018	31 March 2017
<b>Current assets:</b>			
Cash at bank and on hand	(1)	3,214,715.45	2,772,761.78
Notes receivables	(2)	---	100,000.00
Accounts receivable	(3)	223,812.07	1,004,968.76
Other receivables	(4)	598,732.85	1,066,733.07
Advances to suppliers		391,745.91	1,511,616.48
Inventories	(5)	11,095,350.92	9,944,140.01
<b>Total current assets</b>		<b>15,524,357.20</b>	<b>16,400,220.10</b>
<b>Non-current assets:</b>			
Fixed assets	(6)	3,836,931.95	4,114,740.53
Intangible assets	(7)	929,319.13	1,520,120.94
Long-term deferred expenditures	(8)	2,780,962.34	2,505,776.28
Other non-current assets		761,402.05	---
<b>Total non-current assets</b>		<b>8,308,615.47</b>	<b>8,140,637.75</b>
<b>Total assets</b>		<b>23,832,972.67</b>	<b>24,540,857.85</b>

The accompanying notes form an integral part of these special purpose financial statements.

General Manager:

Principal Financial Officer:

GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD

BALANCE SHEET (Continued)

31 MARCH 2018

Currency : RMB

Liabilities and owner's equity	Note 7	31 March 2018	31 March 2017
<b>Current liabilities:</b>			
Short-term loans	(9)	24,494,371.47	20,500,000.00
Accounts payable		9,943,556.80	9,623,874.14
Advances from customers		6,003,262.23	3,606,988.57
Payroll payable		1,058,640.88	1,532,453.96
Taxes payable	(10)	76,656.31	45,395.08
Other payables		43,436.89	216,446.61
Accrued expenses		5,626,102.91	7,601,784.55
<b>Total current liabilities</b>		<b>47,246,027.49</b>	<b>43,126,942.91</b>
<b>Total liabilities</b>		<b>47,246,027.49</b>	<b>43,126,942.91</b>
<b>Owner's equity</b>			
Paid-in capital	(11)	85,000,000.00	85,000,000.00
Capital surplus	(12)	1,661,808.72	1,661,808.72
Accumulated losses		(110,074,863.54)	(105,247,893.78)
<b>Total owner's equity</b>		<b>(23,413,054.82)</b>	<b>(18,586,085.06)</b>
<b>Total liabilities and owner's equity</b>		<b>23,832,972.67</b>	<b>24,540,857.85</b>

The accompanying notes form an integral part of these special purpose financial statements.

General Manager:

Principal Financial Officer:



GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
STATEMENT OF INCOME AND APPROPRIATION OF INCOME  
FOR THE YEAR ENDED 31 MARCH 2018  
Currency : RMB

	Note 7	2018	2017
Revenue from principal operations	(13)	44,596,811.47	48,486,215.71
Less: Cost of sales	(13)	(32,864,878.70)	(42,740,422.62)
Taxes and surcharges		(193,173.88)	(157,812.04)
Profit from principal operations		11,538,758.89	5,587,981.05
Less: Selling expenses	(14)	(6,720,573.36)	(7,827,344.16)
General and administrative expenses	(15)	(8,671,217.60)	(6,912,472.40)
Financial expenses	(16)	(1,232,969.45)	(912,941.23)
Operating loss		(5,086,001.52)	(10,064,776.74)
Add: Non-operating income	(17)	259,031.76	1,080,751.63
Less: Non-operating expenses	(18)	---	(618,290.39)
Total loss		(4,826,969.76)	(9,602,315.50)
Less: Income tax		---	---
Net loss		(4,826,969.76)	(9,602,315.50)
Add: : Accumulated losses at the beginning of the year		(105,247,893.78)	(95,645,578.28)
Accumulated losses at the end of the year		(110,074,863.54)	(105,247,893.78)

The accompanying notes form an integral part of these special purpose financial statements.

General Manager:

Principal Financial Officer:

**GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2018**  
**Currency : RMB**

	Note 7	2018	2017
<b>Cash flows from operating activities</b>			
Cash received from sales and rendering of services		52,189,767.40	55,441,810.00
Refunds of taxes		2,168,774.10	1,228,063.24
Other cash received relating to operating activities		257,808.25	1,168,649.99
<b>Sub-total of cash inflows</b>		<b>54,616,349.75</b>	<b>57,838,523.23</b>
Cash paid for goods and services		33,485,602.16	37,773,066.23
Cash paid to and for employees		10,464,942.95	13,000,596.07
Cash paid for taxes		635,430.61	515,900.50
Other cash paid relating to operating activities		9,632,297.80	17,886,211.38
<b>Sub-total of cash outflows</b>		<b>54,218,273.52</b>	<b>69,175,774.18</b>
<b>Net cash flow from operating activities</b>	(19)	<b>398,076.23</b>	<b>(11,337,250.95)</b>
<b>Cash flows from investing activities</b>			
Net cash flow from disposal of fixed assets, intangible assets and other long-term assets		9,034.20	99,334.24
<b>Sub-total of cash inflows</b>		<b>9,034.20</b>	<b>99,334.24</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,918,087.06	2,767,776.54
<b>Sub-total of cash outflows</b>		<b>2,918,087.06</b>	<b>2,767,776.54</b>
<b>Net cash flow from investing activities</b>		<b>(2,909,052.86)</b>	<b>(2,668,442.30)</b>
<b>Cash flows from financing activities</b>			
Cash received from borrowings		24,494,371.47	32,399,956.00
<b>Sub-total of cash inflows</b>		<b>24,494,371.47</b>	<b>32,399,956.00</b>
Repayments of borrowings		20,500,000.00	23,495,302.35
Dividends paid, interest paid and cash payment for profit distribution		1,041,441.17	792,107.19
<b>Sub-total of cash outflows</b>		<b>21,541,441.17</b>	<b>24,287,409.54</b>
<b>Net cash flow from financing activities</b>		<b>2,952,930.30</b>	<b>8,112,546.46</b>
<b>Effects of Changes in exchange rate on cash</b>		<b>---</b>	<b>---</b>
<b>Net decrease of cash and cash equivalents</b>		<b>441,953.67</b>	<b>(5,893,146.79)</b>
Add: Cash and cash equivalent at the beginning of the year		2,772,761.78	8,665,908.57
<b>Cash and cash equivalent at the end of the year</b>		<b>3,214,715.45</b>	<b>2,772,761.78</b>

The accompanying notes form an integral part of these special purpose financial statements.

General Manager:

Principal Financial Office

GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in RMB unless otherwise stated)

1. Corporate information

Guangdong Symphony Keruilai Air Coolers Co., Ltd. (the "Company") (formerly known as "Dongguan Keruilai Air Treatment Equipment Co., Ltd" and "Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd") was established in Dongguan, the people of Republic of China ("PRC"), by Dongguan Ruirong Investment Co., Ltd. ("Ruirong")(formerly known as "Keda Electrical & Mechanical Equipment Co., Ltd.") and four individual shareholders as a limited liability company on 3 June 2011, with paid-in capital of RMB1,000,000.00. The registration number of the Company's business license is No. 91441900576434143P. The Company's office is located at Taiying Industrial Area, Hongmei Town, Dongguan, Guangdong Province, the PRC.

On 23 August 2011, a capital injection was made by Ruirong and the four individual owners in forms of fixed assets and cash. The paid-in capital of the Company was RMB 40,000,000.00 upon completion of the capital injection. On 30 November 2011, AB Carl Munters Limited acquired entire equity interests from the four individual owners and made a capital injection in form of cash amounting to RMB 9,016,176.00. Upon completion of the above acquisition and capital injection, the Company became a foreign invested enterprise with an operation term of 50 years and changed its name to Munters Keruilai Air Treatment Equipment (Guangdong)Co., Ltd. As at 31 December 2011, the registered capital of the Company was RMB 85,000,000.00 with an operation term of 50 years. On 9 February 2012, AB Carl Munters Limited made another capital injection of USD 5,709,185.59, which was equivalent to RMB 35,983,284.00. Upon completion of the capital injection, the registered capital of the Company was RMB 85,000,000.00, among which AB Carl Munters Limited and Ruirong holds 80% and 20%, respectively. The business license of the Company was updated on 5 November 2012. In 2013, Ruirong was merged with Dongguan Ruirong Industrial Investment Co., Ltd. Therefore, Dongguan Ruirong Industrial Investment Co., Ltd. became the Chinese investor of the Company. In April 2015, AB Carl Munters Limited acquired the equity interest of the Company held by Dongguan Ruirong Industrial Investment Co., Ltd., with a consideration of RMB 120,000,000.00, and become 100% holding company of the Company. On 13 August 2015, AB Carl Munters entered into a purchase and sales agreement with Symphony Limited. This acquisition was completed on 1 January 2016. On 5 January 2016, the Company changed its name to Guangdong Symphony Keruilai Air Coolers Co., Ltd. The legal representative of the Company is Xu Su Fang.



**GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD**  
**NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**  
(All amounts in RMB unless otherwise stated)

The Company commenced its operation from 25 August 2011. The principal activities are developing, producing, selling and maintaining the cooling fan equipment and other equipment, such as dehumidification equipment, ventilation equipment and air purification equipment.

**2. Basis of preparation of financial statements**

The Company prepares these special purpose financial statements in accordance with the Accounting System for Business Enterprises and relevant interpretations. The preparation of these special purpose financial statements is solely for Symphony Limited to prepare its consolidated financial statements.

**3. Going-concern assumption**

As of 31 March 2018, the Company had accumulated losses of RMB 110,074,863.54 and its total current liabilities exceeded its total current assets by RMB 31,721,670.29. By this situation, the continuing operation of the Company mainly depends on the financial support from its investor, who has undertaken to provide such financial support to the Company. Therefore, the Company has the ability to meet its liabilities in order to avoid the reduction of the production scale in the future. The Board of directors assures that the Company will continue to operate and the financial statements have been prepared on a going concern basis.

**4. Significant accounting policies**

**4.1 Accounting year**

The accounting year of the Company for these special purpose financial statements is from 1 April to 31 March.

**4.2 Reporting currency and foreign currency translation**

The Company's reporting currency is Renminbi ("RMB").

Transactions denominated in foreign currency are converted into RMB for accounting purpose at the spot exchange rate quoted by the People's Bank of China (the "reference rates", on the day when the transaction occurs).

Monetary assets and liabilities denominated in foreign currencies are restated into the reporting currency using the rates of exchange (the "reference rates") ruling at the balance sheet date. The exchange gains or losses are dealt with in the statement of income for the period.

GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in RMB unless otherwise stated)

**4.3 Basis of accounting and measurement principles**

The accounts of the Company have been recorded on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Subsequently, if the assets are impaired, impairment provisions are setup in accordance with the Accounting System for Business Enterprises.

**4.4 Cash and cash equivalents**

The term “cash and cash equivalents” refers to cash on hand and deposits that are readily available for payment, short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**4.5 Provision for bad debts**

**1) Recognition criteria of bad debts**

Uncollectible accounts arising from repeal and liquidation of debtor after taking legal clearance procedures;

Uncollectible accounts arising from the death of debtor leaving no assets to pay off and nobody to assume the obligations;

Overdue accounts due to the debtor’s failure to repay obligations with clear evidence of no or little collectability.

**2) Accounting for bad debts**

Allowance method is adopted.

**3) Provision for bad debts method and percentage**

Except for receivables due from related parties and deposits, the Company sets up specific and general bad debt provision for accounts receivables and other receivables. A specific provision refers to an amount that is provided based on management’s assessment of recoverability of an individual receivable. A general provision is set up on the remaining balance of receivables (including accounts receivable and other receivables) based on their aging analysis, at the percentage shown below:

Aging	Percentage of bad debts for accounts receivable (%)
Within credit period	---
Overdue within 6 months	---
Overdue over 6 months	100.00

  

Aging	Percentage of bad debts for other receivables (%)
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GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
 NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in RMB unless otherwise stated)

Within 1 year	---
1 to 2 years	50.00
Over 2 years	100.00

**4.6 Inventories**

**1) Valuation method of received and dispatched inventories**

Inventories are classified into different categories: raw materials, work-in-progress, and finished goods, which are stated at cost when purchased. The cost of inventories is determined on weighted average basis.

**2) Low-cost consumables**

Low-cost consumables are amortized by lump-sum method;

**3) Inventory system**

The perpetual inventory system is adopted.

**4) Provision of impairment for inventories**

After the inventory count at the end of the reporting period, provisions for diminution in values of inventories are made or adjusted at the lower of their costs or net realizable values. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

The provision for finished goods and raw materials are determined on an individual basis and a category basis, respectively.

**4.7 Fixed assets**

Fixed assets refer to tangible assets, with high unit costs, held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets are stated at cost when acquired. Fixed assets are depreciated using the straight-line method over their estimated useful lives.



GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018  
(All amounts in RMB unless otherwise stated)

The respective estimated useful lives and estimated residual value of fixed assets are as follows:

Category	Estimated useful life (years)	Estimated residual value (%)	Annual depreciation rate (%)
Machinery	1-10	---	10.00-100.00
Office equipment	1-10	---	10.00-100.00
Motor vehicle	5	---	20.00

At the end of the accounting period, fixed assets are carried at the lower of book value and recoverable amount. A provision for impairment of fixed assets is made for any difference between the book value and the lower recoverable amount. The recoverable amount of fixed assets is the greater of the net selling price and the value in use. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

Gains or losses arising from the disposal, damage, obsolescence or physical counting of fixed assets are accounted for as non-operating income or expenses in the current period

#### 4.8 Construction in progress

Construction in progress include all costs incurred during the preparation period before commencement of construction and until the asset is ready for its intended use. These costs include direct materials, direct labor, equipment for installation, construction and installation charges, management fees, gain or loss on trial run production and borrowing costs which are qualified for capitalization. Construction in progress is transferred to fixed assets after they have reached working condition for intended use.

At the end of the period, construction in progress is examined on an individual project basis and impairment provisions are set up against those projects which have been suspended for a long period of time and construction of which is not expected to resume within three years, or for any project under construction but considered obsolete in terms of technology and functionality and where there exists significant uncertainty as to whether it will bring future economic benefits to the Company.

GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018  
(All amounts in RMB unless otherwise stated)

**4.9 Intangible assets**

**1) Initial measurement**

Intangible assets are recognized when interests generated by the assets will possibly obtained by the Company and the cost can be reliably calculated. Intangible assets are recorded at actual costs on acquisition. The fair value of an intangible assets acquired in a business combination can be measured with sufficient reliability to be recognized separately.

**2) Amortization of intangible assets**

The useful lives of intangible assets are assessed based on estimated economic benefits periods. Those intangible assets without foreseeable economic benefits periods are classified as intangible assets without certain useful lives.

The useful lives of the Company's intangible assets are as follows:

Category	Useful life (years)
Patent right	10
Trademark	5
Software	5

**3) Provisions for impairment loss on intangible assets**

The Company shall assess whether there is any indication that intangible assets may be impaired at the end of the reporting period, the indications include the following: (1) replacing by new technology; (2) detrimental effect on the profit making ability due to declining in market price or the price will not be recovered in a short period of time; (3) protection period cover by law is expired but there is still partial usable value. The recoverable amounts of the intangible assets are lower than their carrying amounts; the differences shall be recognized as provisions for impairment loss on intangible assets.

**4.10 Borrowing costs**

Borrowing costs refers to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from borrowings denominated in foreign currency, etc. For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalization, the costs shall be capitalized and included in the costs of the related assets.



GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018  
(All amounts in RMB unless otherwise stated)

The capitalized interest for borrowing costs for each accounting period rate shall be calculated and determined according to the weighted average of the interest rate to the extent of actual borrowing costs incurred during the period. Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. If the interruption is a necessary step for making the qualifying asset under acquisition, construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as profits and losses of the current period. When the acquisition, construction or production of the asset resumes, the capitalization of borrowing costs shall continue. Capitalization of borrowing costs shall cease when the qualifying asset under acquisition, construction or production ready for the intended use or sale, and borrowing costs incurred thereafter are recorded as financial expenses in the period which are incurred. Other borrowing costs are charged to the statement of income as financial expenses when incurred.

**4.11 Revenue recognition**

**1) Sales of goods**

Revenue from the sale of goods is recognized when significant risks and rewards in relation to ownership of the goods have been transferred to the buyer, the Company maintains neither continuing managerial involvement nor effective control over the goods sold; and when it is probable that the economic benefits associated with the transaction will flow to the Company; and the relevant amounts of revenue and costs can be measured reliably. When it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliably, revenue is recognized in the statement of income according to the following methods:

Revenue from sale of goods is determined according to the amount specified in the contract or agreement signed by the Company and the buyer, and excludes value-added tax ("VAT"). Sales return for goods sold after the balance sheet date that occur during the period between the balance sheet date and the date on which the financial statements are approved, are treated as and adjusting event after balance sheet date. Cash discounts are recognized as the financial expenses in the period in which they are incurred.



**GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD**  
**NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

(All amounts in RMB unless otherwise stated)

**2) Rendering of services**

If the services are provided and completed within the same year, revenue is recognized when the services have been rendered and payments for services have been received or payments for services are collectible. If the services have spanned more than one year, revenue is recognized by reference to percentage of completion method at balance date if the outcome of the services rendered can be estimated reliably.

**4.12 Income tax**

Income tax expenses are accrued in accordance with the applicable tax law.

**4.13 Operating lease**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The lease payments should be recognized as expenses of the current period over the lease terms (including rent-free periods) on a straight-line basis.

**4.14 Related parties**

Parties are considered to be related if one party has ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. If two or more parties are subject to control from the same party, they are also regarded as related parties

**5. Changes in significant accounting policies and accounting estimates**

**5.1 Changes in accounting policies**

There has been no change of accounting policies for the year ended 31 March 2018.

**5.2 Changes in accounting estimates**

There has been no change in accounting estimates for the year ended 31 March 2018.

**5.3 Corrections of prior period errors**

There has been no correction of prior period errors for the year ended 31 March 2018.

GUANGDONG SYMPHONY KERUILAI AIR COOLERS CO., LTD  
NOTES TO THE SPECIAL PRUPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018  
(All amounts in RMB unless otherwise stated)

6. Taxes

6.1 Major tax types and tax rates applicable to the Company

Tax types	Basis of tax assessment	Tax rates
VAT	Output VATs are calculated and paid on taxable revenues, and VATs are paid at the net amounts after deducting input VATs for the current period	17%
Urban maintenance and construction tax	Urban maintenance and construction taxes are paid on turnover taxes	7% 5%
Enterprise income tax	Enterprise income taxes are paid on taxable profits	25%
Educational surtax	Educational surtaxes are paid on turnover taxes	3%
Local educational surtax	Educational surtaxes are paid on turnover taxes	2%

6.2 Tax deductions and exemptions

The Company does not entitle to any tax exemption or preferential tax rate. The applicable enterprise income tax rate for the year was 25%.

7. Notes to the main items of the special purpose financial statements

7.1 Cash at banks and on hand

Item	31 March 2018	31 March 2017
Cash on hand	13,333.30	11,286.90
Cash at banks	3,201,382.15	2,761,474.88
Total	3,214,715.45	2,772,761.78

As at the balance sheet date, there was no restricted cash.

7.2 Note receivables

1) Category of note receivables

Item	31 March 2018	31 March 2017
Bank acceptance note	---	100,000.00
Total	---	100,000.00

2) As at the balance sheet date, there was no pledged note.

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**7.3 Accounts receivable**

**1) Aging analysis of accounts receivable**

Aging	31 March 2018				31 March 2017			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Within 1 year	421,306.04	81.40	197,493.97	46.88	1,004,968.76	79.78	---	---
1 to 2 years	---	---	---	---	254,727.72	20.22	254,727.72	100.00
Over 2 years	96,271.99	18.60	96,271.99	100.00	---	---	---	---
Total	517,578.03	100.00	293,765.96	56.76	1,259,696.48	100.00	254,727.72	20.22

**2) Provision for bad debts on accounts receivable**

Item	1 April 2017	Increase	Decrease		31 March 2018
			Reversal	Written-off	
Provision for bad debts on other receivable	254,727.72	61,105.27	---	22,067.03	293,765.96

**7.4 Other receivables**

**1) Aging analysis of other receivables**

Aging	31 March 2018				31 March 2017			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Within 1 year	128,732.85	21.50	---	---	1,066,733.07	100.00	---	---
1 to 2 years	470,000.00	78.50	---	---	---	---	---	---
Over 2 years	---	---	---	---	---	---	---	---
Total	598,732.85	100.00	---	---	1,066,733.07	100.00	---	---

**2) Provision for bad debts on other receivables**

Item	1 April 2017	Increase	Decrease		31 March 2018
			Reversal	Written-off	
Provision for bad debts on other receivable	---	---	---	---	---



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**7.5 Inventories**

**1) Breakdown of inventories**

Item	31 March 2018.			31 March 2017		
	Book value	Provision	Net carrying amount	Book value	Provision	Net carrying amount
Raw materials	4,976,479.60	630,319.18	4,346,160.42	3,681,248.71	1,661,907.76	2,019,340.95
Consignment processing materials	82,175.16	---	82,175.16	877,652.91	---	877,652.91
Semi-finished goods	445,287.91	---	445,287.91	278,120.40	109,966.70	168,153.70
Work-in-progress	---	---	---	189,764.24	---	189,764.24
Finished goods	6,316,239.40	94,511.97	6,221,727.43	6,713,268.73	24,040.52	6,689,228.21
Total	11,820,182.07	724,831.15	11,095,350.92	11,740,054.99	1,795,914.98	9,944,140.01

**2) Provision for inventories**

Item	1 April 2017	Increase	Decrease		31 March 2018
			Reversal	Written-off	
Raw materials	1,661,907.76	50,495.58	---	1,082,084.16	630,319.18
Semi-finished goods	109,966.70	---	109,966.70	---	---
Finished goods	24,040.52	70,471.45	---	---	94,511.97
Total	1,795,914.98	120,967.03	109,966.70	1,082,084.16	724,831.15

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7.6 Fixed assets

1) Breakdown of fixed assets

Item	1 April 2017	Increase	Decrease	31 March 2018
Total cost	18,036,189.12	968,373.45	183,776.02	18,820,786.55
- Machinery	14,339,711.18	908,169.24	---	15,247,880.42
- Office equipment	3,502,545.35	60,204.21	96,408.50	3,466,341.06
- Motor vehicles	193,932.59	---	87,367.52	106,565.07
Total accumulated depreciation	12,609,301.20	1,246,182.03	183,776.02	13,671,707.21
- Machinery	9,705,942.60	1,090,377.38	---	10,796,319.98
- Office equipment	2,714,135.49	153,788.65	96,408.50	2,771,515.64
- Motor vehicles	189,223.11	2,016.00	87,367.52	103,871.59
Total book value	5,426,887.92			5,149,079.34
- Machinery	4,633,768.58			4,451,560.44
- Office equipment	788,409.86			694,825.42
- Motor vehicles	4,709.48			2,693.48
Total impairment	1,312,147.39	---	---	1,312,147.39
- Machinery	1,312,147.39	---	---	1,312,147.39
- Office equipment	---	---	---	---
- Motor vehicles	---	---	---	---
Total carrying value	4,114,740.53			3,836,931.95
- Machinery	3,321,621.19			3,139,413.05
- Office equipment	788,409.86			694,825.42
- Motor vehicles	4,709.48			2,693.48

2) Total depreciation for the year ended 31 March 2018 was RMB 1,246,182.03.

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7.7 Intangible assets

1) Breakdown of intangible assets

Item	1 April 2017	Increase	Decrease	31 March 2018
Total cost	19,530,024.68	203,883.50	---	19,733,908.18
Patent right	15,990,000.00	---	---	15,990,000.00
Trademark	2,000,000.00	38,834.95	---	2,038,834.95
Software	1,540,024.68	165,048.55	---	1,705,073.23
Total accumulated depreciation	16,669,904.07	794,685.31	---	17,464,589.38
Patent right	13,411,549.43	591,208.00	---	14,002,757.43
Trademark	2,000,000.00	7,764.00	---	2,007,764.00
Software	1,258,354.64	195,713.31	---	1,454,067.95
Total impairment	1,339,999.67	---	---	1,339,999.67
Patent right	1,339,999.67	---	---	1,339,999.67
Trademark	---	---	---	---
Software	---	---	---	---
Total carrying value	1,520,120.94			1,031,260.87
Patent right	1,238,450.90			647,242.90
Trademark	---			31,070.95
Software	281,670.04			352,947.02

2) Total amortization for the year ended 31 March 2018 was RMB 794,685.31.

7.8 Long-term deferred expenditures

Item	1 April 2017	Increase	Amortization	Other decrease	31 March 2018
Decoration	2,505,776.28	1,013,735.50	709,242.00	29,307.44	2,780,962.34



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**7.9 Short-term borrowings**

Item	31 March 2018	31 March 2017
<b>Borrowings from bank:</b>		
Standard Chartered Bank (China) Ltd.*	24,494,371.47	20,500,000.00
Total	24,494,371.47	20,500,000.00

\* As at 31 March 2018, the total outstanding borrowings due to Standard Chartered Bank (China) Ltd. amounted to RMB 24,494,371.47. The borrowing is subject to an interest rate of Libor+2.5%. All borrowings are guaranteed by the Company's parent, Symphony Limited.

**7.10 Taxes payable**

Item	Tax rate	31 March 2018	31 March 2017
Urban maintenance and construction tax	7%、5%	37,571.72	21,864.32
Educational surtax	3%、2%	37,571.71	21,864.32
Stamp duty		1,512.88	1,666.44
Total		76,656.31	45,395.08

**7.11 Paid-in capital**

Investor	31 March 2018		31 March 2017	
	Amount	Percentage(%)	Amount	Percentage (%)
Symphony Limited	85,000,000.00	100.00	85,000,000.00	100.00
Total	85,000,000.00	100.00	85,000,000.00	100.00

Guangzhou Da Gong Certified Public Accountants and Daxin Certified Public Accountants have verified the above capital contributions and issued the capital verification reports.

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**7.12 Capital surplus**

Item	1 April 2017	Increase	Decrease	31 March 2018
Capital premium	1,600,897.94	---	---	1,600,897.94
Other	60,910.78	---	---	60,910.78
Total	1,661,808.72	---	---	1,661,808.72

**7.13 Revenue from principal operations and cost of sales**

Item	2018		2017	
	Revenue	Cost of sales	Revenue	Cost of sales
Sale of products	44,596,811.47	32,864,878.70	48,486,215.71	42,740,422.62
Total	44,596,811.47	32,864,878.70	48,486,215.71	42,740,422.62

**7.14 Selling expenses**

Item	2018	2017
Total	6,720,573.36	7,827,344.16
Thereinto:		
Salaries	2,872,274.95	2,814,042.93
Promotional expenses	1,244,017.29	1,576,407.04
Amortization of intangible assets	591,968.25	1,243,340.80
Freight charge	873,346.37	658,931.05
Travelling expenses	822,671.58	645,660.77

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**7.15 General and administrative expenses**

Item	2018	2017
Total	8,671,217.60	6,912,472.40
Thereinto:		
Salaries	4,049,631.59	3,318,192.30
Bad debts provision/(reversal)	61,105.27	(873,896.51)
Provision for inventories	11,000.33	---
Depreciation	557,776.56	500,830.51
Lease expenses	1,443,635.43	1,337,891.35

**7.16 Financial expenses**

Item	2018	2017
Interest expenses	1,041,441.17	792,107.19
Less: Interest income	(7,810.69)	(183,906.76)
Exchange loss/(gain)	24,412.84	(94,787.55)
Bank charges	174,926.13	399,528.35
Total	1,232,969.45	912,941.23

**7.17 Non-operating income**

Item	2018	2017
Profits from disposal of non-current assets	9,034.20	96,008.40
Thereinto: profit from disposal of fixed assets	9,034.20	96,008.40
Subsidy income	103,000.00	672,276.00
Others	146,997.56	312,467.23
Total	259,031.76	1,080,751.63



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**7.18 Non-operating expenses**

Item	2018	2017
Losses on disposal of non-current assets	---	618,290.39
Thereinto: losses on disposal of fixed assets	---	618,290.39
Total	---	618,290.39

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7.19 Statement of cash flows

1) Supplementary information for statement of cash flow

Supplementary information	2018	2017
1.Reconciliation of net loss to cash flows from operating activities:		
Net loss	(4,826,969.76)	(9,602,315.50)
Add: Provision for impairment of assets	---	---
Provision/(Reversal of provision) for inventories	11,000.33	(230,385.19)
Increase/(Reversal) of bad debt allowance	61,105.27	(873,896.51)
Depreciation of fixed assets	1,246,182.03	1,600,836.42
Amortization of intangible assets	794,685.31	1,426,072.10
Amortization of long-term deferred expenditures	709,242.00	437,343.00
Decrease in deferred expenditures	---	5,923.38
Decrease in accrued expenses	(1,975,681.64)	(4,655,490.01)
(Gain) / loss from disposal of fixed assets, intangible assets and other long-term assets	(9,034.20)	522,281.99
Financial expenses	1,041,441.17	792,107.19
Changes in inventories	(1,162,211.24)	691,553.38
Changes in receivables	2,035,987.79	(658,163.10)
Changes in payables	2,472,329.17	(793,118.10)
Net cash flow from operating activities	398,076.23	(11,337,250.95)

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**8. Commitment and contingency**

**8.1 Commitment**

**a) Lease commitment**

Remaining lease period	Minimum lease payment
Within 1 year	1,620,000.00
1 to 2 years	1,668,600.00
2 to 3 years	1,668,600.00
Over 3 years	---
Total	4,957,200.00

**b) Capital commitment**

There are no capital commitments as at the balance sheet date.

**8.2 Contingency**

The Company does not have any contingency to be disclosed.

**9. Post balance sheet date events**

The Company does not have any non-adjusting post balance sheet date event to be disclosed.

**10. Related party transaction and relationship**

**10.1 Related parties with control relationships**

Name of parent	Registered place	Parent controlling interest (%)	Parent voting percentage (%)
Symphony Limited	India	100.00	100.00

**10.2 The Company has no subsidiary, associate or joint venture.**

**10.3 Other related party information**

Name	Relationship
Sylvan Holdings Pte. Ltd.	Fellow subsidiary
IMPCO S DE RL DE CV	Fellow subsidiary



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10.4 Related party transaction information  
Related party transaction

1) Sales to related parties

Name of related party	Type	2018	2017
Symphony Limited	Sale of products	537,914.75	4,622,397.08
IMPCO S DE RL DE CV	Sale of products	5,784,755.23	419,048.47
Total		6,322,669.98	5,041,445.55

The price of goods sold to related parties were based on mutual agreement.

2) Guaranteed by related parties

As at the balance sheet date, the borrowings from banks of RMB 24,494,371.47 were guaranteed by Symphony Limited.

3) Bank guarantee fees charged by related parties

Name of related party	2018	2017
Symphony Limited	184,526.16	---
Total	184,526.16	---

4) Related party accounts receivable/payable

Item	Name of related party	31 March 2018	31 March 2017
Advance from customers	Symphony Limited	1,826,031.21	1,692,413.12
	IMPCO S DE RL DE CV	1,278,063.02	3,445.30
Other payables	Symphony Limited	184,526.16	171,609.73

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11. The approval of financial statements  
The financial statements have been approved and authorized for issue by the management of the Company.

Guangdong Symphony Keruilai Air Coolers Co., Ltd.

May 17, 2018