

Independent Auditor's Report

Tai Xin Wai Shen (2018) No. 10001

To Gati Cargo Express (Shanghai) Co., Ltd.:

We have audited the accompanying financial statements of Gati Cargo Express (Shanghai) Co., Ltd (the "Company"), which comprise the statement of financial position as at 31 March 2018, the income statement and the statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with the 'Accounting Standards'.

Shanghai Taixin Dayar Certified Public Accountants Firm (General Partnership)

Shanghai, the People's Republic of China

16 April, 2018



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ASSETS	Notes	31-Mar-18	31-Mar-17
Current assets			
Cash at bank and in hand	3(e)/4	2,754,909.43	1,319,126.23
Accounts receivable	3(f)/5	6,607,392.65	6,056,842.00
Payment in advance		200,754.50	150,508.49
Other receivables	3(f)/6	548,560.21	1,242,452.76
Other Current Assets		453,616.26	86,471.69
Total current assets		10,565,233.05	8,855,401.17
Fixed assets			
Fixed assets – cost	3(g)	85,001.75	53,060.00
Less: Accumulated depreciation	3(g)	23,569.74	12,942.40
Fixed assets – net		61,432.01	40,117.60
Long-Term Amortization Expense		45,000.02	0.00
TOTAL ASSETS		10,671,665.08	8,895,518.77
LIABILITIES AND OWNERS' EQUITY	Notes	31-Mar-18	31-Mar-17
Current liabilities			
Accounts payable	7	4,428,049.49	2,746,150.14
Advances from customers		57,227.62	71,699.70
Employee benefits payable	3(i)	0.00	0.00
Taxes payable	3(j)	0.00	1,363.27
Other payables	8	140,291.50	5,356,870.27
Total current liabilities		4,625,568.61	8,176,083.38
Total liabilities		4,625,568.61	8,176,083.38
Owners' equity			
Paid-in capital	9	9,359,660.00	9,359,660.00
Retained earnings	10	-3,313,563.53	-8,640,224.61
Total owners' equity		6,046,096.47	719,435.39
TOTAL LIABILITIES AND OWNERS' EQUITY		10,671,665.08	8,895,518.77

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

Legal representative:

Chief accountant:

Person in charge of accounting department:

Wang

JJ Gu.

Julia Xu Julia Xu

Gati Cargo Express (Shanghai) Co., Ltd.
COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 31 March 2018
 (All amounts in Rmb Yuan unless otherwise stated)



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	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Revenues from main operations	3(h)	71,174,057.96	34,056,095.19
Less: Cost of main operations		63,847,894.97	29,604,475.91
Tax and levies on main operations	3(j)	0.00	0.00
Profit / (loss) from main operations		7,326,162.99	4,451,619.28
Add: Profit / (Loss) from other operations		0.00	0.00
Less: Selling and distribution expenses		0.00	0.00
General and administrative expenses	3(i)/11	5,851,926.83	4,361,682.16
Finance expenses / (income) – net		-435,637.50	353,768.33
Operating profit / (loss)		1,909,873.66	-263,831.21
Non-operating income		4,716,075.00	0.00
Less: Non-operating expenses		1,299,287.58	68,441.10
Total profit / (loss)		5,326,661.08	-332,272.31
Less: Income taxes	3(j)	0.00	0.00
Net profit / (loss)	10	5,326,661.08	-332,272.31

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

Legal representative: Chief accountant: Person in charge of accounting department:

Wang

Jojo Gu.

Julia Xu

Julia Xu



Gati Cargo Express (Shanghai) Co., Ltd.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 March 2018
 (All amounts in RMB Yuan unless otherwise stated)



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1. Cash flows from operating activities

Cash received from sales of goods or rendering of services
 Refund of taxes and levies
 Cash received relating to other operating activities

Sub-total of cash inflows

Cash paid for goods and services
 Cash paid to and on behalf of employees
 Payments of taxes and levies
 Cash paid relating to other operating activities

Sub-total of cash outflows

Net cash flows from operating activities

2. Cash flows from investing activities

Cash received from disposal of investments
 Cash received from returns on investments
 Cash received relating to other investing activities

Sub-total of cash inflows

Cash paid to acquire fixed assets, intangible assets and other long-term assets

Cash paid relating to other investing activities

Sub-total of cash outflows

Net cash flows from investing activities

3. Cash flows from financing activities

Cash received from capital contributions
 Cash received relating to other financing activities

Sub-total of cash inflows

Cash repayments of amounts borrowed

Cash payments relating to other financing activities

Sub-total of cash outflows

Net cash flows from financing activities

4. Effect of foreign exchange rate changes on cash and cash equivalents

5. Net increase / (decrease) in cash and cash equivalents

	Year ended 31 March 2018	Year ended 31 March 2017
1. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	70,609,035.23	32,307,415.35
Refund of taxes and levies	0.00	0.00
Cash received relating to other operating activities	698,293.96	1,137,962.90
Sub-total of cash inflows	71,307,329.19	33,445,378.25
Cash paid for goods and services	62,216,241.63	28,013,831.05
Cash paid to and on behalf of employees	4,200,611.78	3,078,337.11
Payments of taxes and levies	0.00	0.00
Cash paid relating to other operating activities	3,832,705.15	1,387,466.92
Sub-total of cash outflows	70,249,558.56	32,479,635.08
Net cash flows from operating activities	1,057,770.63	965,743.17
2. Cash flows from investing activities		
Cash received from disposal of investments	0.00	0.00
Cash received from returns on investments	0.00	0.00
Cash received relating to other investing activities	0.00	0.00
Sub-total of cash inflows	0.00	0.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	84,441.75	29,873.00
Cash paid relating to other investing activities	0.00	0.00
Sub-total of cash outflows	84,441.75	29,873.00
Net cash flows from investing activities	-84,441.75	-29,873.00
3. Cash flows from financing activities	0.00	0.00
Cash received from capital contributions	0.00	0.00
Cash received relating to other financing activities	0.00	0.00
Sub-total of cash inflows	0.00	0.00
Cash repayments of amounts borrowed	0.00	0.00
Cash payments relating to other financing activities	0.00	0.00
Sub-total of cash outflows	0.00	0.00
Net cash flows from financing activities	0.00	0.00
4. Effect of foreign exchange rate changes on cash and cash equivalents	462,454.32	-314,135.70
5. Net increase / (decrease) in cash and cash equivalents	1,435,783.20	621,734.47

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

Legal representative:

Bi Jie

Chief accountant:

JJ Gu.

Person in charge of accounting department:

Julia Xu

Julia Xu

Gati Cargo Express (Shanghai) Co., Ltd.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2018
(All amounts in Rmb Yuan unless otherwise stated)

1. COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES

Gati Cargo Express (Shanghai) Co., Ltd. (迦递货运代理(上海)有限公司) (“the Company”) is a wholly foreign-owned enterprise incorporated in Shanghai of the People’s Republic of China (“the PRC”) on November 2, 2006 by GATI CHINA HOLDINGS LIMITED. On July 16, 2014, approved by Shanghai Municipal Commission of Commerce, the company’s investors were changed to GATI ASIA PACIFIC PTE. LTD.. The Industry and Administration Bearau of Shanghai issued the changed business license (registration No.913101157944636206) on July 21, 2017. The company’s legal representative is BI JIE. The registered capital of the Company is USD1,200,000.00 and the paid in capital of the Company is USD1,200,000.00. The Company’s approved scope of business operations includes provide international shipping agency business for import and export cargo.

2. BASIS OF PREPARTION

The financial statements have been prepared in accordance with the “Accounting Standards” as promulgated by the State of the People’s Republic of China.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Accounting period

The Company’s accounting year starts on 01 April and ends on 31 March.

(b) Recording currency

The recording currency of the Company is the Renminbi (Rmb).

(c) Basis of accounting and measurement bases

The Company follows the accrual basis of accounting. Assets are initially recorded at actual costs on acquisition.

(d) Foreign currency translation

Except for the accounting treatment of paid-in capital, foreign currency transactions are translated into Rmb at the exchange rates stipulated by the People’s Bank of China (“the stipulated exchange rates”) on the first day of the month in which the transactions took place. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Rmb at the stipulated exchange rates at the balance sheet date. Exchange differences arising from these translations are expensed, except for those attributable to foreign currency borrowings that have been taken out specifically for the construction of fixed assets, which are capitalized as part of the fixed asset costs.

Legal representative:

Bi Jie

Chief accountant:

Ji Gu
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Person in charge of accounting department:

Julia Xu

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises all cash in hand and call deposits. Cash equivalents refer to short-term and highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Receivables and provision for bad debts

Receivables comprise accounts receivable and other receivables. The provision method is used to account for potential bad debts identified by management. Receivables are presented at actual amounts net of provision for bad debts.

(g) Fixed assets and depreciation

Fixed assets are tangible assets that are used operating, rendering of services, or held for management purposes, which have useful lives of more than one year and have relatively high unit price. Fixed assets purchased or constructed by the Company are recorded at cost.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives.

The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Office equipment	5years	10%	18%

When fixed assets are sold, transferred, disposed of or damaged, gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets, adjusted by related taxes and expenses, and are included in non-operating income or expenses.

(h) Revenue recognition

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

When the total amount of revenue and costs arising from provision of services can be estimated reliably, it is probable that the economic benefits associated with the transaction will flow in and the stage of completion of the services provided can be measured reliably, service revenue is recognized using the percentage of completion method.

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

Legal representative:

Chief accountant:

Person in charge of accounting department:

Bijie

Jing Gu.

Julia Xu Julia Xu



(i) **Employee social security and benefits**
 All Chinese employees of the Company participate in employee social security plans, including pension, medical, housing and other welfare benefits, organized and administered by the governmental authorities.
 According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities.
 Contributions to the plans are capitalized as production costs or expensed as incurred.

(j) **Accounting for taxes**
 The Company accounts for corporate income taxes using the tax payable method. Tax expense is recognized based on current period taxable income and tax rates (25%).
 The Company's revenues are subject to Value Added Tax (VAT) and the international shipping agency is tax exemption from September 1, 2014 to April 30, 2019. The applicable tax rate of Extra-charges for VAT is 13%.

4 CASH AT BANK AND IN HAND

	31 March 2018	31 March 2017
Cash in hand	0.00	0.00
Cash at bank	2,754,909.43	1,319,126.23
	<u>2,754,909.43</u>	<u>1,319,126.23</u>

5 ACCOUNTS RECEIVABLE

31 March 2018	31 March 2017
6,607,392.65	6,056,842.00

The major details of ending balance as follows:

Debtors	Ending balance	Aging
A Company	3,112,984.46	Under 1 year
B Company	1,361,954.20	Under 1 year
C Company	337,947.33	Under 1 year
D Company	335,899.23	Under 1 year

6 OTHER RECEIVABLES

31 March 2018	31 March 2017
548,560.21	1,242,452.76

The major details of ending balance as follows:

Debtors	Ending balance	Aging
E Company	160,080.00	Under 1 year
F Company	100,000.00	2 to 3 years
G Company	100,000.00	Under 1 year

Legal representative:

Bijie

Chief accountant:

Jing An

Person in charge of accounting department:

Julia Xu

Julia Xu



7 **ACCOUNTS PAYABLE**

31 March 2018	31 March 2017
4,428,049.49	2,746,150.14

The major details of ending balance as follows:

Creditors	Ending balance	Aging
D Company	2,041,195.80	Under 1 year
H Company	1,195,024.61	Under 1 year
I Company	467,538.00	Under 1 year
J Company	284,010.00	Under 1 year

8 **OTHER PAYABLES**

31 March 2018	31 March 2017
140,291.50	5,356,870.27

The major details of ending balance as follows:

Debtors	Ending balance	Aging
GATI Asia Pacific Pte Ltd	105,490.00	Under 1 year

9 **PAID-IN CAPITAL**

Shareholders' name	31 March 2017	31 March 2016
GATI Asia Pacific Pte. Ltd.	9,359,660.00	9,359,660.00
Equals to	USD 1,200,000.00	USD 1,200,000.00

The registered capital of the Company is USD 1,200,000.00. As at 31 March 2018, the paid-in capital is USD 1,200,000.00. The paid-in capital was verified by Shanghai Chenghui Certified Public Accountants Co., Ltd. on 3 April 2007 and the verification report No. is (2007)258.

10 **RRTAINED EARNINGS**

	31 March 2018	31 March 2017
Retained earnings at beginning of year	-8,640,224.61	-8,307,952.30
Add: Current year net profit / (loss)	5,326,661.08	-332,272.31
	-3,313,563.53	-8,640,224.61

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

Legal representative:

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Chief accountant:

Jojo Au.

Person in charge of accounting department:

Julia Xu

Julia Xu

Julia Xu



11 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 March 2018	Year ended 31 March 2017
Employee benefits expenses	4,200,611.78	3,078,337.11
Depreciation	13,127.34	8,894.49
Headquarters' fee	251,395.70	425,450.04
Rental	608,033.00	241,720.00
Travelling	275,690.29	163,621.82
Social expenses	49,582.33	78,499.19
Others	453,486.39	365,159.51
Total	5,851,926.83	4,361,682.16

12 OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments due under non-cancelable operating leases are as follows:

	31 March 2018	31 March 2017
Less than 1 year	638,758.07	219,600.00
Between 1 and 2 years	672,724.52	201,600.00
Between 2 and 3 years	708,728.96	0.00
Between 3 and 4 years	746,893.67	0.00

13 CONTINGENCIES

The company has not significant contingencies as of 31 March 2018.

14 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The company has not significant events occurring after balance sheet date.

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

Legal representative:

Bi Jie

Chief accountant:

Jojo Gu.

Person in charge of accounting department:

Julia Xu

Julia Xu