

Shenzhen Jiesiguanyi CPA Firm
Auditor's Report
For
AESAs Air Engineering (SZ) Co.,LTD
For the March 31 of 2020

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集思广益
JI SI GUANG YI

深圳集思广益会计师事务所 Shenzhen Ji Si Guang Yi Certified Public Accountants

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szsjgy[2020]No:018

Auditor's Report

To the Shareholders of AESA Air Engineering (SZ) Co.,LTD.:

We have audited the accompanying financial statements of AESA Air Engineering (SZ) Ltd, which comprise the statement of financial position as of March 31, 2020 and the comprehensive income statement, cash flow statement, statement of changes in shareholders' equity for the ended March 31, 2020, as well as financial notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; (3) 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 Independent Auditing Standards of China. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount 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 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 present fairly, in all material respects, the financial position of AESA Air Engineering (SZ) Co.,LTD. as of March 31, 2020, and its financial performance and its cash flows for the period for the March 31, 2020, in accordance with the Accounting Standards for Business Enterprises.



Shenzhen China



Apr 15, 2020

AESA Air Engineering (SZ) Co.,LTD

Balance Sheet

As of March 31,2020

Unit:RMB ¥

Assets	At End of Period	At Beg.Of Period
Current Assets		
Bank and cash	265,590.25	26,226.95
Money market funds		
Notes Receivable		
Accounts receivable	8,003,343.96	9,674,209.80
Prepayments		
Dividends receivable	-	-
Interest receivable	-	-
Other receivables	861,153.48	546,461.84
Inventories	807,578.77	1,412,103.93
Non-current assets falling due treasury stock within one year	-	-
Other current assts	-	-
Total current assets	9,937,666.46	11,659,002.52
Non-current assets:		
Available-for –Sale Monetary assets	-	-
Held-to-Maturity Securities	-	-
Long-term Accounts receivable	-	-
Long-term equity investment	-	-
Equity real estate	-	-
Fixed assets	89,599.87	47,266.60
Construction in progress	-	-
Engineering Material	-	-
Disposal of field assts	-	-
Biologically assets for production	-	-
Gas and oil assets	-	-
Intangible assets	-	-
Development expenditures	-	-
Goodwill	-	-
Long-term deferred assets	-	-
Income tax deferred assets	-	-
Other non -current assets	-	-
Total non-current assets	89,599.87	47,266.60
Total assets	10,027,266.33	11,706,269.12

(Notes are important parts of the financial report)

AESA Air Engineering (SZ) Co.,LTD

Balance Sheet (Continue)

As of March 31,2020

Unit:RMB ¥

liabilities and owner's equity	At End of Period	At Beg.Of Period
Current liabilities:		
Short-term loans	-	-
Money market liabilities	-	-
Notes payable	-	-
Accounts payable	6,836,987.78	8,117,563.70
Advances from customers	2,663,099.50	
Accrued payroll		
Taxes payable	-101,320.03	568,328.76
Interest payable		
Dividends payable		
Other payables	-15,490.00	-72,988.60
Non-current liabilities falling due within one year	-	-
Other current liabilities	-	-
Total current liabilities	9,383,277.25	8,612,903.86
Non-current liabilities		
Long-term loans	-	-
Bonds payable	-	-
Long-term accounts payable	-	-
Special accounts payable	-	-
Forecasted liabilities	-	-
Income tax deferred liabilities	-	-
Other noncurrent liabilities	-	-
Total non-current liabilities	-	-
Total liabilities	9,383,277.25	8,612,903.86
Owner's equity: (shareholders' equity)		
Paid-in capital(shares)	1,065,420.00	1,065,420.00
Capital reserves	-	-
Less: treasury stock	-	-
Surplus reserves	-	-
Retained earnings	-421,430.92	2,027,945.26
Total Owner's equity	643,989.08	3,093,365.26
Total liabilities and owner's equity	10,027,266.33	11,706,269.12

AESA Air Engineering (SZ) Co.,LTD

Income statement

For the ended March 31,2020

Unit:RMB ¥

items	current period cumulative	last period cumulative
1、 Revenue from main business	13,651,611.15	39,030,583.87
Less: Operation cost	9,749,178.84	21,318,960.87
Business tax and surcharges	202,611.98	261,279.23
Selling expense	2,193,373.23	4,891,934.92
General and administrative expense	3,954,121.51	3,674,378.42
Financial expense	75,217.56	241,173.87
On Assets write -down		
Add: Income from fir value changed(put "-" if loss)		
Investment income(put "-"if loss)		
Including: To joint management enterprise and joint enterprise's investment income		
2、 Operation profit (put "-" if loss)	-2,522,891.97	8,642,856.56
Add: Non-operating income	130,069.99	
Less: Non-operating expense		882.60
Including: Non-current assets handling loss		
3、 Total Profit (put "-" if loss)	-2,392,821.98	8,641,973.96
Less: Income tax		11,903.30
4、 Net profit (put "-" if loss)	-2,392,821.98	8,630,070.66
5、 Per share		
(1) Basic each income	-	-
(2) Dilutes each income	-	-

AESA Air Engineering (SZ) Co.,LTD
Statement of changes of owner's equity

For the ended March 31, 2020

Unit:RMB ¥

Items	current period cumulative						last period cumulative							
	paid-in capital (or shares)	capital reserves	less: Treasury stock	surplus reserves	allowance for general risks	retained earnings	Total owner's equity	paid-in capital (or shares)	capital reserves	less: Treasury stock	surplus reserves	allowance for general risks	retained earnings	Total owner's equity
1. balance at end of last year	1,065,420.00	-	-	-	-	2,027,945.26	3,093,365.26	1,065,420.00	-	-	-	-	-6,602,125.40	-5,536,705.40
add: change of accounting policy							-							-
correction for errors of last period						-56,554.20	-56,554.20							-
2. balance at BEG of year	1,065,420.00	-	-	-	-	1,971,391.06	3,036,811.06	1,065,420.00	-	-	-	-	-6,602,125.40	-5,536,705.40
3. Amounts changed this year (put "-" if reduced)						-2,392,821.98	-2,392,821.98						8,630,070.66	8,630,070.66
(1) net profit						-2,392,821.98	-2,392,821.98						8,630,070.66	8,630,070.66
(2) gain or loss directly into owner's equity						-	-						-	-
① net change for the fair value of available for sale financial assets							-							-
② effects from change of other owner's equity of the investe under equity method							-							-
③ effects of income tax related to the items under owner's equity							-							-
④ other							-							-
total of net profit and loss and gain direct into owner's equity						-	-						-	-
(3) the owner's invest or reduce capital						-	-						-	-
① owner's invest							-						-	-
② amounts of payments for shares into owner's equity							-						-	-
③ other							-						-	-
(4) profit distribution						-	-						-	-
① to put aside surplus reserves							-						-	-
② profit distribution to owner's shareholders							-						-	-
③ other							-						-	-
(5) internal accounts settlement of owner's equity						-	-						-	-
① capital reserves transferred as increasing capital							-						-	-
② surplus reserves transferred as increasing capital							-						-	-
③ surplus reserves to compensate the loss							-						-	-
④ others							-						-	-
4. balance at end of year	1,065,420.00	-	-	-	-	-421,430.92	643,989.08	1,065,420.00	-	-	-	-	2,027,945.26	3,093,365.26

AESA Air Engineering (SZ) Co.,LTD

Cash Flow Statement

For the ended March 31,2020

Items	Amounts of current period
1、 Cash flow from operating activities:	
Cash received from sales of goods or rendering of service	15,322,476.99
Taxes return received	834,935.51
Other cash received relating to operating activities	2,743,227.12
Sub-total of cash inflows from operating activities	18,900,639.62
Cash paid for goods and service	10,425,229.60
Cash paid to and on behalf of staff	2,469,274.86
Various tax paid	2,945,839.10
Other cash paid relating to operating activities	2,824,635.27
Sub-total of cash outflows from operating activities	18,664,978.83
Net cash flow from operating activities	235,660.79
2、 Cash flow from investing activities:	
Cash received from recoup capital outlay	
Cash received from investent income	
Net cash received from disposal of fixed assets,intangible assets and other long-term assets	
Other cash received relating to investing activities	
Sub-total of cash inflows from investing activities	
Cash paid to purchase fixed assets,intangible assets and other long-term assets	16,162.80
Cash paid for investments	
Other cash paid relating to investing activities	
Sub-total of cash outflows from investing activities	16,162.80
Net cash flow from investing activities	-16,162.80
3、 Cash flow from financing activities:	
Cash received from absorbing investment	
Proceeds from loan	
Other proceeds relating to financing activities	
Sub-total of cash inflow from financing activities	
Cash repayments for debt	
Cash payments for dividengs,profit,or interests on loan	
Other cash payment relating to financing activities	
Sub-total of cash outflow from financing activities	
Net cash flow from finacing activities	
4、 Effect of foreign exchanges on cash and cash equivalent	19,865.31
5、 Net increase for cash ang cash equivalents	239,363.30
Add:balance of cash and cash equivalents at BEF of period	26,226.95
6、 Balance of cash and cash equivalents at end of period	265,590.25

AESA Air Engineering (SZ) Co.,LTD

Notes to Financial Report

Unit: RMB Yuan

Note 1 Company's Outline:

(1). the Background of Establishment:

Approved by Shenzhen Industrial and Commercial Administration Bureau, the company was set up on Dec.11, 2002, and taken out business license No.440306503333963. The registration capital is HKD 1,000,000. The period of operation is 50 years. The registered address is : 609,611 Beike Chuanye Building #1077 Nanhai highway,Shekou, Nanshan District, Shenzhen.

(2). Scope of Business:

To research and develop industrial air treatment system, and provide related technical consultation

Add: to produce and sale the air treatment system

Note 2 Principal Accounting Policies:

(1). Accounting System:

To follow Enterprise Accounting Standards and its relevant regulations

(2). Accounting Period:

The accounting period is from Apr. 1 to Mar. 31 each year.

(3). Standard Currency:

RMB is the company's standard currency for recording the transaction.

(4). The Basic accounting policies:

To follow accrual and historical cost principles

(5). Foreign Currency calculation:

For transactions involving foreign currency, the official rate of people's bank on the same date will be used for recording. The year-end balance for non-base currency will be adjusted using year-end official rate. The exchange gain or loss will be calculated in the profit and loss account, if , due to organization period, recorded into long term deferred expenses, if, due to loan to purchase fixed assets, recorded into cost of fixed assets.

(6). Cash and cash Equivalents:

Cash means cash in hand and deposit at bank which could be paid any time. Cash equivalents refers to such investment: the period is short, with strong liquidity, and easy for transforming into cash, the risk of value fluctuation is small.

(7). Calculation of bad debts

How to recognize bad debts:

a. The debtors are bankrupted or dead, and the remaining assets are not enough to recover the accounts receivables.

b. The debtors failed to payback the debts for more than 3 years, with clear features that it is unlikely to collect the debts.

(8). Accounting for Inventory:

An inventory includes goods in transit, raw material, containers, material in outside processing, semi-products, finishing products, goods sent out, goods at stock, low value and perishable articles.

(9). Fixed assets and depreciation

Fixed assets refer to housing, building, machines, machinery, vehicles and other equipments, utilities, tools related with production which have more than one year service time, and other assets no relation with production whose value exceed 2,000 RMB per unit with more than two years service time.

Fixed assets are priced at cost or revalued price. Straight-line method is used to calculate the depreciation. The depreciation rates for the different category of fixed assets are calculated as follows basing on the estimated useful life and savage value (10% of the original price). The rates of depreciation for fixed assets are as follows:

<u>assets category</u>	<u>useful life</u>	<u>annual depreciation rate</u>
machinery	5 years	18%
vehicles	5 years	18%
office equipment	5 years	18%
electrics and other equipments	5 years	18%

If an asset loses value due to fall of market value, obsolescence, impaired, lie idle or other causes so that the realizable value lower than the book value, the write-down provision will be calculated for its difference on item-by-item basis. Once loss of fixed assets ascertained, there will be no reversal.

(10). Revenue recognition

A. Sale of goods:

Revenue is recognized when the risk and rewards for the ownership of the products have been transferred to the buyer; the company no longer has right or control for the goods. The corresponding income or payment evidence has been received. The cost of the product can be calculated reliably.

B. To provide labor service:

(1). Revenue is recognized if service begins and finishes in the same year, labor has been provided and payment evidence received

(2) Use percentage completion method. Revenue is recognized if the total income of the labor contract and progress of completion can be determined reliably, the related payment can be received, the cost of labor and finished labor as well as the future cost can be determined reliably.

(11) Accounting for income tax

Using liability method recorded at the balance sheet

(12) Taxation

The main taxes applied for the company are followed:

Tax	Base	Rates
Value added tax	Sale of goods or labor	16%
Urban maintenance and construction tax	Value added tax, business tax	7%
Education surcharges	VAT, business tax	3%
Local Education surcharges	VAT, business tax	2%
Enterprise income tax	Taxable income	25%

Note 3. Monetary assets:

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Cash in hand	10,415.37	6,319.43
Cash at bank		
Other monetary assets	252,210.58	19,907.52
Total	<u>262,625.95</u>	<u>26,226.95</u>

Note4: Accounts receivable

<u>Aging</u>	<u>Closing balance</u>	<u>Ratio</u>	<u>Opening balance</u>	<u>Ratio</u>
less than 1 year	8,003,343.96	100.00%	9,674,209.80	100.00%
Total	<u>8,003,343.96</u>	<u>100.00%</u>	<u>9,674,209.80</u>	<u>100.00%</u>
<u>Main debtors</u>		<u>Closing balance</u>		
France			6,187,183.65	
Zibo Zhouyi			857,000.25	
Chongqing			881,629.93	
LinZhou Guangyua			74,033.82	

Note5: Other receivables

<u>Aging</u>	<u>Closing balance</u>	<u>Ratio</u>	<u>Opening balance</u>	<u>Ratio</u>
within 1 year	694,089.48	80.60%	418,511.61	76.59%
1-2 year	167,064.00	19.40%	127,950.23	23.41%
Total	<u>861,153.48</u>	<u>100.00%</u>	<u>546,461.84</u>	<u>100.00%</u>
<u>Main debtors</u>		<u>Closing balance</u>		
deductible VAT debit side			570,959.06	
bid bond			72,132.00	

Note 6: Inventory

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
raw materials	806,542.93	1,409,517.75
Goods in process	1,035.84	2,586.18
Total	<u>807,578.77</u>	<u>1,412,103.93</u>

Note7: Fixed assets

<u>Items</u>	<u>Opening balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Closing balance</u>
I.cost of fixed assets	<u>477,649.68</u>	<u>66,176.07</u>	<u>131,520.00</u>	<u>412,305.75</u>
transportation equipments	165,100.00	55,822.98	76,800.00	144,122.98
Electronic equipments and appara	312,549.68	10,353.09	54,720.00	268,182.77
II.accumulative depreciation	<u>430,383.08</u>	<u>16,162.80</u>	<u>123,840.00</u>	<u>322,705.88</u>
transportation equipments	148,590.00	157.30	69,120.00	79,627.30
Electronic equipments and appara	281,793.08	16,005.50	54,720.00	243,078.58
III.net book value of fixed assets	<u>47,266.60</u>			<u>89,599.87</u>

Note 8: Account Payables

<u>Aging</u>	<u>Closing balance</u>	<u>Ratio</u>	<u>Opening balance</u>	<u>Ratio</u>
within 1 year	6,836,987.78	100.00%	8,117,563.70	100.00%
Total	<u>6,836,987.78</u>	<u>100.00%</u>	<u>8,117,563.70</u>	<u>100.00%</u>
<u>Main creditors</u>			<u>Closing balance</u>	
sai de long			1,251,794.04	
quan jing de			1,010,442.44	
keng xing			679,087.20	

Note9: deposit received

<u>Aging</u>	<u>Opening balance</u>	<u>Ratio</u>
within 1 year	2,663,099.50	100.00%
Total	<u>2,663,099.50</u>	<u>100.00%</u>

Note 10: Taxes payable

<u>Items</u>	<u>Opening balance</u>	<u>Closing balance</u>
VAT	-102,493.04	567,377.17
urban construction tax		
personal income tax	1,173.01	951.59
education -surcharges		
Total	<u>-101,320.03</u>	<u>568,328.76</u>

Note 11: Paid-in capital(shares)

<u>Investor</u>	<u>Subscribed capital (HKD)</u>	<u>Ratio(%)</u>	<u>Paid-in capital</u>	
			<u>into RMB</u>	<u>Ratio(%)</u>
LTD AIR ENGINEERING S.A	1,000,000.00	100.00%	1,065,420.00	100.00%
Total	<u>1,000,000.00</u>	<u>100.00%</u>	<u>1,065,420.00</u>	<u>100.00%</u>

the paid-in capital had been verified by Hua zheng CPA firm through Report (2003)#036 been verified

Note 12: Operation income

<u>Items</u>	<u>Operating income</u>
	<u>Current year</u>
Sale of goods	13,651,611.15
Total	<u>13,651,611.15</u>

Note 13: Operation cost

<u>Items</u>	<u>Operating cost</u>
	<u>Current year</u>
Selling cost	9,749,178.84
Total	<u>9,749,178.84</u>

Note14: Cash Flow Statement

<u>Items</u>	<u>Amounts of current period</u>
1.Reconciliation of net profit to cash from operating captivities:	
Net profit	-2,392,821.98
Add: allowance for assets write-down	
depreciation of fixed assets,	16,162.80
amortization for intangible assets	
decrease in prepaid expenses	
amortization for long-term deferred expenses	
loss on disposal of fixed assets, intangible assets and other long-term assets(put"-if gain)	
loss on scrapping of fixed assets	
loss on far value changed(put"-if gain)	
financial expenses	-19,865.31
investment loss(put"-if gain)	
decrease on deferred income tax assets (put"-if increase)	1,356,174.20
increase on deferred income tax liabilities(put"-if decrease)	770,373.39
decrease in inventories(put"-if increase)	505,637.69
decrease in operating accounts receivables(put"-if increase)	
increase in operating accounts payable(put"-if increase)	
Other	
net cash flow from operating activities	235,660.79
2.no cash flow from important investment and financing activities	
debts transferred into capital	
convertible bonds falling due within one year	
fixed assets on financial leasing	
3.change of cash and cash equivalents	
cash at end of period	26,226.95
Less: cash at BEG of period	265,590.25
Add: cash equivalents at end of period	
Less: cash equivalents at BEG of period	<u>-239,363.30</u>
net increase of cash and cash equivalent	

Note15: Contingency

N/A

Note16: Events after balance sheet date

N/A

证书序号: 0003916

说明

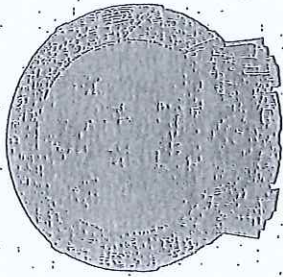
- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



发证机关: 深圳市财政委员会

二〇一八年一月十八日

中华人民共和国财政部制



会计师事务所 执业证书



名称: 深圳集思益会计师事务所 (普通合伙)

首席合伙人: 李艺波

主任会计师: 李艺波

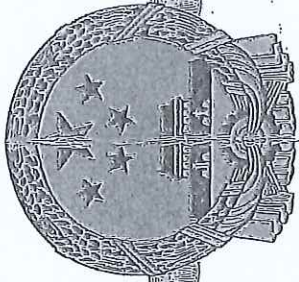
经营场所: 深圳市福田区华强北街道上步工业区302栋万源大厦309室

组织形式: 普通合伙

执业证书编号: 47470230

批准执业文号: 深财会[2009]106号

批准执业日期: 2009年12月30日



营业执照

统一社会信用代码
914403005503387002



名称 深圳集思广益会计师事务所 (普通合伙)

类型 普通合伙

执行事务合伙人 李艺波

成立日期 2010年01月21日

主要经营场所 深圳市福田区华强北街道上步工业区302
栋万源大厦309室



重要提示

1. 商事主体的经营范围由章程确定。经营范围中属于法律、法规规定应当经批准的项目，取得许可审批文件后方可开展相关经营活动。
2. 商事主体经营范围和许可审批项目等有关企业信用事项及年报信息和其他信用信息，请登录左下角的国家企业信用信息公示系统或扫描右上方的二维码查询。
3. 各类商事主体每年须于成立周年之日起两个月内，向商事登记机关提交上一自然年度的年度报告。企业应当按照《企业信息公示暂行条例》第十条的规定向社会公示企业信息。

登记机关

2019年11月

