

**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORT  
FOR THE PERIOD FROM APRIL 1, 2015 to MARCH 31, 2016**

**[English Translation for Reference Only. Should there be any inconsistency  
between the Chinese and English versions, the Chinese version shall prevail.]**



**HUA RUI**

華瑞會計師事務所  
HUA RUI CERTIFIED PUBLIC ACCOUNTANTS PARTNERSHIP

Jiangsu HuaRui Certified Public Accountants  
No.28 Yingyan Road, Wujiang City, Jiangsu Province  
TEL: (86) 512 63417568 FAX: (86) 512 63027228  
Http: www.jshrcpa.com Email: jshrcpa@126.com

## Auditor's Report

[English Translation for Reference Only]

HUARUISHENZHUANZI[2016]No.801046

### The shareholders of LMW Textile Machinery (Suzhou) Co., Ltd. ("the Company")

We have audited the accompanying financial statements of LMW Textile Machinery (Suzhou) Co., Ltd, which comprise the balance sheet as at March 31, 2016, and the income statement, cash flow statement for the period from April 1, 2015 to March 31, 2016, and a summary of significant accounting policies and other explanatory notes.

#### 1. Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: (1) prepare and fairly present the financial statements in accordance with Enterprise accounting standards and Enterprise accounting regulations. (2) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 2. 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 China Certified Public Accountants Standards on Auditing. Those standards require that we comply with CPA's ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, 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 and fair presentation 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.

*3. Audit Opinion*

In our opinion, in all material respects, the financial statements have been prepared in accordance with Enterprise accounting standards and Enterprise accounting regulations. And fairly present the financial position of LMW Textile Machinery (Suzhou) Co., Ltd as of March 31, 2016, and its financial performance and its cash flows for the period from April 1, 2015 to March 31, 2016.

Materials included:

1. The Company's financial report as of March 31, 2016.
2. Notes to the financial report.



China Suzhou

CICPA  

CICPA  

April 20<sup>th</sup>, 2016



**LMW Textile Machinery (Suzhou) Co., Ltd.**

**Balance Sheet**

2016/03/31

RMB (Yuan)

<u>Assets</u>	<u>Notes</u>	<u>2016/03/31</u>	<u>2015/03/31</u>
<b>Current Assets:</b>			
Cash at bank and in hand	6.1	18,285,336.96	33,348,642.91
Allowance receivable		0.00	0.00
Notes receivable	6.2	59,872,000.00	12,953,000.00
Accounts receivable	6.3	34,411.18	245,172.54
Advances to suppliers	6.4	3,358,272.18	4,132,389.38
Other receivables	6.5	64,805.10	2,060,156.57
Inventory	6.6	35,049,994.58	32,834,512.40
Deferred expenses		165,473.82	257,256.20
Other current assets			
<b>Total current assets</b>		<b><u>116,830,293.82</u></b>	<b><u>85,831,130.00</u></b>
<b>Long-term investment</b>			
Long-term share investment		0.00	0.00
Long-term debt investment		0.00	0.00
<b>Total Long-term investment</b>		<b><u>0.00</u></b>	<b><u>0.00</u></b>
<b>Fixed assets:</b>			
Original cost	6.7	69,135,920.36	68,815,305.76
Less: Accumulated depreciation	6.7	10,201,182.11	5,335,127.12
Fixed assets-net value	6.7	58,934,738.25	63,480,178.64
Construction in progress		0.00	0.00
<b>Total fixed assets</b>		<b><u>58,934,738.25</u></b>	<b><u>63,480,178.64</u></b>
<b>Intangible assets and other assets</b>			
Intangible assets	6.8	5,359,049.16	5,473,477.32
Long-term prepaid expenses	6.9	51,643.53	138,863.78
Other assets			
<b>Total intangible assets and other assets</b>		<b><u>5,410,692.69</u></b>	<b><u>5,612,341.10</u></b>
<b>Total assets</b>		<b><u>181,175,724.76</u></b>	<b><u>154,923,649.74</u></b>



Notes to the financial report is included in the financial reports

Enterprise Person in charge: MUTHULINGAM SANKAR Chief accountant: Xu Chunlan

*Muthulingam Sankar*

*Xu Chunlan*



LMW Textile Machinery (Suzhou) Co., Ltd.

Balance Sheet

2016/03/31

RMB (Yuan)

<u>Liabilities and owner's equity</u>	<u>Notes</u>	<u>2016/03/31</u>	<u>2015/03/31</u>
Current liabilities:			
Short-term loans		0.00	0.00
Notes payable	6.10	17,956,918.44	3,572,497.74
Accounts payable	6.11	51,747,898.05	46,211,888.23
Advances from customers	6.12	10,630,118.47	9,092,445.37
Accrued payroll		2,088,809.05	1,095,974.58
Welfare payable		0.00	0.00
Profit payable		0.00	0.00
Taxes payables	6.13	-313,735.12	1,288,419.01
Other payables to government		0.00	0.00
Other payables		35,419.32	20,207.70
Accrued expenses	6.14	3,699,195.72	4,831,027.37
Deferred income;	6.15	2,570,966.10	597,137.55
<b>Total current liabilities</b>		<b>88,415,590.03</b>	<b>66,709,597.55</b>
Long-term liabilities:			
Long-term debt		0.00	0.00
Long-term payables		0.00	0.00
<b>Total long-term liabilities</b>		<b>0.00</b>	<b>0.00</b>
<b>Total liabilities</b>		<b>88,415,590.03</b>	<b>66,709,597.55</b>
Owner's equity:			
Paid-in capital	6.16	80,494,171.89	80,494,171.89
Capital surplus		877.65	877.65
Earned surplus		0.00	0.00
Undistributed profit	6.17	12,265,085.19	7,719,002.65
<b>Total owner's equity</b>		<b>92,760,134.73</b>	<b>88,214,052.19</b>
<b>Total liabilities and owner's equity</b>		<b>181,175,724.76</b>	<b>154,923,649.74</b>

Notes to the financial report is included in the financial reports

Enterprise Person in charge: MUTHULINGAM SANKAR Chief accountant: Xu Chunlan

*Muthulingam Sankar*  
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*Xu Chunlan*



**LMW Textile Machinery (Suzhou) Co., Ltd.**

**Income statement and profit appropriation**

2015-04-01 To 2016-03-31

RMB (Yuan)

<u>Items</u>	<u>Notes</u>	<u>2015-04-01 To 2016-03-31</u>	<u>2014-04-01 To 2015-03-31</u>
<b>Revenues from main operations</b>	6.18	158,861,255.73	137,713,962.23
Less: Cost of main operations	6.19	127,957,386.60	103,902,778.23
Sales tax and additionals	6.20	1,514,194.43	266,301.72
<b>Gross profit</b>		<u>29,389,674.70</u>	<u>33,544,882.28</u>
Add: Other income		62,499.14	122,948.49
Less: Operation expenses	6.21	8,057,466.68	6,927,807.89
Administrative expenses	6.22	13,517,005.02	14,207,546.81
Financial expenses	6.23	1,608,107.21	-22,392.46
<b>Operating income</b>		<u>6,269,594.93</u>	<u>12,554,868.53</u>
Add: Income from investment		0.00	0.00
Allowance income		0.00	0.00
Non-operating income		37,306.20	175,804.12
Less: Non-operating expenses	6.24	348,319.08	54,993.73
<b>Income before tax</b>		<u>5,958,582.05</u>	<u>12,675,678.92</u>
Less: Income taxes		1,412,499.51	0.00
<b>Net income</b>		<u>4,546,082.54</u>	<u>12,675,678.92</u>
<b>Profit distribution</b>			
Add: Undistributed profit at Beg. of year		7,719,002.65	-4,019,695.03
Less: Adjustment for prior years			
<b>Profit that can be distributed</b>		<u>12,265,085.19</u>	<u>8,655,983.89</u>
Less: Earned surplus		0.00	0.00
Less: Adjustment for prior years		0.00	936,981.24
<b>Profit that can be distributed to shareholders</b>		<u>12,265,085.19</u>	<u>7,719,002.65</u>
Less: Distributed profit		0.00	0.00
<b>Undistributed profit at end of period</b>		<u>12,265,085.19</u>	<u>7,719,002.65</u>

Notes to the financial report is included in the financial reports

Enterprise

Person in charge: MUTHULINGAM SANKAR

Chief accountant: Xu Chunlan

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*Xu Chunlan*



LMW Textile Machinery (Suzhou) Co., Ltd.

Cash Flow Statement

2015-04-01 To 2016-03-31

RMB (Yuan)

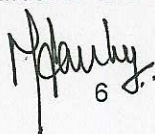
<u>Items</u>	<u>2015-04-01 To 2016-03-31</u>	<u>2014-04-01 To 2015-03-31</u>
<b>1. Cash flow from operating activities</b>		
Cash received from sales of goods or rendering services	131,948,978.13	137,861,363.81
Cash received from tax return	2,894,657.00	10,860,863.80
Other cash received from operating activities	139,620.92	468,424.00
Sub-total of cash inflows	<u>134,983,256.05</u>	<u>149,190,651.61</u>
Cash paid for goods and services	119,738,264.85	101,918,595.98
Cash paid to and on behalf of employees	14,521,807.44	14,981,672.58
Taxes paid	6,272,919.47	2,751,011.57
Other cash paid relating to operating	7,868,668.98	7,051,109.06
Sub-total of cash outflows	<u>148,401,660.74</u>	<u>126,702,389.19</u>
Net cash flows from operating activities	<u>-13,418,404.69</u>	<u>22,488,262.42</u>
<b>2. Cash from investment activities</b>		
Cash received from recovering investment	0.00	0.00
Cash received from investment income	0.00	0.00
Cash received from disposal of fixed assets	0.00	249,572.62
Other cash received from investment	0.00	0.00
Sub-total of cash inflows	<u>0.00</u>	<u>249,572.62</u>
Cash paid to acquire fixed assets and intangible assets	1,497,771.68	24,671,062.03
Cash paid to investment	0.00	0.00
Other cash paid to investment	0.00	0.00
Sub-total cash outflows	<u>1,497,771.68</u>	<u>24,671,062.03</u>
Net cash flows from investment activities	<u>-1,497,771.68</u>	<u>-24,421,489.41</u>
<b>3. Cash from financing activities</b>		
Cash received from absorbing investment	0.00	0.00
Proceeds from loans	6,928,744.24	0.00
Other cash received from financing activities	0.00	0.00
Sub-total of cash inflows	<u>6,928,744.24</u>	<u>0.00</u>
Cash repayments of amounts borrowed	6,928,744.24	0.00
Cash payments of interests payment	147,129.58	0.00
Other cash payments from financing activities	0.00	0.00
Sub-total of cash outflows	<u>7,075,873.82</u>	<u>0.00</u>
Net cash flows from financing activities	<u>-147,129.58</u>	<u>0.00</u>
<b>4. Effect of foreign exchange rate changes</b>	0.00	0.00
<b>5. Net increases in cash and cash equivalent</b>	<u>-15,063,305.95</u>	<u>-1,933,226.99</u>

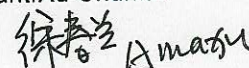
Notes to the financial report is included in the financial reports

Enterprise

Person in charge: MUTHULINGAM SANKAR

Chief accountant: Xu Chunlan

  
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# LMW Textile Machinery (Suzhou) Co., Ltd.

## Cash Flow Statement

2015-04-01 To 2016-03-31

RMB (Yuan)

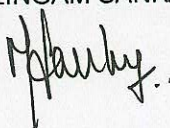
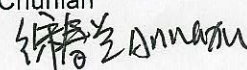
<u>Items</u>	<u>2015-04-01 To 2016-03-31</u>	<u>2014-04-01 To 2015-03-31</u>
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
Net profit	4,546,082.54	12,675,678.92
Add: Preparation of losses on asset	0.00	0.00
Depreciation of fixed assets	4,866,054.99	2,133,783.74
Amortization of intangible assets	114,428.16	114,431.16
Amortization of long-term prepaid expenses	87,220.25	315,348.35
Decrease in prepaid expenses (less increase)	91,782.38	107,893.78
Increase in accrued expenses (less decrease)	-1,131,831.65	-10,314,128.57
Loss on disposal of fixed assets (less gain)	0.00	-44,471.32
Loss on discard of fixed assets as worthless (less gain)	0.00	0.00
Financial expenses	0.00	0.00
Loss on investment (less: gain)	0.00	0.00
Credit of deferred taxes (less: debt)	0.00	0.00
Decrease in inventory (less increase)	-2,215,482.18	24,124,166.83
Decrease in operating receivable (less increase)	-41,201,385.52	-11,813,562.69
Increase in operating payable (less decrease)	21,424,726.34	5,189,122.22
Others	0.00	0.00
Net cash flows operating activities	<u>-13,418,404.69</u>	<u>22,488,262.42</u>
<b>2. Investment and financing activities that do not involve in cash receipts /payments</b>		
Liabilities into capital	0.00	0.00
Convertible bond within one year	0.00	0.00
Fixed asset leased by financing	0.00	0.00
<b>3. Net increase in cash and cash equivalence</b>		
Cash at end of period	18,285,336.96	33,348,642.91
Less: Cash at beg. of year	33,348,642.91	35,281,869.90
Add: Cash equivalence at end of period	0.00	0.00
Less: Cash equivalence at beg. of year	0.00	0.00
<b>Net increase in cash and cash equivalence</b>	<u><b>-15,063,305.95</b></u>	<u><b>-1,933,226.99</b></u>

Notes to the financial report is included in the financial reports

Enterprise

Person in charge: MUTHULINGAM SANKAR

Chief accountant: Xu Chunlan



**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 1, 2015 to MARCH 31, 2016**  
(All amounts are stated in RMB Yuan unless otherwise stated)

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**1. CORPORATE INFORMATION**

LMW Textile Machinery (SUZHOU) Co., Ltd. ("the Company") is a wholly foreign owned enterprise located in Wujiang Economic Development Park. The Company was allowed to establish by Foreign Economic & Trade Cooperation Bureau (Wu Wai Jing Zi Zi [2008] No.796), and was set up on September 4, 2008. The Company obtained an approval certificate (Shang Wai Zi Su Fu Zi Zi 【2008】 78475 from Jiangsu Province, obtained the business license (No.320584400014650) from Wujiang Administration Bureau for Industry and Commerce. Address: South of Ye Gang Road, West of Guang Ming Road, Wujiang Economic Development Zone. Legal representative: MUTHULINGAM SANKAR. The total investment of the Company is USD 29,000,000, the registered capital is USD 12,500,000, and the business duration is 50 years. The Company's approved scope of business includes: research, development and manufacturing of new-type textile machinery and key components; sales of the self manufactured product and providing installation, commissioning and repairing of the above mentioned product and related technical and after sales service. Engagement in the wholesale and import/export of similar products of the above category (If the products are not involved in state management, but subject to export licensing and quota control, the matter shall be handled in accordance with the relevant regulations).

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

Financial Statements are prepared on the basis of going-concern assumption and actual transactions, in accordance with Enterprise Accounting Regulations and its supplementary provisions. Financial Statements have to be prepared based on the following policies and regulations

**3. DECLARE TO OBEY ACCOUNTING STANDARD AND REGULATIONS**

The financial statements prepared by the company present accurately, fairly, completely in all material respects of financial, business and cash flow conditions and in accordance with Enterprise Accounting Standard (Accounting Regulation).

**4. PRINCIPAL ACCOUNTING POLICIES**

The company uses the Accounting Standards for Enterprises and Accounting Regulations of the People's Republic of China for Enterprises. The following accounting policies are based on the two regulations.

(4.1) Accounting Period

Current reporting period is from April 1<sup>st</sup>, 2015 to March 31<sup>st</sup>, 2016.



**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 1, 2015 to MARCH 31, 2016**  
(All amounts are stated in RMB Yuan unless otherwise stated)

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(4.2) Reporting currency

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

(4.3) Accounting basis and measurement basis

The Company uses the accrual method as its basis of accounting. Assets are initially recorded at their acquired costs.

(4.4) Foreign currency translations

Transactions denominated in foreign currencies are translated into Renminbi at the official exchange rates stipulated by the People's Bank of China prevailing at the first day of the month when transactions take place. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Renminbi at the official exchange rates at the balance sheet date. Exchange differences arising from these translations are expensed as the profit and loss of foreign currency translation.

(4.5) Doubtable account

The company directly cancels the doubtable account after verification

(4.6) Cash equivalent

(4.6.1) Cash refers to cash in hand and those that can be used to pay at any time.

(4.6.2) Cash equivalent are short-term (3 months from bought date) highly liquid investments that are readily convertible into known amount of cash, and that are subject to an insignificant risk of changes in value.

(4.7) Inventories

(4.7.1) Inventories include raw materials, semi-finished goods, finished goods, unfinished goods, consigning process goods, low-value consumables, packing materials and so on.

(4.7.2) Inventories are recorded according to the following principles: Inventories that acquired are presented at actual cost. Cost is accounted for using the weighted average method when issued.

(4.7.3) The low-value consumables should be amortized once when it is used by the company. The cost of it should be amortized within several years when the amount is large.

(4.7.4) The inventory examination system adopts the everlasting inventory system.

(4.8) Fixed Assets and Depreciation

(4.8.1) Fixed assets refer to the assets that the useful life is over one year, including buildings and constructions, machines and mechanical equipments, transportation facilities, other equipments, instruments and tools.



**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 1, 2015 to MARCH 31, 2016**  
 (All amounts are stated in RMB Yuan unless otherwise stated)

(4.8.2) Fixed asset include buildings, Machinery equipments, Vehicles, Electric device and other equipments.

(4.8.3) Fixed assets are recorded at its cost. The cost contains purchasing price and the expenses that will enable the asset in use. The maintaining expenses that occurred after the fixed assets were devoted into the Company should be recorded as the expenses; the significant improvement and renovation expenditure that would bring into the economical benefit should be capitalized to the asset.

(4.8.4) Fixed assets are depreciated using the straight-line method over their estimated useful life after deducting the reasonable residual value. The classification and applicable useful life of fixed assets are as follows:

Items	Estimated useful life	Annual depreciation rate
Buildings	20 years	4.95%
Machinery equipment	10 years	9%
Vehicles	4-5 years	18%-22.5%
Office equipment	5 years	18%
Other equipment	5 years	18%~20%

(4.9) Construction in progress

Construction in progress records the fixed assets or other capitalized expenditure that to be built, fixed or prepared for a period to reach the working condition of the asset construction, asset installment and asset preparation. Cost of construction in progress includes all direct expenditures incurred for construction projects, and other related expenses. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

(4.10) Intangible assets

Intangible assets refer to assets that is purchased or acquired by applying through legal process. It is recorded at the actual payment (including commission charge, lawyer fee, registration charge and other related charges). Intangible assets from investment are recorded according to the contract or the evaluating price.

Intangible assets are amortized by straight line method within their useful life. Like Land Use Right should be amortized within 50 years.

(4.11) Long-term prepaid expenses

It refers to the expenses that have occurred, and should be undertaken in current and later period that the amortization period is over 1 year, which includes the improvement expenditure for the fixed assets rented by operating lease method. The long-term prepaid expenses are amortized averagely within the revenue period relating to relevant items. The software expense of the Company is amortized within 2 years.



**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 1, 2015 to MARCH 31, 2016**  
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(4.12) Borrowing cost

(4.12.1) Principles for capitalization

Borrowing cost should be capitalized when they can be directly attributable to the cost of assets under acquisition or production. Other borrowing cost need to be expensed at its cost when it happens. Assets like available-for-sale assets, investment property and inventor that can be capitalized need to experience a long period of construction or production to reach usable or sale condition.

(4.12.2) Accounting treatment

(1) Cost begin to be capitalized when meet following conditions: 1) cost of assets incurred; 2) borrowing expense incurred; 3) construction and production to take the assets to use and sale condition already happen.

(2) Capitalization suspension: If qualified assets are suspended during construction or production and the suspension period is over 3 months, capitalization process needs to be suspended too. Cost during the suspension period is expensed until construction and production start again.

(3) Cessation of capitalization: when assets reach their use and sale condition, capitalization can be ceased.



(4.12.3) Amount of capitalization

The amount which is Interest expense of borrowing cost less interest income of unused loan or income from investing the unused amount need to be capitalized. General borrowing used for the acquisition and construction or production of assets eligible for capitalization of assets, according to accumulated cost of assets minus cost of assets weighted average especially for borrowing cost and then multiplied by the capitalization rate occupying the general borrowing (weighted average interest rate of the general borrowing), the amount of interest should be capitalized. Translation differences need to be capitalized. Other expenses for special borrowing relating to the borrowing also need to be capitalized before their usable and sale condition. After the condition, expenses should be recognized in profit or loss. Expenses relate to normal borrowing should be expensed once happened.

(4.13) Revenue recognition

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



**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 1, 2015 to MARCH 31, 2016**  
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(4.13.2) Revenue from the service (except long-term contract) is recorded as the percentage of the finished service. When the economic benefits associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably, the revenue from the service can be recognized.

(4.13.3) Revenue from supplying other parties with intangible assets should be recorded according to the contract.

(4.14) Income tax

The Company applies tax payable method to recognize income tax.

**5. ILLUSTRATION OF SIGNIFICANTS PRIOR PERIOD ERRORS CORRECTION AND CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATE**

The company does not have any major early stage errors correction and changes in accounting policies and accounting estimate that need to be disclosed.

**6. NOTES TO FINANCIAL STATEMENTS**

(6.1) MONETARY ASSETS

	2016-03-31	2015-03-31
Cash on hand	10,149.19	9,084.31
Cash in banks	18,275,187.77	33,339,558.60
Other monetary assets	-	-
<b>Total</b>	<b>18,285,336.96</b>	<b>33,348,642.91</b>

(6.2) NOTES RECEIVABLE

	2016-03-31	2015-03-31
Bank notes	59,872,000.00	12,953,000.00

The balances mainly include:

Name of the Company	End. Balance	Nature
Linqing Sanhe Textile Group Co.	59,372,000.00	sale
Gaoyou Jingwei Textile Co., Ltd.	500,000.00	sale



**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(6.3) ACCOUNTS RECEIVABLE**

	<b>2016-03-31</b>	<b>2015-03-31</b>
Accounts receivable	34,411.18	245,172.54
Less: provisions for bad debts	-	-
<b>Total:</b>	<b>34,411.18</b>	<b>245,172.54</b>

AGEING Analysis:

	<b>2016-03-31</b>			<b>2015-03-31</b>		
	Carrying Amount	Provision for bad debts		Carrying Amount	Provision for bad debts	
		%	Amount		%	Amount
Within 1 year	34,411.18	-	-	245,172.54	-	-
1~2 years	-	-	-	-	-	-
<b>Total</b>	<b>34,411.18</b>	<b>-</b>	<b>-</b>	<b>245,172.54</b>	<b>-</b>	<b>-</b>

Accounts balance of accounts receivable includes:

Name	Accounts balance	Nature
Fujian Jingwei Group Co., Ltd.	24,975.37	SALE

As of March 31, 2016, the management of the Company doesn't think there are any unrecoverable accounts in the receivables.

**(6.4) ADVANCE TO SUPPLIERS**

	<b>2016-03-31</b>	<b>2015-03-31</b>
	3,358,272.18	4,132,389.38

The advance to suppliers mainly includes:

Suppliers	End balance	Nature
Anhui Li Xin Engineering Project Management Co., Ltd.	965,000.00	Bid bond
Wujiang Custom	695,557.41	Custom duty



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(6.5) OTHER RECEIVABLES

	2016-03-31	2015-03-31
Other receivables	64,805.10	2,060,156.57
Less: Provision for bad debts	-	-
<b>Total</b>	<b>64,805.10</b>	<b>2,060,156.57</b>

AGEING Analysis:

	2016-03-31			2015-03-31		
	Carrying Amount	Provision for bad debts		Carrying Amount	Provision for bad debts	
		%	Amount		%	Amount
Within 1 year	61,655.10	-	-	56,456.57	-	-
1~2 years	3,150.00	-	-	-	-	-
2~3 years	--	-	-	3,700.00	-	-
Above 3 years	--	-	-	2,000,000.00	-	-
<b>Total</b>	<b>64,805.10</b>	<b>-</b>	<b>-</b>	<b>2,060,156.57</b>	<b>-</b>	<b>-</b>

As of March 31, 2016, the management of the Company doesn't think there are any unrecoverable accounts in other receivables.

(6.6) INVENTORIES

	2016-03-31	2015-03-31
Raw materials	16,909,351.86	18,907,080.76
WIP & self-manufactured goods	7,861,114.89	3,839,555.72
Finished goods	10,279,527.83	10,087,875.92
Less: provisions for inventory impairment	-	-
<b>Total</b>	<b>35,049,994.58</b>	<b>32,834,512.40</b>

As of March 31, 2016, the management of the Company doesn't think there has any evidence indicating a possible impairment of inventories.



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**(6.7) FIXED ASSETS**

Original Value	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Vehicle</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
2015-03-31	50,790,877.93	8,019,720.86	507,219.65	2,882,701.89	6,614,785.43	68,815,305.76
Increase	--	2,777,777.77	1,470.00	410,480.37	1,366,232.18	4,555,960.32
Decrease	--	--	--	--	4,235,345.72	4,235,345.72
2016-03-31	50,790,877.93	10,797,498.63	508,689.65	3,293,182.26	3,745,671.89	69,135,920.36
Accumulated Depreciation						
2015-03-31	628,537.11	2,033,871.18	179,510.35	836,584.70	1,656,623.78	5,335,127.12
Increase	2,514,148.45	1,156,722.66	102,825.25	488,554.22	603,804.41	4,866,054.99
Decrease	--	--	--	--	--	--
2016-03-31	3,142,685.56	3,190,593.84	282,335.60	1,325,138.92	2,260,428.19	10,201,182.11
Net Value						
2015-03-31	50,162,340.82	5,985,849.68	327,709.30	2,046,117.19	4,958,161.65	63,480,178.64
2016-03-31	47,648,192.37	7,606,904.79	226,354.05	1,968,043.34	1,485,243.7	58,934,738.25

As of March 31, 2016, the management of the Company doesn't think there has any evidence indicating a possible impairment of fixed assets.

**(6.8) INTANGIBLE ASSETS**

	<b>2016-03-31</b>	<b>2015-03-31</b>
Beginning of year	5,473,477.32	5,587,908.48
Add: Increase this year	--	-
Less: Carry forward this year	--	-
Amortize this year	114,428.16	114,431.16
Net balance at the end of year	<u>5,359,049.16</u>	<u>5,473,477.32</u>



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Balance mainly include:

Item	Original value	Useful life	Beg. Bal.	Increase	Decrease	End. Bal.
Land use right	5,721,408.00	50 years	5,473,477.32	-	114,428.16	5,359,049.16
Total	5,721,408.00	-	5,473,477.32	-	114,428.16	5,359,049.16

(6.9) LONG-TERM PREPAID EXPENSES

	2016-03-31	2015-03-31
Beginning of year	138,863.78	408,227.43
Add: Increase this year	-	45,984.70
Less: Carry forward this year	-	-
Amortized this year	87,220.25	315,348.35
At the end of the year	51,643.53	138,863.78

The main items of long-term prepaid expenses include:

Item	Original value	Amortization life	Beg. Bal.	Increased	Amortized	End Bal.
Expense for software	15,213.680	2 years	12,678.08	-	7,606.80	5,071.28
Expense for plant decoration & bunkhouse	3,823,320.13	5 years	126,185.70	-	79,613.45	46,572.27
Total	3,838,533.81	-	138,863.78	-	87,220.25	51,643.55

(6.10) NOTES PAYABLE

	2016-03-31	2015-03-31
Bank notes	17,956,918.44	3,572,497.74



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Balance mainly include:

Name	End Balance	Nature
Wuxi Yuqi textile machinery parts factory	1,705,454.73	Purchase
Suzhou Le Wei precision sheet metal Co., Ltd.	1,382,158.81	Purchase
Wujiang Rui en Pml Precision Mechanism Ltd	1,394,870.05	Purchase
Wuxi Kangpai Textile Machinery Co.	1,687,924.65	Purchase
Ma'anshan Wan Xin Foundry Co., Ltd.	1,266,990.32	Purchase
Suzhou Sanhe Machinery Co., Ltd.	1,125,036.34	Purchase

(6.11) ACCOUNTS PAYABLE

2016-03-31	2015-03-31
51,747,898.05	46,211,888.23

Accounts balance of accounts payable includes:

Name of the Company	Accounts Balance	Nature
LAKSHMI MACHINE WORKS LIMITED	28,029,066.75	Material
Wuxi Yuqi textile machinery parts factory	1,302,575.85	Material
Jiangdu Jiangsu Construction Group Co., Ltd.	886,325.20	Construction
Pujiang Changshou City Machinery Co., Ltd.	643,295.08	Material
Suzhou Fudashiji Construction Engineering Co., Ltd.	300,000.01	Construction

(6.12) ADVANCE FROM CUSTOMERS

2016-03-31	2015-03-31
10,630,118.47	9,092,445.37

Accounts balance of advance from customers includes:

Name of the Company	Accounts Balance	Nature
Linqing Sanhe Textile Group Co.	6,708,000.00	Advance on sales
Gaoyou Jingwei Textile Co., Ltd.	1,000,000.00	Advance on sales
Jiangsu Pai Li Di Textile Technology Co., Ltd.	1,000,000.00	Advance on sales



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(6.13) TAXES PAYABLE

2016-03-31

2015-03-31

-313,735.12

1,288,419.01

Main Items of taxes payable are as follow:

Item	Beginning		Paid	Ending balance
	balance	Payable		
VAT	1,088,292.34	1,045,655.85	3,594,697.26	-1,460,749.07
PIT	71,543.50	1,174,878.35	1,031,526.42	214,895.43
Urban construction and education		1,514,194.43	1,275,658.87	238,535.56
EIT	--	1,412,499.51	847,499.72	564,999.79
Housing property tax	98,311.17	393,244.68	393,244.68	98,311.17
Land tax	30,272.00	121,088.04	121,088.04	30,272.00
Total	1,288,419.01	5,661,560.86	7,263,714.99	-313,735.12

The main taxations and the related tax rates include

(6.13.1) Enterprise income taxes ("EIT")

According to the tax law of China, the applicable tax rate of the Company is 25%.

(6.13.2) Value Added Tax ("VAT")

According to the tax law of China, the applicable tax rate for overseas sales is 0%. The applicable tax rate for domestic sales is 17%. VAT of 17% of the sales amount will be paid to the Company by the buyers together with the sales amount. VAT payable is the net difference between output and deductible input VAT.

(6.13.3) Personal Income Tax ("PIT")

The Company withholds and pays the personal income tax according to the regulation of the People's Republic of China.



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(6.14) ACCRUED EXPENSES

	2016-03-31	2015-03-31
	3,699,195.72	4,831,027.37

The main items of accrued expense are as follows:

Item	2016-03-31	2015-03-31
Sales service fee	1,801,930.82	3,723,826.03
Royalty	670,481.66	628,472.16
Import expense	679,598.00	303,252.00

(6.15) Deferred income

	2016-03-31	2015-03-31
	2,570,966.10	597,137.55

The main items of accrued expense are as follows:

Item	2016-03-31	2015-03-31
Unrecognized future accessories and other revenue	2,570,966.10	597,137.55

(6.16) PAID IN CAPITAL

	2016-03-31	2015-03-31
	80,494,171.89	80,494,171.89

Investor	Ending balance of paid-in capital		% to paid-in capital	% to registered capital	Remarks
	USD	RMB			
LAKSHMI MACHINE WORKS LIMITED	12,500,000.00	80,494,171.89	100	100	Received
Total	12,500,000.00	80,494,171.89	100	100	



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The above paid-in capital was verified by Wujiang Huazheng CPAs Co., Ltd., Suzhou Huarui CPAs Partnership, Suzhou Huaderui CPAs respectively.

(6.17) UNDISTRIBUTED PROFIT

	2016-03-31	2015-03-31
Net Profit	4,546,082.54	12,675,678.92
Add: The beginning undistributed profit of this year	7,719,002.65	-4,019,695.03
Less: Adjustment for prior years		936,981.24
Transfer to Statutory Surplus Reserve	-	-
Transfer to welfare fund	-	-
Transfer to capital	-	-
The undistributed profit of this year	12,265,085.19	7,719,002.65

(6.18) Revenue from main operation activities

	2015-04-01 To 2016-03-31	2014-04-01 To 2015-03-31
Overseas sales	51,609,831.50	95,038,373.93
Domestic sales	107,251,424.23	42,675,588.30
Total	158,861,255.73	137,713,962.23

(6.19) COST OF MAIN OPERATING ACTIVITIES

	2015-04-01 To 2016-03-31	2014-04-01 To 2015-03-31
Cost of goods sold	127,957,386.60	103,902,778.23
Total	127,957,386.60	103,902,778.23

(6.20) SALES TAX AND ADDITONALS

	2015-04-01 To 2016-03-31	2014-04-01 To 2015-03-31
Construction tax	883,280.08	155,342.67
Surcharge for Education	378,548.61	66,575.43
Local education surcharge	252,365.74	44,383.62
Total	1,514,194.43	266,301.72



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(6.21) OPERATING EXPENSES

2015-04-01 To 2016-03-31    2014-04-01 To 2015-03-31

Total	8,057,466.68	6,927,807.89
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Accounts balance of operating expenses includes:

2015-04-01 To 2016-03-31    2014-04-01 To 2015-03-31

Salaries	1,681,871.92	1,742,666.66
Travelling expense	1,542,580.18	1,425,905.09
Sales Commission	2,812,736.36	586,477.64
Exportation expense	1,224,966.11	1,946,005.79

(6.22) ADMINISTRATIVE EXPENSES

2015-04-01 To 2016-03-31    2014-04-01 To 2015-03-31

Total	13,517,005.02	14,207,546.81
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Accounts balance of administrative expenses includes:

2015-04-01 To 2016-03-31    2014-04-01 To 2015-03-31

Salaries	3,476,365.12	3,522,276.95
Rent expense	334,580.21	638,501.35
Catering fee	691,524.37	827,834.40
Travelling expense	623,965.19	797,221.80
Depreciation	892,740.21	711,588.74
Telephone bills	299,147.18	183,445.07
Consultation expense	212,713.99	246,460.15
Security expense	234,000.00	300,398.00
Software amortization	7,606.80	68,809.93
Technology royalty	3,913,524.74	3,281,877.65



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(6.23) FINANCIAL EXPENSE

	2015-04-01 To 2016-03-31	2014-04-01 To 2015-03-31
Interest expense	147,129.58	-
Less: Interest income	139,620.92	337,091.20
Add: Exchange gain & loss	1,491,386.34	148,050.66
Add: other charges	109,212.21	166,648.08
Total	1,608,107.21	-22,392.46

(6.24) NON-OPERATING EXPENSES

	2015-04-01 To 2016-03-31	2014-04-01 To 2015-03-31
Overdue fine	57,635.33	53,143.71
Penalty	282,400.00	1,850.00
Others	8,283.75	0.02
Total	348,319.08	54,993.73



**7. OTHER MATERIAL ISSUES**

A. Disclosure of related parties and the transactions between them

Related party	Nature	Transactions		
		Procurement of equipment	Procurement of materials	Technical royalty
		Amount	Amount	Amount
LAKSHMI MACHINE WORKS LIMITED	Investor		51,416,326.52	2,400,791.70

B. There are no other significant issues need to be disclosed.

Enterprise  
(Signature)

Person in charge

(Signature)

Chief accountant

(Signature)

