

SPARK44 SHANGHAI LIMITED

**AUDITORS' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED MARCH 31, 2018

AUDITORS' REPORT

PCPAR [2018] No.ZA40841

To Spark44 Shanghai Limited:

I. Opinion

We have audited the financial statements of Spark44 Shanghai Limited (hereinafter referred to as "the Company"), which comprise the balance sheet as at March 31, 2018, and the income statement, statement of cash flows and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

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

II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this auditors' report. According to the Code of Ethics for Chinese CPA, We are independent of TPL in accordance with the Code of Ethics for Chinese CPA and we 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 audit opinion.

III. Management's Responsibility for the Financial Statements

The Company's Management (hereinafter referred to as the "Management") is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

IV. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 financial statements.

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional scepticism throughout the audit. Meanwhile, we also implement the following work:

- (1) Identify and assess the risks of material misstatement of the 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) Understand the 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) The management comes to the conclusion by using the appropriateness of the going-concern assumption. Meanwhile, based on the audit evidence obtained, we come to a conclusion on whether a material uncertainty exists in events or conditions that may cause significant doubt on the Company's going-concern ability. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and contents 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 the planned scope and timing of the audit, significant audit findings and other matters, including any significant deficiencies in internal control that we identify during our audit.

BDO CHINA Shu Lun Pan Certified Public Accountants LLP **Certified Public Accountant of China:
Jiang Qiang**

**Certified Public Accountant of China:
Shen Chao**

Shanghai, China

April 23, 2018

This auditors' report and the accompanying notes to the financial statements are English translation of the Chinese auditors' report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Spark44 Shanghai Limited
Balance sheet
As at March 31, 2018
(Expressed in RMB unless otherwise stated)

Assets	As at March 31, 2018	As at March 31, 2017
Current assets:		
Cash and cash equivalents	28,032,639.46	18,070,490.49
Financial assets measured at fair value through the current profit or loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	23,920,933.43	20,023,040.89
Advances to suppliers		
Interest receivable		
Dividends receivable		
Other receivables	2,465,646.08	1,602,355.83
Inventories		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets		
Total current assets	54,419,218.97	39,695,887.21
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment property		
Fixed assets	1,267,329.65	1,570,799.70
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	638,962.85	238,109.15
Development expenditures		
Goodwill		
Long-term deferred expenses	390,822.38	2,318,639.35
Deferred income tax assets		
Other non-current assets		
Total non-current assets	2,297,114.88	4,127,548.20
Total assets	56,716,333.85	43,823,435.41

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Spark44 Shanghai Limited
Balance Sheet (Continued)
As at March 31, 2018
(Expressed in RMB unless otherwise stated)

	As at March 31, 2018	As at March 31, 2017
Liabilities and owners' equity (or shareholders' equity)		
Current liabilities:		
Short-term borrowings		
Financial liabilities measured at fair value through the current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	15,203,253.59	5,399,464.99
Advances from customers		
Employee compensation payable	1,285,694.84	5,646,634.32
Taxes and surcharges payable	1,987,099.92	1,407,991.29
Interest payable		
Dividends payable	5,000,000.00	
Other payables	11,930,536.65	10,934,467.40
Liabilities held for sale		
Non-current liabilities maturing within one year		
Other current liabilities		
Total current liabilities	35,406,585.00	23,388,558.00
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables		
Long-term employee compensation payable		
Special payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	35,406,585.00	23,388,558.00
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	1,000,000.00	1,000,000.00
Other equity instruments		
Capital reserves	4,440.50	4,440.50
Less: treasury stock		
Other comprehensive income		
Special reserves		
Surplus reserves	500,000.00	500,000.00
Retained earnings	19,805,308.35	18,930,436.91
Total owners' equity (or shareholders' equity)	21,309,748.85	20,434,877.41
Total liabilities and owners' equity (or shareholders' equity)	56,716,333.85	43,823,435.41

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Spark44 Shanghai Limited
Income Statement
For the year ended March 31, 2018
(Expressed in RMB unless otherwise stated)

Item	As at March 31, 2018	As at March 31, 2017
I. Operating revenue	141,272,089.27	111,302,441.01
Less: operating costs	110,719,975.86	77,194,872.29
Taxes and surcharges	578,326.00	815,077.58
Selling and distribution expenses		
General and administrative expenses	23,519,676.58	22,452,971.47
Financial expenses	123,306.59	-162,922.99
Losses from asset impairment		
Plus: gains from changes in fair value ("-" for losses)		
Investment income ("-" for losses)		
Including: income from investment in associates and joint ventures		
Income from assets disposal	2,918.34	-1,646.20
Other income		
II. Operating profits ("-" for losses)	6,333,722.58	11,000,796.46
Plus: non-operating income	1,205,499.43	780,000.00
Less: non-operating expenses		33,690.00
III. Total profits ("-" for total losses)	7,539,222.01	11,747,106.46
Less: income tax expenses	1,664,350.57	3,135,940.33
IV. Net profit ("-" for net loss)	5,874,871.44	8,611,166.13
(I) Net profit from continued operation ("-" for net loss)	5,874,871.44	8,611,166.13
(II) Net profit from cease of operation ("-" for net losses)		
V. Other comprehensive income, net of tax		
(I) Other comprehensive income that cannot be reclassified into profit or loss later		
Including: 1. Changes from re-measurement of net liabilities or net assets under defined benefit plans		
2. Share in the investees' other comprehensive income that cannot be reclassified into the profit or loss under equity method		
(II) Other comprehensive income that will be reclassified into profit or loss later		
Including: 1. share in other comprehensive income of investee that will be reclassified into profits or loss under equity method		
2. Profit or loss on changes in fair value of available-for-sale financial assets		
3. Profit or loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets		
4. Effective portion of gain or loss on cash flow hedging		
5. Translation differences of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	5,874,871.44	8,611,166.13
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Spark44 Shanghai Limited
Statement of Cash Flows
For the year ended March 31, 2018
(Expressed in RMB unless otherwise stated)

Item	As at March 31, 2018	As at March 31, 2017
I. Cash flows from operating activities		
Cash received from the sale of goods or rendering of services	146,006,291.48	109,900,439.60
Refund of taxes and surcharges		
Cash received from other operating activities	2,797,336.23	820,800.80
Sub-total of cash inflows from operating activities	148,803,627.71	110,721,240.40
Cash paid for purchase of goods and receiving of services	60,436,650.26	40,240,496.61
Cash paid to and on behalf of employees	56,762,016.67	41,493,813.31
Cash paid for taxes and surcharges	6,131,197.80	7,940,837.67
Cash paid for other operating activities	14,323,409.84	12,153,372.43
Sub-total of cash outflows from operating activities	137,653,274.57	101,828,520.02
Net cash flows from operating activities	11,150,353.14	8,892,720.38
II. Cash flows from investing activities		
Cash received from disposal of investments		
Cash received from returns on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	16,574.00	
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflow from investment activities	16,574.00	
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	1,204,776.91	1,849,668.34
Cash paid for investments		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investment activities		
Sub-total of cash outflows from investment activities	1,204,776.91	1,849,668.34
Net cash flows from the investing activities	-1,188,202.91	-1,849,668.34
III. Cash flows from financing activities		
Cash received from absorption of investments		
Cash received from borrowings		
Cash received from bond issue		
Cash received from other financing activities		
Subtotal of cash inflows from financing activities		
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest		
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities		
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	-1.26	-3.81
V. Net increase in cash and cash equivalents	9,962,148.97	7,043,048.23
Plus: balance of cash and cash equivalents as at the beginning of the period	18,070,490.49	11,027,442.26
VI. Ending balance of cash and cash equivalents	28,032,639.46	18,070,490.49

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Spark44 Shanghai Limited
Statement of Changes in Owners' Equity
For the year ended March 31, 2018
(Expressed in RMB unless otherwise stated)

Item	As at March 31, 2018										
	Paid-in capital (or share capital)	Other equity instruments Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
I. Balance as at the end of the last year	1,000,000.00				4,440.50				500,000.00	18,930,436.91	20,434,877.41
Plus: adjustments for changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at the beginning of the current year	1,000,000.00				4,440.50				500,000.00	18,930,436.91	20,434,877.41
III. Increase or decrease in the current period ("-" for decrease)										874,871.44	874,871.44
(I) Total comprehensive income										5,874,871.44	5,874,871.44
(II) Capital invested by the holders of other equity instruments											
1. Capital contributed by owners											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution										-5,000,000.00	-5,000,000.00
1. Withdrawal of surplus reserves											
2. Profit distributed to owners										-5,000,000.00	-5,000,000.00

Item	As at March 31, 2018										
	Paid-in capital (or share capital)	Other equity instruments Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
(or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Others											
(V) Special reserves											
1. Withdrawal in the current period											
2. Amount used in the current year											
(VI) Others											
IV. Balance as at March 31, 2018	1,000,000.00				4,440.50				500,000.00	19,805,308.35	21,309,748.85

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Spark44 Shanghai Limited
Statement of Changes in Owners' Equity (Continued)
For the year ended March 31, 2018
(Expressed in RMB unless otherwise stated)

Item	As at March 31, 2017										
	Paid-in capital (or share capital)	Other equity instruments Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
I. Balance as at the end of the last year	1,000,000.00				4,440.50				500,000.00	10,319,270.78	11,823,711.28
Plus: adjustments for changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at the beginning of the current year	1,000,000.00				4,440.50				500,000.00	10,319,270.78	11,823,711.28
III. Increase or decrease in the current period ("-" for decrease)										8,611,166.13	8,611,166.13
(I) Total comprehensive income										8,611,166.13	8,611,166.13
(II) Capital invested by the holders of other equity instruments											
1. Capital contributed by owners											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus											

Item	As at March 31, 2017										
	Paid-in capital (or share capital)	Other equity Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
reserves											
2. Profit distributed to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Others											
(V) Special reserves											
1. Amount withdrawn in the current period											
2. Amount used in the current period											
(VI) Others											
IV. Balance as at March 31, 2017	1,000,000.00				4,440.50				500,000.00	18,930,436.91	20,434,877.41

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Spark44 Shanghai Limited
Notes to the Financial Statements for the Year Ended March 31, 2018

1. Company profile

Spark44 Shanghai Limited (hereinafter referred to as "the Company"), was a limited liability company (wholly owned by foreign legal person) invested in and established by SPARK44 (JV) LIMITED on March 25, 2014 with ALISTAIR COPLAND CAMPBELL COOK as the legal representative. As of March 31, 2018, the total investment of the Company was RMB 1,420,000 and the registered capital of the Company was RMB 1,000,000.00. The Unified Social Credit Code of the enterprise is 91310000088514160B and the registered address is Units 6401, 6402, 6501 and 6502, Building 6, No.436 Jumen Road, Huangpu District, Shanghai. The Company now is in its operation period. The Company's business scope includes enterprise management consulting, investment consulting, business information consulting, design of enterprise image, and enterprise marketing planning; and designing, producing, providing agency services for, and publicizing all kinds of domestic and foreign advertisements. [Items subject to approval according to law shall not be carried out before such approval is granted by the competent authorities]

2. Basis of preparation of the financial statements

Based on going concern, the Company, according to actually occurred transactions and events, prepares its financial statements in accordance with the Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the "Accounting Standards for Business Enterprises").

3. Principal accounting policies and accounting estimates

3.1 Statement on compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with Accounting Standards for Business Enterprises, and present, truly and completely, the financial position, operating results and cash flows of the Company during the reporting period.

3.2 Accounting period

The accounting year is from April 1, 2017 to March 31, 2018 in calendar year.

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

The Company adopts RMB as its functional currency.

3.5 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and the unrestricted deposit of the Company. The term "cash equivalents" refers to short-term (maturing within three months from the date of acquisition) 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.

3.6 Accounting method of foreign currency transactions

Foreign currency transactions are translated into RMB for recording purpose at the spot exchange rate prevailing on the transaction date.

The balance of foreign currency items on the balance sheet date are measured at the spot exchange rate on the balance sheet date. The exchange difference arising therefrom shall be included in the current profit or loss, while other exchange difference arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified to capitalization shall be dealt with according to the principle of borrowing capitalization.

3.7 Recognition criteria and provision method of provision for bad debts of accounts receivable

3.7.1 Recognition criteria of bad debts:

Uncollectible accounts receivable arising from repeal and bankruptcy of debtor after taking legal satisfaction procedures; uncollectible accounts receivable 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 are subject to approval to be cancelled after verification according to the administration authority of the Company.

3.7.2 Accounting method for losses on bad debts

Allowance method is adopted for accounting.

3.7.3 Method and proportion of provision for bad debts

Provision for bad debts is made by using specific identification method.

3.8 Fixed assets

3.8.1 Recognition criteria of fixed assets

Fixed assets are tangible assets that are held for the purpose of producing goods, providing services, leasing or operating management, and having a life span of more than one fiscal year. Fixed assets are recognized when they simultaneously meet the following conditions:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed assets can be measured reliably.

3.8.2 Depreciation method

Depreciation of the fixed assets is made on a category basis using the straight-line method and the depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. Where various components of fixed assets are different in useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately provide for depreciation.

Depreciation lives and annual depreciation rates of different fixed assets are listed as follows:

Category of fixed assets	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Electronic equipment	3	5	31.67

3.9 Intangible assets

3.9.1 Measurement method of intangible assets

- (1) The Company initially measures intangible assets at cost on acquisition; The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended use.
- (2) Subsequent measurement
The useful lives of the intangible assets are analyzed and determined on acquisition.

For intangible assets with definite useful lives, the Company shall adopt the straight-line method for amortization within the period during which they can bring economic benefits to the Company; where the period during which they can bring economic benefits to the Company cannot be forecast, those intangible assets shall be deemed as assets with indefinite lives and no amortization will be made.

3.9.2 Estimate of useful lives of intangible assets with definite useful lives:

Item	Estimated useful life
Computer software	1 to 5 years

At the end of each reporting period, the Company shall review the useful lives and amortization method of intangible assets with definite useful lives.

Upon review, the useful lives and amortization methods of the intangible assets at the end of the year are not different from those estimated before.

3.10 Long-term assets impairment

Where there are indications of impairment on long-term equity investments, investment property measured with cost model, fixed assets, construction in progress, intangible assets with definite useful lives and other long-term assets on the balance sheet date, impairment test should be made. If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss.

The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. Provision for assets impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset group that the individual asset belongs to.

The asset group is the minimum asset group that can independently generate the cash inflow. The above losses from asset impairment cannot be reversed in subsequent accounting periods once recognized.

3.11 Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be borne in the reporting period and in the future with an amortization period of over one year.

3.11.1 Amortization methods

Long-term deferred expenses shall be amortized evenly within the period of benefit. Specifically:

- (1) The rental prepayments for fixed assets leased in under operating lease are amortized evenly over the period specified in the lease contract.
- (2) The expenses from improvement in fixed assets leased in under operating lease are reasonably amortized under the best realization method of expected economic benefits.

3.11.2 Amortization period

The expenses from improvement of fixed assets leased by operating lease are amortized evenly over the shorter of the remaining lease term and useful period of the leased assets.

3.12 Employee compensation

3.12.1 Short-term remuneration

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognized as liabilities and included into the current profit or loss or the assets-related cost.

The social insurance premiums and the housing provident fund paid by the Company for its employees, together with the labor union expenses and employee education funds drew as required are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion during the accounting period when employees serve the Company.

Employee benefits in the non-monetary form shall be measured at fair value.

3.12.2 Accounting treatment of Post-employment benefits

(1) **Defined contribution plan**

The Company pays basic endowment insurance premium and unemployment insurance premium for its employees in accordance with relevant provisions of local government. During the accounting period when the Company receives services from employees, the payable amount calculated based on the basis and proportion prescribed is recognized as a liability and included in current profit and loss, or related asset cost.

3.12.3 Accounting treatment of dismissal benefits

When the Company fails to unilaterally withdraw the dismissal benefits offered due to the termination of the labor relation plan or layoff proposal, or confirms the costs or fees associated with the reorganization involving the payment of the dismissal benefits (whichever is earlier), the employee compensation liabilities arising from the confirmation of dismissal benefits are included in the current profit or loss.

3.13 Revenue

3.13.1 Principles for recognition and measurement of income from sales of goods

Income from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold; the relevant amount of income can be measured reliably; it is highly likely that the economic benefits associated with the transaction will flow into the Company; and the relevant amount of cost incurred or to be incurred can be measured reliably.

3.13.2 Basis for recognition of the income from transfer of rights to use assets

The economic benefits associated with the transaction are likely to flow into the enterprise, and the amount of revenue can be measured reliably. Revenues from transfer of right to use assets are recognized under the following circumstances:

- (1) Interest income is determined based on the time when the monetary funds are lent and the effective rate.
- (2) The amount of revenues from usage is determined based on the charging time and method as agreed in relevant contract or agreement.

3.13.3 Basis and method of recognizing the progress of completion, when determining revenue from rendering of service and revenue from construction contract at percentage-of-completion method

If the outcome of services provided can be reliably measured on the balance sheet date, revenue from rendering of service is recognized at the percentage-of-completion method. The percentage of completion of rendering of services shall be determined based on the measurement of the completed work.

The total revenue from rendering of service is recognized at the contract or agreement price received or receivable, unless such a price is unfair. On the balance sheet date, the revenue from rendering of service for the current period shall be recognized at the total amount of revenue from rendering of service, multiplying the progress of completion and deducting the revenue from rendering of service accumulated and recognized in the previous accounting period. Meanwhile, the costs of rendering of service for the current period shall be carried forward at the total estimated costs of rendering of service multiplying the progress of completion and deducting the costs of rendering of service accumulated and recognized in the previous accounting period.

If the outcome of services provided cannot be reliably measured on the balance sheet date, measurement of income from rendering services is accounted for according to the following circumstances, respectively:

- (1) If the service costs incurred are expected to be recoverable, the amounts equal to the costs incurred should be recognized as service revenues and the equivalent amounts should be included into the service costs.
- (2) If the service costs incurred are not expected to be fully compensated, revenues from rendering of service are not recognized and the service costs incurred are included in the current profit or loss.

3.14 Government subsidies

3.14.1 Type

Government subsidies refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government subsidies are divided into government subsidies related to assets and government subsidies related to income.

Government subsidies related to assets are government subsidies that the enterprise acquires for acquisition, construction or otherwise form long-term assets. Government subsidies related to income refer to government subsidies other than government subsidies related to assets. Government subsidies related to income refer to those other than the government subsidies related to assets.

The specific criteria of the Company to classify the government subsidies as asset-related are: the government subsidies used for acquiring and constructing or otherwise forming long-term assets as specified by government documents clearly;

The specific criteria of the Company to classify the government subsidies as income-related are: the government subsidies other than the assets-related government subsidies.

Where government documents fail to clearly define subsidy objects, the judgment basis for the Company to divide government subsidies into assets-related government subsidies and income-related government subsidies is as follows: The Company will divide the government subsidies as the income-related government subsidies.

3.14.2 Timing for recognition

Timing for recognizing assets-related government subsidies: relevant assets can reach the predetermined serviceable condition;

Timing for recognizing income-related government subsidies: when the related expenses or losses occur;

3.14.3 Accounting treatment

Assets-related government subsidies shall be used to offset the book value of relevant assets or recognized as deferred income. Where such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (Where such subsidies are related to the routine activities of the Company, they will be included in other income; where such subsidies are not related to the routine activities of the Company, they will be included in non-operating income);

Government subsidies relating to income used to compensate for relevant costs or losses which will occur in the following period in the Company shall be recognized as the deferred income, and, during the period when relevant costs or losses are recognized, be included in the current profit or loss (where government subsidies relating to income are relevant to routine activities of the Company, such grants shall be included in the other income; where government subsidies relating to income is irrelevant to routine activities of the Company, such grants shall be included in the non-operating income) or used to offset relevant costs or losses; government subsidies relating to income used to compensate for relevant costs or losses incurred in the Company shall be included in the current profit or loss (where such grants are related to daily activities of the Company, they will be included in other income; where such grants are related to the daily activities of the Company, they will be included in the non-operating income) or used to offset relevant costs or losses.

3.15 Lease

3.15.1 Accounting treatment of operating lease

(1) Lease fees paid by the Company for leased asset shall be amortized at straight-line method over the whole lease period (including rent-free period) and will be included in the current expenses. Initial direct costs related to lease transactions paid by the Company shall be included in the period charges.

If the lessor undertakes the expenses related to the lease that shall be undertaken by the Company, the Company will deduct the said expenses from the total rental. The rental fee deducted will be amortized over the lease term and included in the period charges.

(2) The Company's rental expenses collected for leased assets shall, within the whole lease term excluding the rent-free period, be amortized with the straight-line method and recognized as rental income. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as the current expenses; if the amounts are significant, they shall be capitalized and included in the current income on the same basis as the recognition of lease income.

When the Company bears costs related to the lease borne by the lessee, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term.

3.15.2 Accounting treatment of financing lease

(1) Assets acquired under financing leases: At the commencement of the lease term, assets acquired under financing leases shall be recorded at the lower of their fair values and the present values of the minimum lease payments, and the Company shall recognize the long-term payables at amounts equal to the minimum lease payments, and shall record the differences between book value of the leased assets and the long-term payables as unrecognized finance charges.

The Company adopts the effective interest rate method for unrecognized financing charges, which shall be amortized over the lease term and included in financial expenses.

- (2) Assets rented out under financing lease: on the commencement date of lease, the Company recognizes the difference between the sum of financing lease payment receivable and unguaranteed residual value, and the present value of the assets as unrealized financing income and as financing income in each period of future lease. The initial direct expenses of the Company related to lease are included into the initial measurement of financing lease payment receivable, and the income recognized in lease period is decreased accordingly.

3.16 Related parties

One party controls or jointly controls, or has significant influence over the other party, or both of them or more are jointly controlled by the same third party, which shall constitute related parties. Related parties can be individuals or enterprises. State-controlled enterprises without other related party relations shall not be related parties of the Company.

Related parties of the Company include but are not limited to:

- (1) parent company of the Company;
- (2) subsidiaries of the Company;
- (3) other entities under the control of the same parent company with the Company;
- (4) investors imposing common control over the Company;
- (5) investors imposing significant influence over the Company;
- (6) joint ventures of the Company, including the subsidiaries of those joint ventures;
- (7) associates of the Company, including their subsidiaries;
- (8) major investors of the Company and their close family members;
- (9) key management personnel of the Company or its parent company and their close family members; and
- (10) other enterprises under the control or common control of major investors, key management of the Company or their close family members.

3.17 Changes in principal accounting policies and accounting estimates

3.17.1 Changes in significant accounting policies

Subject to the Accounting Standards for Business Enterprises No.42 - Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations and the Accounting Standards for Business Enterprises No.16-Government Subsidies

In 2017, the Ministry of Finance has issued the Accounting Standards for Business Enterprises No.42 - Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations which shall come into force as of May 28, 2017, on which the non-current assets held for sale, disposal groups and discontinued operations existing shall be subject to the prospective application method.

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In 2017, the Ministry of Finance has revised the Accounting Standards for Business Enterprises No.16 - Government Subsidies, and the revised standards are implemented as of June 12, 2017. The government subsidies existing on January 1, 2017 shall be disposed by the prospective application method; the newly added government subsidies existing during the period from January 1, 2017 to the implementation date are also required to be adjusted according to the revised standards.

Main impacts of the Company's implementation of the above two standards are as follows:

Contents of and reasons for changes in accounting policies	Name and amount of affected items in the financial statements
(1) Profit or loss from continued operation and profit or loss from discontinued operation is listed respectively in the income statement.	Net profit from operation on going concern basis in the current period and last period was RMB 5,874,871.44 and RMB 8,611,166.13, respectively; net profit from discontinued operation in the current period and last period was RMB 0.00 and RMB 0.00, respectively.
(2) Gains or losses from disposal of non-current assets (excluding financial instruments, long-term equity investments, and investment property) or disposal groups classified as held for sale recognized, and gains or losses from disposal of fixed assets, construction in progress, productive biological assets, and intangible assets that are not classified as held for sale, are adjusted from non-operating income and non-operating expenses into income from assets disposal, and adjustments are made to the data in comparative period accordingly.	For the year ended March 31, 2018: Non-operating income decreased by RMB 2,918.34; non-operating expenses decreased by RMB 0.00; income from assets disposal increased by RMB 2,918.34. For the year ended March 31, 2017: Non-operating income decreased by RMB 0.00; non-operating expenses decreased by RMB 1,646.20; income from assets disposal increased by RMB -1,646.20.

3.17.2 Changes in significant accounting estimates

There were no changes in significant accounting estimates within the reporting period.

4. Taxation

4.1 Major tax types and tax rates applicable to the Company

Tax type	Tax base	Tax rate
Value-added tax (VAT)	VAT payable shall be the difference obtained by the output taxes calculated based on the revenue from the sale of goods and taxable services as computed by tax laws less the input taxes allowed to be deducted for the current period	6%
Corporate income taxes	Levied on the basis of taxable income	25%

5. Notes to the main items of the financial statements

(The following amounts are expressed in RMB unless otherwise stated)

5.1 Cash and cash equivalents

Item	As at March 31, 2018	As at March 31, 2017
Bank deposits	28,032,639.46	18,070,490.49

5.2 Accounts receivable

5.2.1 Breakdown of accounts receivable

Aging	Balance as at March 31, 2018				Balance as at April 1, 2017			
	Book balance	Proportion in total amount	Provision for bad debts	Proportion of provision for bad debts	Book balance	Proportion in total amount	Provision for bad debts	Proportion of provision for bad debts
Within 1 year	23,920,933.43	100.00%			20,023,040.89	100.00%		

5.2.2 Accounts receivable with significant balance as at March 31, 2018

Company name	Relationship with the Company	Nature / Content	Amount owed	Aging	Proportion in total accounts receivable
Chery Jaguar Land Rover Automotive Co., Ltd.	Related party	Income from the sales of products and services	10,520,958.87	Within 1 year	43.98%
Jaguar Land Rover (China) Investment Co., Ltd.	Related party	Income from the sales of products and services	13,399,974.56	Within 1 year	56.02%
Total			23,920,933.43		100.00%

5.3 Other receivables

5.3.1 Breakdown of other receivables

Aging	Balance as at March 31, 2018				Balance as at April 1, 2017			
	Book balance	Proportion in total amount	Provision for bad debts	Proportion of provision for bad debts	Book balance	Proportion in total amount	Provision for bad debts	Proportion of provision for bad debts
Within 1 year	1,254,505.62	50.88%			694,495.83	43.34%		
1-2 years	303,280.46	12.30%			907,860.00	56.66%		
2-3 years	907,860.00	36.82%						
Total	2,465,646.08	100.00%			1,602,355.83	100.00%		

5.4 Original cost of fixed assets and accumulated depreciation

5.4.1 Original cost of fixed assets

Category	Balance as at April 1, 2017	Increase in the current period	Decrease in the current period	Balance as at March 31, 2018
Electronic equipment	3,516,206.81	528,712.61	37,402.02	4,007,517.40

5.4.2 Accumulated depreciation

Category	Balance as at April 1, 2017	Increase in the current period	Withdrawal in the current period	Decrease in the current period	Balance as at March 31, 2018
Electronic equipment	1,945,407.11		827,101.00	32,320.36	2,740,187.75

5.4.3 Book value of fixed assets

Category	Balance as at April 1, 2017	Increase in the current period	Decrease in the current period	Balance as at March 31, 2018
Electronic equipment	1,570,799.70	528,712.61	832,182.66	1,267,329.65

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5.5 Intangible assets

Item	Balance as at April 1, 2017	Increase in the current period	Decrease in the current period	Balance as at March 31, 2018
1. Total original price	381,927.69	557,375.14		939,302.83
Computer software	381,927.69	557,375.14		939,302.83
2. Total accumulated amortization	143,818.54	156,521.44		300,339.98
Computer software	143,818.54	156,521.44		300,339.98
3. Total provision for impairment of intangible assets				
Computer software				
4. Total book value of intangible assets	238,109.15	557,375.14	156,521.44	638,962.85
Computer software	238,109.15	557,375.14	156,521.44	638,962.85

5.6 Long-term deferred expenses

Item	Balance as at April 1, 2017	Increase in the current period	Amortization during the current period	Other decreases	Balance as at March 31, 2018
Renovation costs	2,318,639.35		1,919,242.97	8,574.00	390,822.38

5.7 Accounts payable

5.7.1 Presentation of accounts payable:

Item	Balance as at March 31, 2018	Balance as at April 1, 2017
Accounts payable	15,203,253.59	5,399,464.99

5.7.2 There were no accounts payable with large amount and aging of over one year as at March 31, 2018.

5.8 Employee compensation payable

Item	Balance as at April 1, 2017	Increase in the current period	Decrease in the current period	Balance as at March 31, 2018
I. Short-term remuneration	5,646,634.32	48,118,517.31	52,479,456.79	1,285,694.84
(1) Salary, bonus, allowance and subsidies	5,646,634.32	44,368,442.47	48,729,381.95	1,285,694.84
(2) Employee welfare fees		377,442.66	377,442.66	
Including: bonus and welfare funds of foreign-invested enterprises				
(3) Social insurance premiums		2,112,663.18	2,112,663.18	
Including: medical insurance premiums		1,859,143.60	1,859,143.60	
Work-related injury insurance premium		84,506.53	84,506.53	
Maternity insurance premium		169,013.05	169,013.05	
(4) Housing fund		1,259,969.00	1,259,969.00	
(5) Union funds and employee education funds				
(6) Other short-term compensated absences				
(7) Short-term profit-sharing plan				
(8) Short-term compensation				

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Item	Balance as at April 1, 2017	Increase in the current period	Decrease in the current period	Balance as at March 31, 2018
II. Defined contribution plan		3,802,793.73	3,802,793.73	
(1) Basic endowment insurance premiums		3,549,274.15	3,549,274.15	
(2) Unemployment insurance premiums		253,519.58	253,519.58	
III. Defined benefit plan				
IV. Dismissal welfare		702,663.52	702,663.52	
(V) Other long-term benefits				
Sub-total	5,646,634.32	52,623,974.56	56,984,914.04	1,285,694.84
Less: payment after 12 months since the balance sheet date				
Total	5,646,634.32	52,623,974.56	56,984,914.04	1,285,694.84

5.9 Taxes and surcharges payable

Item	Balance as at March 31, 2018	Balance as at April 1, 2017
Value-added tax (VAT)	962,776.10	374,871.49
Urban maintenance and construction tax	70,498.63	24,808.96
Corporate income taxes	19,460.63	325,934.99
Individual income tax	884,008.40	661,111.03
Educational surtax	50,356.16	17,720.68
River management costs		3,544.14
Total	1,987,099.92	1,407,991.29

5.10 Dividends payable

Name or type of investor	Balance as at March 31, 2018	Balance as at April 1, 2017
SPARK44 (JV) LIMITED	5,000,000.00	

5.11 Other payables

5.11.1 Presentation of other payables:

Item	Balance as at March 31, 2018	Balance as at April 1, 2017
Other payables	11,930,536.65	10,934,467.40

5.11.2 Other payables with significant amount as at March 31, 2018

Company name	Amount	Nature / Content
SPARK44 LTD	9,216,003.52	Advanced payment
SPARK44 GmbH	625,803.29	Advanced payment
SPARK44 (JV) LIMITED	466,454.93	Advanced payment
Total	10,308,261.74	

5.12 Paid-in capital

Name of contributor	Balance as at April 1, 2017	Increase in the current period	Decrease in the current period	Balance as at March 31, 2018	Contribution proportion
SPARK44 (JV) LIMITED	1,000,000.00			1,000,000.00	100.00%

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Note: The above capital has been verified by Shanghai Juzheng Certified Public Accountants Co., Ltd. with Report of Capital Verification HJKYZ [2014] No.1031.

5.13 Capital reserves

Item	Balance as at April 1, 2017	Balance as at April 1, 2017	Decrease in the current period	Balance as at April 1, 2017
Capital premium (stock premium)	4,440.50			4,440.50

5.14 Surplus reserves

Item	Balance as at April 1, 2017	Increase in the current year	Decrease in the current year	Balance as at March 31, 2018
Statutory surplus reserve	500,000.00			500,000.00

Note: Where the cumulative amount of the statutory surplus reserves of the Company exceeds 50% of the registered capital, the Company may cease to make further such appropriation.

5.15 Retained earnings

Item	Amount
Retained earnings as at April 1, 2017	18,930,436.91
Plus: net profit in the current period	5,874,871.44
Less: common stock dividends payable	5,000,000.00
Retained earnings as at March 31, 2018	19,805,308.35

5.16 Operating income and operating costs

Item	Amount in the current period		Amount in last period	
	Income	Costs	Income	Costs
Primary business	141,272,089.27	110,719,975.86	111,302,441.01	77,194,872.29

5.17 Taxes and surcharges

Item	Amount in the current period	Amount in last period
Urban maintenance and construction tax	299,084.67	265,038.42
Educational surtax	213,631.91	189,313.16
Others	65,609.42	360,726.00
Total	578,326.00	815,077.58

5.18 General and administrative expenses

Item	Amount in the current period	Amount in last period
Employee compensation	8,112,649.12	6,673,160.57
Management support fees	3,288,278.29	3,105,898.21
Leasing and property management fees	3,342,747.21	3,368,542.61
Depreciation and amortization of long-term assets	2,902,865.41	2,948,140.63
Communications and information technology fees	1,798,042.68	1,531,721.74
Travelling expenses	1,476,685.57	1,958,301.29
Business entertainment expenses	1,054,800.58	1,353,167.05
Office expenses	930,874.83	1,041,596.92
intermediary service charges	612,732.89	472,442.45
Total	23,519,676.58	22,452,971.47

5.19 Financial expenses

Category	Amount in the current period	Amount in last period
Interest expenses		
Less: interest income	59,585.88	40,800.80
Foreign exchange losses and gains	173,989.16	-132,093.51
Others	8,903.31	9,971.32
Total	123,306.35	-162,922.99

5.20 Income from assets disposal

Item	Amount in the current period	Amount in last period
Gains or losses on disposal of fixed assets	2,918.34	-1,646.20

5.21 Non-operating income

Item	Amount in the current period	Amount in last period
Government subsidies	1,205,499.43	780,000.00

5.22 Non-operating expenses

Item	Amount in the current period	Amount in last period
Public welfare donation		33,690.00

5.23 Income tax expenses

Item	Amount in the current period	Amount in last period
Current income tax expenses	1,664,350.57	3,135,940.33

5.24 Supplementary information to the statement of cash flows

Item	Amount in the current period	Amount in last period
I. Net profit adjusted to cash flows from operating activities		
Net profit	5,874,871.44	8,611,166.13
Plus: provision for assets impairment		
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	827,101.00	986,253.99
Amortization of intangible assets	156,521.44	78,277.89
Amortization of long-term deferred expenses	1,919,242.97	1,920,931.03
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-2,918.34	
Losses from write-off of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)	1.26	3.81
Investments losses ("-" for gains)		
Decreases in deferred tax assets ("-" for increases)		
Increases in deferred tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)		
Decreases in operating receivables ("-" for increases)	-4,761,182.79	-7,205,867.30
Increases in operating payables ("-" for decreases)	7,136,716.16	4,501,954.83
Others		
Net cash flows from operating activities	11,150,353.14	8,892,720.38

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Item	Amount in the current period	Amount in last period
II. Significant investing and financing activities not involving cash inflow and outflow:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial leasing		
III. Net changes in cash and cash equivalents		
Balance of cash as at March 31, 2018	28,032,639.46	18,070,490.49
Less: balance of cash as at April 1, 2017	18,070,490.49	11,027,442.26
Plus: balance of cash equivalents as at March 31, 2018		
Less: balance of cash equivalents as at April 1, 2017		
Net increase in cash and cash equivalents	9,962,148.97	7,043,048.23

6. Related parties and related-party transactions

6.1 Related parties

6.1.1 Parent company of the Company (Monetary unit: RMB'0,000)

Name of parent company	Registration place	Shareholding ratio in the Company (%)	Voting right in the Company (%)
SPARK44 (JV) LIMITED	Abbey Road, Whitley, Coventry CV3 4LF	100.00	100.00

6.1.2 Other related parties of the Company

Name of other related party	Relationship with the Company
Spark44 LTD	Controlled by the same parent company
Spark44 GmbH	Controlled by the same parent company
Jaguar Land Rover (China) Investment Co., Ltd.	Controlled by the same ultimate controller
Chery Jaguar Land Rover Automotive Co., Ltd.	Related company of the parent company

6.2 Related-party transactions

6.2.1 Purchase of goods and receipt of services

Name of related party	Contents of related party transactions	Amount in the current period	Amount in last year
Spark44 LTD	Receipt of labor services	2,830,098.37	2,321,170.05
Spark44 GmbH	Receipt of labor services	622,499.94	829,999.92

6.2.2 Sale of goods and rendering of services

Name of related party	Contents of related-party transactions	Amount in the current period	Amount in last year
Chery Jaguar Land Rover Automotive Co., Ltd.	Rendering of services	40,501,740.11	41,293,552.62
Jaguar Land Rover (China) Investment Co., Ltd.	Rendering of services	100,741,139.19	70,008,888.39

6.2.3 Receivables from and payables to related parties

Item	Related party	As at March 31, 2018		As at April 1, 2017	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Jaguar Land Rover (China) Investment Co., Ltd.	13,399,974.56		8,704,465.56	
	Chery Jaguar Land Rover Automotive Co., Ltd.	10,520,958.87		11,318,575.33	
Other receivables					
	Spark44 LTD	630,761.08		281,262.96	
Other payables					
	Spark44 LTD	9,216,003.52		8,027,378.55	
	SPARK44 (JV) LIMITED	466,454.93		466,454.93	
	Spark44 GmbH	625,803.29		419,890.10	

7. Commitments and contingencies

7.1 Significant commitments

The Company had no significant commitments required to be disclosed as at March 31, 2018.

7.2 Contingencies

The Company had no major contingencies required to be disclosed as at March 31, 2018.

8. Post balance sheet events

There were no major post balance sheet date non-adjusted events required to be disclosed by the Company as at April 23, 2018.

9. Notes to other significant events

As at March 31, 2018, the Company had no other significant events required to be disclosed. Correction of accounting errors in previous periods.

The Company had no corrections of accounting errors in prior periods during the reporting period.

Spark44 Shanghai Limited

April 23, 2018