

PIDILITE INDUSTRIES TRADING (SHANGHAI) CO., LTD.

FOR THE YEAR ENDED MARCH 31, 2018

(FOR TRAVEL ONLY)

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PIDILITE INDUSTRIES TRADING (SHANGHAI) CO., LTD.

**INCORPORATED IN THE PEOPLE'S REPUBLIC
OF CHINA WITH LIMITED LIABILITY**

AUDITORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

PIDILITE INDUSTRIES TRADING (SHANGHAI) CO.,LTD.

FOR THE YEAR ENDED MARCH 31, 2018

(FOR TRANSLATION ONLY)

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AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF AND MEMBERS OF
PIDILITE INDUSTRIES TRADING (SHANGHAI) CO.,LTD.

We have audited the accompanying financial statements of Pidilite Industries Trading (Shanghai) Co.Ltd. as of April 1,2017- March 31, 2018(hereinafter referred to as "Company"), which comprise the balance sheets, the income statement, cash flow and the changes in equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes. These financial statements have been agreed upon by the Company's management and SHANGHAI ZHONGQINWANXIN CERTIFIED PUBLIC ACCOUNTANTS based on the first part of the engagement letter signed on March 31, 2018.

I. Responsibility of management

Management is responsible for the financial reporting requirements in accordance with the first part of the engagement letter, preparation of financial statements and is responsible for the design, implementation and maintenance of the necessary internal controls, in order to make the financial statements that are free of material misstatement due to fraud or error.

II. Responsibility of auditors

Our responsibility is to express an audit opinion on the financial statements on the basis of the implementation of the audit work. We performed audit work in accordance with the provisions of the Certified Public Accountants Auditing Standards. Chinese Certified Public Accountants Auditing Standards require that we comply with the Code of Ethics of Certified Public Accountants and plan and perform the audit to obtain reasonable assurance whether the financial statements free of material misstatement.

An audit involves performing procedures to obtain audit evidence related to the financial statements of the amounts and disclosures. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements due to fraud or error. During the risk assessment, considering of Certified Public Accountants and financial statement preparation and fair presentation of the relevant internal control, CPA designs appropriate audit procedures, but not the purpose of the effectiveness of internal controls to express their views.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall financial statement presentation.

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

III. Audit opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pidilite Industries Trading (Shanghai) Co.,Ltd. as of March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of both the Accounting Standards and Accounting Regulations for Business Enterprises.

SHANGHAI ZHONGQINWANXIN CERTIFIED PUBLIC ACCOUNTANTS CO.,LTD

Date: April 12, 2018



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PIDILITE INDUSTRIES TRADING (SHANGHAI) CO.,LTD.

BALANCE SHEET
AS OF MARCH 31, 2018

(CURRENCY: RMB)

ASSETS	NOTES	2018.3.31	2017.3.31
CURRENT ASSETS			
Cash and bank balance	6.1	139,854.38	1,101,125.67
Amount due from related company	6.2	1,112,732.47	569,444.79
Other receivables	6.3	33,493.12	7,992.00
Deferred expenses	6.4	92,705.00	4,870.00
VAT receivable		16,946.22	3,815.24
TOTAL CURRENT ASSETS		<u>1,395,731.19</u>	<u>1,687,247.70</u>
FIXED ASSETS			
Fixed assets - cost	6.5	20,417.10	20,417.10
Less: accumulated depreciation	6.5	<u>18,375.39</u>	<u>18,375.39</u>
FIXED ASSETS - NET VALUE		<u>2,041.71</u>	<u>2,041.71</u>
Long-term deferred expenses		-	-
TOTAL ASSETS		<u>1,397,772.90</u>	<u>1,689,289.41</u>

(continued)

The annexed Notes form an integral part of these Financial Statements.

The financial statements on pages 2 to 12 were signed by the following:

A. D. Hseueh

General Manager

Wang Jins Fang

Accounting Manager

PIDILITE INDUSTRIES TRADING (SHANGHAI) CO.,LTD.

BALANCE SHEET (continued)
AS OF MARCH 31, 2018

(CURRENCY: RMB)

<u>LIABILITIES AND OWNER'S EQUITY</u>	<u>NOTES</u>	<u>2018.3.31</u>	<u>2017.3.31</u>
CURRENT LIABILITIES			
Accounts payable	6.6	11,950.00	11,950.00
Advance from customers	6.7	98,405.62	193,235.59
Tax payable	6.8	361.42	23,818.86
Accrued expenses	6.9	<u>3,770.00</u>	<u>200.00</u>
TOTAL CURRENT LIABILITIES		<u>114,487.04</u>	<u>229,204.45</u>
TOTAL LIABILITIES		<u>114,487.04</u>	<u>229,204.45</u>
OWNER'S EQUITY			
Paid-in capital	6.10	958,005.00	958,005.00
Accumulated profit	6.11	<u>325,280.86</u>	<u>502,079.96</u>
TOTAL OWNER'S EQUITY		<u>1,283,285.86</u>	<u>1,460,084.96</u>
TOTAL LIABILITIES AND OWNER'S EQUITY		<u>1,397,772.90</u>	<u>1,689,289.41</u>

(concluded)

The annexed Notes form an integral part of these Financial Statements.

PIDILITE INDUSTRIES TRADING (SHANGHAI) CO.,LTD.

INCOME STATEMENT
FOR THE YEAR ENDED MARCH 31, 2018

(CURRENCY: RMB)

	NOTES	2017.4.1-2018.3.31	2016.4.1-2017.3.31
Export sales	6.12	438,482.22	1,968,976.17
Less: Export Cost	6.12	337,027.55	1,310,229.60
Add: Other Revenue	6.12	543,287.68	382,419.38
Gross profit		644,742.35	1,041,165.95
Less: Operating expenses		-	-
General and administrative expenses	6.13	833,826.15	830,784.31
Financial expenses (Income)	6.14	11,355.16	(26,016.96)
Income from operations		(200,438.96)	236,398.60
Add: Subsidy income		-	-
Add: Non-operating incomes		-	-
Less: Non-operating expenses		-	-
Income before tax		(200,438.96)	236,398.60
Less: Income tax	6.15	(23,639.86)	92,261.25
Net Income for the period		(176,799.10)	144,137.35

(concluded)

The annexed Notes form an integral part of these Financial Statements.

PIDILITE INDUSTRIES TRADING (SHANGHAI) CO.,LTD.

CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2018

(CURRENCY: RMB)

	<u>2017.4.1-2018.3.31</u>	<u>2016.4.1-2017.3.31</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	343,652.25	1,931,582.65
Tax refund received	-	-
Other cash received relating to operating activities	4,918.05	2,041.92
Sub-total of cash inflows	<u>348,570.30</u>	<u>1,933,624.57</u>
Cash paid for goods and services	424,862.55	1,302,599.60
Cash paid to and on behalf of employees	229,196.70	176,274.53
Tax paid	4,014.21	68,442.39
Other cash paid relating to operating activities	642,311.83	661,568.35
Sub-total of cash outflows	<u>1,300,385.29</u>	<u>2,208,884.87</u>
Net Cash Flows from Operating Activities	<u>(951,814.99)</u>	<u>(275,260.30)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from disposal of fixed assets, intangible assets and other long-term assets	-	-
Sub-total of cash inflows	<u>-</u>	<u>-</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	-	-
Sub-total of cash outflows	<u>-</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from investors	-	-
Sub-total of cash inflows	<u>-</u>	<u>-</u>
Cash repayments for amounts borrowed	-	-
Cash payments for distribution of dividends, interest expenses	-	-
Sub-total of cash outflows	<u>-</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
Effect of Foreign Exchange Rate Changes on Cash	<u>(9,456.30)</u>	<u>26,863.61</u>
NET INCREASE IN CASH	<u>(961,271.29)</u>	<u>(248,396.69)</u>
Add: Cash and cash equivalents at the beginning of the period	<u>1,101,125.67</u>	<u>1,349,522.36</u>
Cash and cash equivalents at the end of the period	<u>139,854.38</u>	<u>1,101,125.67</u>

(continued)

The annexed Notes form an integral part of these Financial Statements.

PIDILITE INDUSTRIES TRADING (SHANGHAI) CO.,LTD.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2018**

	Share capital	Surplus reserve	Retained earnings	Total
	(Rmb)	(Rmb)	(Rmb)	(Rmb)
Balance at 1 April 2017	958,005.00	-	502,079.96	1,460,084.96
Profit for the year	-	-	(176,799.10)	(176,799.10)
Issue of share capital	-	-	-	-
Balance at 31 March 2018	958,005.00	-	325,280.86	1,283,285.86

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

1. COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES

Pidilite Industries Trading (Shanghai) Co.,Ltd.(the "Company") was established in Shanghai, the People's Republic of China (the "PRC") by PIDILITE INTERNATIONAL PTE.LTD. as a wholly foreign owned enterprise on November 22, 2010 and obtained the business license numbered 91310000564784808W.The registered capital of the Company was USD150,000,the legal representative is Amol Devidas Ubhayakar.

The main business of the company is Wholesale, commission agency (excluding auction)and import & export of adhesive,sealants,construction and paint chemicals(except dangerous goods),automotive chemicals, art materials, industrial and textile resins, leather chemicals, organic pigments and preparations,coating,emulsion paints,bitumen based waterproofing products, intermediate chemicals and provision of the associated repair and maintenance services, technical consultancy relating to such products (the commodities herein exclude the ones which are subject to state operated trade administration; where an administrative quota/license is required for such commodities, such quota/license shall be obtained in accordance with the applicable regulations)(where an administrative approval is required for such business,such administrative approval shall be obtained).

2. Preparation of financial statements

These financial statements are prepared based on both the Accounting Standards and Accounting Regulations for Business Enterprises.

3. Declaration

These financial statements conform the Accounting Standards and Accounting Regulations for business Enterprises, which veritably and integrally reflects the financial position, results from operation, cash flow and other information related.

4. PRINCIPAL ACCOUNTING POLICIES

4.1 Accounting system and accounting standards adopted

The Company has adopted the "Accounting Standards for Business Enterprises", the "Accounting System for Business Enterprises" and the supplementary regulations thereto.

Basis of accounting and principles of measurement

The Company has adopted the accrual basis of accounting and uses the historical cost convention as the principle of measurement. Where an impairment loss should be recognized, the impairment loss is recognized in accordance with the applicable accounting standards.

4.2 Accounting period

The Company's accounting period starts on 1 April and ends on 31 March.

4.3 Reporting currency

The Company uses the Renminbi (RMB) as its reporting currency.

4.4 Accounting and pricing basis

Accrual basis accounting is adopted and the value of all assets are to be recorded on historical costs.

4.5 Foreign currency transactions

Transactions denominated in foreign currencies are translated into RMB at the applicable rate of exchange ("market exchange rate") prevailing at the time of occurrence of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates prevailing in the market at the balance sheet date. Exchange differences arising from these translations are taken to the profit and loss account.

4.6 Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7 Provision for bad debts

a. Criteria for recognition of bad debts

Bad debt is recognized when debtors are bankrupt or dead, or accounts are overdue for more than two years or circumstances of debtors indicate uncollectability of the overdue balances.

b. Provision for bad debts are provided for using "provision method".

c. The Company makes provision for specific doubtful accounts in respect of overdue balances of accounts receivables and other receivables when circumstances of financial status and cash flow of debtors at each period end indicate doubtful collection. When the bad debt is actually recognized after appropriate approval procedures, the balances are written off against provision.

4.8 Inventory costing method

a. Classification of inventory

Inventories are classified as commodities.

b. Inventory costing and pricing method

Inventories are accounted for using actual costing method which is determined by using the transactional weighted average method.

c. Inventory system

The Company adopts perpetual inventory system as its inventory system.

d. Recognition and provision for loss on realization of inventories

Inventory is carried at the lower of cost or net realizable value. A provision for inventory has been made based on the excess of the original cost of the inventory over its net realizable value.

4.9 Fixed assets and depreciation

a. Criteria for recognition of fixed assets

Building, properties, machinery and equipment, motor vehicles, toolings, etc. used in the production process and with estimated useful lives of more than 1 year are accounted as fixed assets. Other equipment of more than RMB 2,000 in value and with estimated useful lives of 2 years or more are also recorded as fixed assets.

b. Classification of fixed assets

Fixed assets are stated at historical cost and classified as vehicles, office and other equipment.

c. Recognition and impairment provision for fixed assets

At each year end after inspection of each fixed asset, if the recoverable amount is lower than the carrying amount due to continually decreasing market value, or technology obsolescence, damages or long-term idle assets, an impairment provision is made based on the difference of each fixed asset.

d. Method of depreciation

Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are put into operation. Depreciation is computed using the straight-line method over the estimated useful life of each category of the fixed assets as follows:

Category of fixed assets	Estimated useful life	Residual Value	Annual rate of depreciation
Electronic equipment	3 years	10%	30%

4.10 Revenue recognition

Revenue from the sale of goods

Revenue for the sale of goods are recognized when all the following conditions have been satisfied: i) the significant risks and rewards of ownership of the goods have been transferred to buyers; ii) neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained by the Company; iii) it is probable that the economic benefits associated with the transaction will flow to the Company; iv) and the relevant amount of revenue and costs can be measured reliably.

4.11 Accounting method for income tax

Income tax is provided under the tax effect accounting method. The income tax provision is calculated based on the accounting results for the year as adjusted in accordance with the relevant tax laws. Due to different recognition periods for revenue, expenses and losses under the tax rules and accounting requirements, there are timing differences between accounting profit before tax and taxable income. The tax effect of timing differences, computed under the liability method, is recognized as deferred tax in the financial statements. However, a deferred tax debit resulting from timing differences is recognized and presented as a deferred debit only if sufficient taxable income is expected during the period of their reversal. Otherwise, the differences are treated as if they were permanent differences.

5. Taxation

5.1	Business tax	-	5% of taxable business revenue.
5.2	VAT	-	17% VAT is calculated based on revenue and sales of goods
5.3	Income tax	-	25% of taxable income.

* Corporate tax standard rate is 25%, small low-profit enterprise will have 5% tax deduction; And there is preferential tax policy valid from 1 OCT, 2015 to 31st Dec, 2017 for small low-profit enterprise which the profit is from RMB 200000--RMB 300000, the tax rate is 10%

6. Notes to the financial statements

6.1 Cash

	2018.3.31	2017.3.31
	RMB	RMB
Cash on hand	1,759.36	5,690.80
Cash in bank	138,095.02	1,095,434.87
Total	<u>139,854.38</u>	<u>1,101,125.67</u>

6.2 Accounts receivable

	2018.3.31	2017.3.31
	RMB	RMB
Amount due from related company-Pidilite Industries Ltd	1,112,732.47	569,444.79
Total	<u>1,112,732.47</u>	<u>569,444.79</u>

6.3 Other receivables

	2018.3.31	2017.3.31
	RMB	RMB
The deposit	8,490.00	7,992.00
Export refund	25,003.12	-
Total	<u>33,493.12</u>	<u>7,992.00</u>

6.4 Deferred expenses

	2018.3.31	2017.3.31
	RMB	RMB
Advance to Vendor	92,705.00	4,870.00
Total	<u>92,705.00</u>	<u>4,870.00</u>

6.5 Fixed assets and accumulated depreciation

	Office	Total
	RMB	RMB
<u>Cost</u>		
At April, 1, 2017	20,417.10	20,417.10
Additions	-	-
Disposals	-	-
At March, 31, 2018	<u>20,417.10</u>	<u>20,417.10</u>
<u>Accumulated depreciation</u>		
At April, 1, 2017	18,375.39	18,375.39
Provided for the year	-	-
Eliminated on disposals	-	-
At March, 31, 2018	<u>18,375.39</u>	<u>18,375.39</u>
<u>Net value</u>		
At April, 1, 2017	2,041.71	2,041.71
At March, 31, 2018	<u>2,041.71</u>	<u>2,041.71</u>

6.6 Accounts payable

	2018.3.31	2017.3.31
	RMB	RMB
Audit fee	11,950.00	11,950.00
Total	<u>11,950.00</u>	<u>11,950.00</u>

6.7 Advance from customers

	2018.3.31	2017.3.31
	RMB	RMB
Advance received from Customer	98,405.62	193,235.59
Total	<u>98,405.62</u>	<u>193,235.59</u>

6.8 Tax payable

	2018.3.31	2017.3.31
	RMB	RMB
Individual income tax	361.42	179.00
Income tax	-	23,639.86
Total	<u>361.42</u>	<u>23,818.86</u>

5.9 Accrued expenses

	2018.3.31	2017.3.31
	RMB	RMB
Express courier	3,770.00	200.00
Total	<u>3,770.00</u>	<u>200.00</u>

5.10 Paid in capital

	PIDILITE INTERNAIONAL PTE.LTD.		
	US\$	%	RMB Equivalent
At 1 April 2017	150,000.00	100%	958,005.00
At 31 March 2018	<u>150,000.00</u>	<u>100%</u>	<u>958,005.00</u>

The above capital contributed by the investors have been verified by Chinese Certified Public Accountants.

5.11 Accumulated profit

	2018.3.31	2017.3.31
	RMB	RMB
At 1 April	502,079.96	357,942.61
Add: Net profit for the period	(176,799.10)	144,137.35
Less: Net loss for the period adjustment of prior years	-	-
At 31 March	<u>325,280.86</u>	<u>502,079.96</u>

5.12 Export sales

	2018.3.31	2017.3.31
	RMB	RMB
Export sales	438,482.22	1,968,976.17
Less: Export Cost	337,027.55	1,310,229.60
Add: Other Revenue	543,287.68	382,419.38
Total	<u>644,742.35</u>	<u>1,041,165.95</u>

5.13 General and administrative expenses

	2017.4.1-2018.3.31	2016.4.1-2017.3.31
	RMB	RMB
Salaries	144,839.60	123,314.37
Welfare expense	84,357.13	52,960.16
Office supplies	11,737.06	9,205.18
Telephone fee	6,390.40	8,810.10
Express fee	38,232.21	53,216.46
Freight Charge	2,995.50	36,710.13
Service fee	68,188.19	95,517.96
Rental fee	169,776.10	176,149.40
Energy fee	2,388.80	2,554.23
Entertainment fee	89,226.80	74,928.52
Traffic fee	57,196.13	35,287.11
Gas fee	-	2,000.00
Travel fee	112,017.59	93,173.88
Parking fee	-	3,056.00
Translation fee	-	6,865.00
Tax Expenses	205.90	-
Other misc. expenses	30,616.10	33,384.79
Audit fee	11,273.59	22,497.17
Sample Fee	4,385.05	1,153.85
Total	<u>833,826.15</u>	<u>830,784.31</u>

5.14 Financial expenses

	2017.4.1-2018.3.31	2016.4.1-2017.3.31
	RMB	RMB
Interest income	(1,348.05)	(2,041.92)
Foreign exchange (profits) loss	9,456.30	(26,863.61)
Bank charge	3,246.91	2,888.57
Total	<u>11,355.16</u>	<u>(26,016.96)</u>

5.15 Income tax

	2017.4.1-2018.3.31	2016.4.1-2017.3.31
	RMB	RMB
Total	<u>(23,639.86)</u>	<u>92,261.25</u>
	<u>(23,639.86)</u>	<u>92,261.25</u>

5. Post balance sheet events and non-adjusted events

Up to the reporting date, the Company has no post balance sheet events and non-adjusted events occurred which will influence the fair presentation of the Financial Statements.

5. Other important events

During the reporting period, there are no other important events occurred which influence the fair presentation of the Financial Statements.