

**The shareholders of LMW Textile Machinery
(Suzhou) Co., Ltd**

AUDIT REPORT

HUARUISHENZI [2019]NO. 101039

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD

Catalogue

	Page
1、 Auditor's Report	1-2
2、 Audited financial statements	
Balance sheet	3-4
Income statement	5
Cash flow statement	6
Appendix	7-25

Auditor's Report

[English Translation for Reference Only]

HUARUISHENZI[2019]No. 101039 号

LMW Textile Machinery (Suzhou) Co., Ltd. ("the Company")

1. Audit opinions

We have audited the accompanying financial statements of LMW Textile Machinery (Suzhou) Co., Ltd, which comprise the balance sheet as at March 31, 2019, and the income statement, cash flow statement for the period from April1, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory notes.

We believe that the attached financial statements are prepared in all material respects in accordance with the Accounting Standards for Business Enterprises, which fairly reflects the financial position of LMW Textile Machinery (Suzhou) Co., Ltd, on March 31, 2019 and the operating results and cash flows from April1, 2018 to March 31, 2019.

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.

3. 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.

The management is responsible for supervising the financial reporting process of the Company.

4. Auditor's Responsibility



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.

In the process of carrying out audit work according to the auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also carry out the following tasks:

- (1) Identify and evaluate the risk of material misstatement of financial statements caused by fraud or error, design and implement audit procedures to deal with these risks, and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. As fraud may involve collusion, forgery, intentional omission, false statements or override internal control, the risk of failing to detect significant misstatement due to fraud is higher than that of failing to detect significant misstatement due to error.
- (2) Understanding internal controls related to auditing in order to design appropriate auditing procedures, but the purpose is not to comment on the effectiveness of internal controls.
- (3) Evaluate the appropriateness of management's choice of accounting policies and the reasonableness of making accounting estimates and related disclosure.
- (4) Evaluate the overall presentation, structure and content (including disclosure) of financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and events.

We communicate with the management on the scope, timing and major audit findings of the planned audit, including the internal control deficiencies that we identified in the audit.



CICPA 
 CICPA 
 May, 10th, 2019

LMW Textile Machinery (Suzhou) Co., Ltd.

Balance Sheet

2019/03/31

RMB (Yuan)

<u>Assets</u>	<u>Notes</u>	<u>2019/3/31</u>	<u>2018/3/31</u>
Current Assets:			
Cash at bank and in hand	5.1	33,484,241.75	59,520,073.40
Notes receivable	5.2	1,616,000.00	200,000.00
Accounts receivable	5.3	9,614,668.81	6,992,812.47
Advances to suppliers	5.4	1,526,397.53	3,507,791.29
Other receivables		109,814.06	52,459.68
Inventory	5.5	16,455,214.59	38,523,532.16
Holding assets for sale		0.00	0.00
Non-current assets due within one year		0.00	0.00
Other current assets		97,679.00	97,395.00
Total current assets		62,904,015.74	108,894,064.00
Non-current Assets:			
Held to maturity investments		0.00	0.00
Non-current assets:		0.00	0.00
Long-term share investment		0.00	0.00
Investment property		0.00	0.00
Fixed assets	5.6	47,925,246.04	51,701,256.49
Construction in progress		0.00	0.00
Productive biological assets		0.00	0.00
Intangible assets	5.7	5,015,764.68	5,130,192.84
Development expenditure		0.00	0.00
Goodwill		0.00	0.00
Long-term prepaid expenses		6,154.20	12,308.40
Deferred tax assets		0.00	0.00
Other Non-current assets		0.00	0.00
Total Non-current assets		52,947,164.92	56,843,757.73
Total assets		115,851,180.66	165,737,821.73

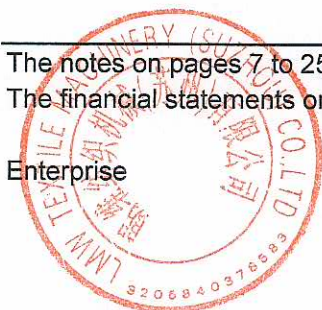
The notes on pages 7 to 25 are an integral part of the financial statements.

The financial statements on pages 3 to 6 are signed by:

Enterprise

Person in charge:

Chief accountant:



[Handwritten signature]

[Handwritten signature] **Lin Yan**

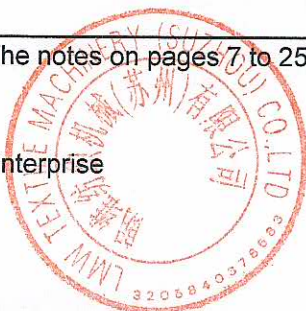
LMW Textile Machinery (Suzhou) Co., Ltd.
Balance Sheet

2019/03/31
RMB (Yuan)

<u>Liabilities and owner's equity</u>	<u>Notes</u>	<u>2019/3/31</u>	<u>2018/3/31</u>
Current liabilities:			
Short-term loans		0.00	0.00
Notes payable	5.8	2,674,793.99	1,934,854.47
Accounts payable	5.9	12,765,476.01	35,142,058.72
Advances from customers	5.10	5,704,807.31	23,717,299.73
Accrued Wages		1,878,000.80	1,842,265.10
Taxes payable	5.11	-109,732.28	-1,347,147.53
Other payables	5.12	2,139,722.41	6,836,354.99
Holding liabilities for sale		0.00	0.00
Non-current liabilities due within one year		0.00	0.00
Other current liabilities	5.13	2,205,983.25	4,792,631.76
Total current liabilities		<u>27,259,051.49</u>	<u>72,918,317.24</u>
Non-current liabilities:			
Long-term debt	5.14	2,850,000.00	2,850,000.00
Long-term payables		0.00	0.00
Estimated liabilities		0.00	0.00
Deferred income		0.00	0.00
Deferred tax liabilities		0.00	0.00
Other Non-current liabilities		0.00	0.00
Total Non-current liabilities		<u>2,850,000.00</u>	<u>2,850,000.00</u>
Total liabilities		<u>30,109,051.49</u>	<u>75,768,317.24</u>
Owner's equity (or Shareholders' equity) :			
Paid-in capital	5.15	80,494,171.89	80,494,171.89
Capital surplus		877.65	877.65
Earned surplus		0.00	0.00
Undistributed profit	5.16	5,247,079.63	9,474,454.95
Total owner's equity		<u>85,742,129.17</u>	<u>89,969,504.49</u>
Total liabilities and owner's equity		<u>115,851,180.66</u>	<u>165,737,821.73</u>

The notes on pages 7 to 25 are an integral part of the financial statements.

Enterprise



Person in charge:

[Handwritten signature]

Chief accountant:

[Handwritten signature]

LMW Textile Machinery (Suzhou) Co., Ltd.

Income statement

2018-04-01 To 2019-03-31

RMB (Yuan)

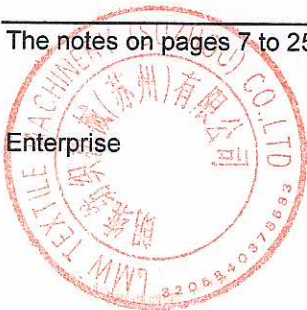
<u>Items</u>	<u>Notes</u>	<u>2018-04-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
1. Operating income	5.17	108,724,633.99	153,158,047.46
Less: Operating cost	5.18	94,891,823.17	134,708,888.07
Taxes and surcharges	5.19	540,417.61	235,111.86
sales expense	5.20	7,645,536.11	7,453,136.64
Management costs	5.21	9,581,339.84	10,580,100.26
Research and development expenses		0.00	0.00
Financial expenses	5.22	722,594.69	-2,920,394.59
Asset impairment loss		0.00	0.00
Add: Other income		0.00	0.00
Investment income		0.00	0.00
Income from asset disposal		0.00	0.00
Income from changes in fair value		0.00	0.00
2. Operating profit		-4,657,077.43	3,101,205.22
Add: Non-operating income	5.23	500,015.48	54,425.27
Less: Non-operating cost	5.24	59,944.30	50,000.00
3. Total profit		-4,217,006.25	3,105,630.49
Less: Income tax expense		0.00	0.00
4. Net profit		-4,217,006.25	3,105,630.49
Net profit from continuing operations		-4,217,006.25	3,105,630.49
Termination of operating net profit		0.00	0.00
5. Distribution of profits		-4,217,006.25	3,105,630.49
Add: Beginning Retained earning		9,474,454.95	6,368,824.46
6. Profits available for distribution		5,257,448.70	9,474,454.95
Less: Withdrawal of surplus reserve		0.00	0.00
Less: Previous year profit and loss adjustment		10,369.07	0.00
7. Profits available to investors		5,247,079.63	9,474,454.95
Less: Distribution of profits		0.00	0.00
8. Undistributed profit at the end of the year		5,247,079.63	9,474,454.95

The notes on pages 7 to 25 are an integral part of the financial statements.

Enterprise

Person in charge:

Chief accountant:



[Handwritten signature]

[Handwritten signature]

LMW Textile Machinery (Suzhou) Co., Ltd.

Cash Flow Statement

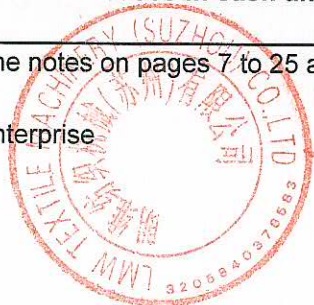
2018-04-01 To 2019-03-31

RMB (Yuan)

<u>Items</u>	<u>2018-04-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
1. Cash flow from operating activities		
Cash received from sales of goods or rendering services	93,712,999.34	194,658,415.37
Cash received from tax return	5,436,494.27	5,943,741.12
Other cash received from operating activities	387,735.23	400,569.09
Sub-total of cash inflows	99,537,228.84	201,002,725.58
Cash paid for goods and services	110,566,275.52	150,948,175.90
Cash paid to and on behalf of employees	11,946,527.93	13,571,731.75
Taxes paid	1,917,316.39	3,986,981.60
Other cash paid relating to operating	848,961.66	5,718,800.58
Sub-total of cash outflows	125,279,081.50	174,225,689.83
Net cash flows from operating activities	-25,741,852.66	26,777,035.75
2. Cash from investment activities		
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	0.00
Other cash received from investment	0.00	0.00
Sub-total of cash inflows	0.00	0.00
Cash paid to acquire fixed assets and intangible assets	129,655.02	1,319,644.80
Cash paid to investment	0.00	0.00
Other cash paid to investment	0.00	0.00
Sub-total cash outflows	129,655.02	1,319,644.80
Net cash flows from investment activities	-129,655.02	-1,319,644.80
3. Cash from financing activities		
Cash received from absorbing investment	0.00	0.00
Proceeds from loans	0.00	2,850,000.00
Other cash received from financing activities	0.00	0.00
Sub-total of cash inflows	0.00	2,850,000.00
Cash repayments of amounts borrowed	0.00	0.00
Cash payments of interests payment	164,323.97	109,106.58
Other cash payments from financing activities	0.00	0.00
Sub-total of cash outflows	164,323.97	109,106.58
Net cash flows from financing activities	-164,323.97	2,740,893.42
4. Effect of foreign exchange rate changes	0.00	0.00
5. Net increases in cash and cash equivalent	-26,035,831.65	28,198,284.37

The notes on pages 7 to 25 are an integral part of the financial statements.

Enterprise



Person in charge:

[Handwritten signature]

Chief accountant:

[Handwritten signature]

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

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).

In November 2016 , the business license number changed to the unified social credit code : 91320509679801831M .

In July 2018, the foreign investment company of Suzhou Wujiang District Market Supervision Administration approve a change registration notice(05840455) Foreign Investment Company Change Registration (2018) No. 0727702 agreed to change the legal representative. The legal representative after the change was: Ganapathiappan Rajeswaran.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

Financial Statements are prepared on the basis of going-concern assumption and actual transactions, Confirmed and measured in accordance with the “Accounting Standards for Business Enterprises - Basic Standards” promulgated by the Ministry of Finance and various specific accounting standards, application guidelines for business accounting standards, interpretation of accounting standards for enterprises and other relevant regulations (here in after collectively referred to as “Enterprise Accounting Standards”).



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

2.2. Continuous operation

The company has the ability to continue to operate for at least 12 months from the end of the reporting period and has no significant events affecting its ability to continue to operate.

3. PRINCIPAL ACCOUNTING POLICIES

3.1. Declare to obey accounting standard and regulations

The financial statements prepared by the company present accurately, fairly, completely reflect the financial status of the Company as of March 31, 2019, and its financial performance and cash flows for the period from April 1, 2018 to March 31, 2019, in accordance with Enterprise Accounting Standard (Accounting Regulation).

3.2. Reporting currency

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

3.3. Foreign currency translations

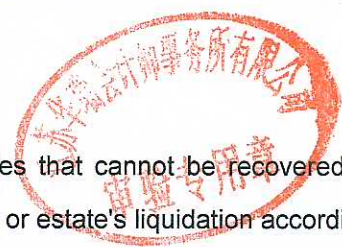
The economic business involving foreign currency in the fiscal year is converted into RMB bookkeeping at the benchmark exchange rate announced by the People's Bank of China at the beginning of the month. The foreign currency balance of monetary assets and liabilities at the end of the period is adjusted according to the benchmark exchange rate announced by the People's Bank of China at the end of the period. Except for exchange gains and losses directly related to the purchase and construction of fixed assets, the foreign exchange translation difference is used as exchange gains and losses and is included in the current profit and loss account.

3.4. Receivables and other items

Other receivables such as receivables, notes receivable, prepayments and interest receivable shall be listed and shown according to their actual occurrence. If bad debts are incurred , they shall be directly written off.

3.5. Bad debt accounting

Standard for recognition of bad debt account: for receivables that cannot be recovered after the debtor's cancellation, bankruptcy or death and his bankruptcy or estate's liquidation according to law; If the debtor fails to perform the obligation of repayment for more than three years and still cannot recover the receivables, which are proved by solid evidence to be indeed uncollectible, the receivables shall be regarded as bad debt losses after being approved.



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

The company's bad debt accounting uses the allowance method.

3.6. Inventories

(1) Classification of inventory

The company's inventory is divided into raw materials, in-process products, semi-finished products, finished products, inventory goods, and turnover materials, low-value consumables, packaging materials, and issued goods.

(2) Valuation method for obtaining and issuing inventory

The company's inventory system adopts perpetual inventory system, and the inventory is valued at actual cost. Materials, commodities are issued using the weighted average method; low-value consumables are amortized using the one-off write-off method.

(3) Accrual method for inventory depreciation

If the Company's ending inventory cost is higher than its net realizable value, provision for inventory depreciation is made. The Company usually makes provision for inventory depreciation according to a single (category) inventory item. At the end of the period, if the influencing factors of the previously written down inventory value have disappeared, the inventory depreciation reserve is reversed within the originally accrued amount.

(4) Method for confirming the net realizable value of inventories

The net realizable value of inventories is the estimated selling price of inventories minus the estimated cost of completion, estimated selling expenses and related taxes.

3.7. Fixed Assets and Depreciation

(1) Fixed assets refer to

Fixed assets refer to tangible assets held for the purpose of producing goods, providing labor services, renting or operating management, and having a service life of more than one fiscal year, including houses, buildings, machines, machinery, motor vehicles and other equipment, appliances and tools.

Fixed assets can only be recognized when the economic benefits associated with the fixed assets are likely to flow into the enterprise and the cost of the fixed assets can be reliably measured.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

(2) Fixed assets classification and depreciation policy

The company uses the straight-line method to calculate depreciation. Fixed assets are depreciated when they are ready for their intended use, and they are depreciated when they are derecognized or classified as non-current assets held for sale.

Without considering the impairment provision, according to the fixed asset class, estimated service life and estimated residual value, the company determines the annual depreciation rate of various fixed assets as follows:

Items	Depreciation method	Service life (year)	Residual value %	Annual depreciation rate
Buildings	straight-line-method	20	1.00	4.95
Machinery equipment	straight-line-method	5~10	1.00~10.00	9.00~19.00
Vehicles	straight-line-method	4~5	0~10.00	18.00~20.00
Office equipment	straight-line-method	3~5	5.00	19.00~31.67
Other equipment	straight-line-method	1~5	0~10.00	20.00%-100.00%

3.8. 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. The cost of construction in progress is determined based on actual project expenditure, including the necessary project expenditures during the construction period, the capitalized borrowing costs and other related expenses before the project reaches the intended usable state.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

3.9. Intangible assets

Intangible assets are non-monetary long-term assets that are not held in physical form for the purpose of producing goods or providing labor services, leasing to others, or for business management purposes, including land use rights and computer software. When the intangible assets are acquired, they are recorded at the actual cost (including handling fees, attorney fees, registration fees, etc.); or the intangible assets that are accepted for investment transfer are accounted for according to the contractual agreement or the value confirmed by the assessment.

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

The intangible assets are amortized evenly over the estimated useful life from the month of acquisition and are included in profit or loss; the amortization period shall not exceed the beneficial period specified in the relevant contract (only the beneficial period of the contract) or the effective period prescribed by law (Only the legally stipulated effective period), or the shorter of the two (the contract provides for the number of years of benefit, the law also stipulates the effective period).

3.10. Development Expenditure

The company divides the expenditure of internal research and development projects into research phase expenditures and development phase expenditures.

Expenditures for the research phase are recognized in profit or loss when incurred.

Expenditure in the development phase, which meets the following conditions, can be capitalized, that is, it is technically feasible to complete the intangible asset to enable it to be used or sold; have the intent to complete the intangible asset and use or sell it; intangible assets The way to generate economic benefits, including the ability to prove that the products produced using the intangible assets exist in the market or the intangible assets exist in the market, the intangible assets will be used internally and can prove their usefulness; there are sufficient technical, financial and other resources to support To complete the development of the intangible asset and have the ability to use or sell the intangible asset; the expenditure attributable to the development phase of the intangible asset can be reliably measured. Development expenses that do not meet the above conditions are included in the current profit and loss.

The corresponding projects of the company meet the above conditions, and through the technical feasibility and economic feasibility study, after the project is established, it enters the development stage.

3.11. Long-term prepaid expenses

The long-term prepaid expenses refer to the expenses that the company has incurred but should be covered by the current and future periods and whose amortization period is more than one year (excluding one year), including the start-up fee and the lease of fixed assets by operating lease. Improve spending and so on. The long-term deferred expenses are recorded at the actual amount incurred, and are amortized using the straight-line method over the beneficial period or the amortization period specified. If the long-term deferred expense item cannot benefit the future accounting period, the amortized value of the item that has not been amortized will be transferred to

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

the current profit and loss. Among them:

The start-up fee refers to the expenses incurred by the company during the preparation period, including personnel salary, office expenses, training fees, travel expenses, printing fees, registration fees, and exchange gains and losses, interest and other expenses not included in the value of fixed assets and intangible assets.

3.12. Borrowing costs

Borrowing costs include interest on borrowing, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from borrowing in foreign currencies. The borrowing costs directly attributable to the acquisition, construction or production of the assets eligible for capitalization shall begin to be capitalized when the asset expenditures have occurred, the borrowing costs have occurred, and the acquisition, construction or production activities necessary for the assets to reach the intended usable or sellable state have begun; The capitalization of the assets constructed or produced in conformity with the capitalization conditions shall be stopped when they reach the intended usable state or saleable state. The remaining borrowing costs are recognized as expenses in the period in which they are incurred.

During the capitalization period, the exchange balance of the foreign currency special borrowings shall be fully capitalized; The exchange difference of foreign currency general borrowings shall be recorded into the current profits and losses.

3.13. Payable Salary

The company's staff compensation mainly includes short-term staff compensation, after-service benefits, dismissal benefits and other long-term staff benefits.

3.14. Projected Liabilities

If the obligations relating to contingencies meet the following conditions, the Company recognizes them as expected liabilities:

- A. The obligation is the current obligation of the company.
- B. The fulfillment of this obligation is likely to result in the outflow of economic benefits from the company.
- C. The amount of the obligation can be measured reliably.

If all or part of the expenditure required to settle the recognized anticipated liabilities is expected to be



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

compensated by a third party or other party, the amount of compensation can only be recognized separately as an asset when it is basically determined that it can be received. The recognized amount of compensation shall not exceed the book value of the recognized liabilities.

3.15. Revenue recognition

(1) Selling Goods

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.

(2) Revenue from the service

In the case of a reliable estimate of the results of the provision of labor transactions, the Company recognizes revenue at the end of the period in accordance with the percentage of completion method.

If the result of providing labor service transactions cannot be reliably estimated, the labor service income provided is recognized according to the amount of labor costs that have occurred and is expected to be compensated, and the labor cost incurred has been taken as the current expenses. If the labor costs incurred have not been compensated, the income will not be recognized.

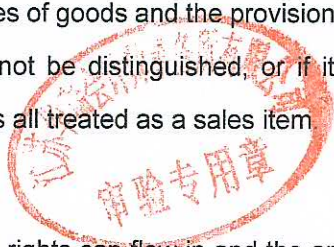
When the contract or agreement signed by the company with other enterprises includes the sale of goods and the provision of labor services, such as the sales of goods and the provision of labor services can be distinguished and separately measured, the sales of goods and the provision of labor services are handled separately; If the labor service part cannot be distinguished, or if it can be distinguished but cannot be separately measured, the contract is all treated as a sales item.

(3) Transfer of asset use rights

When the economic benefits related to the transfer of asset use rights can flow in and the amount of income can be reliably measured, the company recognizes the income.

3.16. Income tax

The Company applies tax payable method to recognize income tax.



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

4. 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.

5. NOTES TO FINANCIAL STATEMENTS

5.1. Monetary Assets

	<u>2019-3-31</u>	<u>2018-3-31</u>
Cash on hand	31,277.85	19,289.03
Cash in banks	33,452,963.90	59,500,784.37
Other monetary assets	--	--
Total	<u>33,484,241.75</u>	<u>59,520,073.40</u>

5.2. NOTES RECEIVABLE

	<u>2019-3-31</u>	<u>2018-3-31</u>
trade acceptance	--	--
Bank notes	1,616,000.00	200,000.00
Total	<u>1,616,000.00</u>	<u>200,000.00</u>

Name of the Company	End. Balance	Nature
Chaohu Youngor color spinning technology co., Ltd	300,000.00	Purchase
Gaotang litai textile co. Ltd	416,000.00	Purchase
Wushi huasheng textile co. Ltd	700,000.00	Purchase

5.3. Accounts Receivable

	<u>2019-3-31</u>	<u>2018-3-31</u>
Accounts receivable	9,614,668.81	6,992,812.47
Less: provisions for bad debts	--	--
Total:	<u>9,614,668.81</u>	<u>6,992,812.47</u>

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

AGEING Analysis:

	<u>2019-3-31</u>			<u>2018-3-31</u>		
	Carrying Amount	Provision for bad debts		Carrying Amount	Provision for bad debts	
		%	Amount		%	Amount
Within 1 year	9,614,668.81	--	--	6,992,812.47	--	--
1-3 years	--	--	--	--	--	--
Above 3 years	--	--	--	--	--	--
Total	9,614,668.81	--	--	6,992,812.47	--	--

Account receivable mainly includes:

Suppliers	End balance	Nature
LMW INDIA	9,218,773.61	Purchase

5.4. ADVANCE TO SUPPLIERS

<u>2019-3-31</u>	<u>2018-3-31</u>
1,526,397.53	3,507,791.29

The advance to suppliers mainly includes:

Suppliers	End balance	Nature
Weiqiao Textile Co., Ltd.	500,000.00	Tax
Wujiang Customs	299,139.22	Margin

5.5. INVENTORIES

	<u>2019-3-31</u>	<u>2018-3-31</u>
Raw materials	12,069,033.56	20,535,862.15
WIP and Self-manufactured goods	2,000,212.14	9,990,327.26
Finished goods	2,385,968.89	7,997,342.75
Less: provisions for inventory impairment	--	--
Total	16,455,214.59	38,523,532.16



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

As of March 31, 2019, the company's management believes that there is no sign of impairment in the inventory, and no provision for impairment is required.

5.6. 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>
2018-3-31	50,790,877.93	13,324,770.42	691,469.58	3,337,189.96	3,842,437.03	71,986,744.92
Increase	--	812,820.51	--	--	782,105.06	1,594,925.57
Decrease	--	--	--	--	174,761.46	174,761.46
2019-3-31	50,790,877.93	14,137,590.93	691,469.58	3,337,189.96	4,449,780.63	73,406,909.03
Accumulated Depreciation						
2018-3-31	8,170,982.46	6,240,478.55	421,825.81	2,335,779.63	3,116,421.98	20,285,488.43
Increase	2,514,148.45	1,772,068.18	71,781.08	502,615.39	335,561.46	5,196,174.56
Decrease	--	--	--	--	--	--
2019-3-31	10,685,130.91	8,012,546.73	493,606.89	2,838,395.02	3,451,983.44	25,481,662.99
Net Value						
2018-3-31	42,619,895.47	7,084,291.87	269,643.77	1,001,410.33	726,015.05	51,701,256.49
2019-3-31	40,105,747.02	6,125,044.20	197,862.69	498,794.94	997,797.19	47,925,246.04

As of March 31, 2019, the company's management believes that there is no sign of impairment in the fixed assets, and no provision for impairment is required.

5.7. INTANGIBLE ASSETS

	<u>2019-3-31</u>	<u>2018-3-31</u>
Beginning of year	5,130,192.84	5,244,621.00
Add: Increase this year	--	--
Less: Carry forward this year	--	--
Amortize this year	114,428.16	114,428.16
Net balance at the end of year	5,015,764.68	5,130,192.84



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

Balance mainly include:

Item	Original value	Useful life	Beg. Bal.	Increase	Decrease	End. Bal.
Land use right	5,721,408.00	50	5,130,192.84	--	114,428.16	5,015,764.68
Total	<u>5,721,408.00</u>	<u>--</u>	<u>5,130,192.84</u>	<u>--</u>	<u>114,428.16</u>	<u>5,015,764.68</u>

5.8. NOTES PAYABLE

	<u>2019-3-31</u>	<u>2018-3-31</u>
Bank acceptance	<u>2,674,793.99</u>	<u>1,934,854.47</u>

Balance mainly include:

Name	End Balance	Nature
Jiangyin Chang Textile Technology Co., Ltd.	413,225.66	Purchase
Wuxi Yuxi Textile Machinery Parts Factory	689,927.62	Purchase
Wujiang City Hengfan Town Yuping Xinchen Machinery Factory	583,295.81	Purchase

5.9. ACCOUNTS PAYABLE

	<u>2019-3-31</u>	<u>2018-3-31</u>
	<u>12,765,476.01</u>	<u>35,142,058.72</u>

Accounts balance of accounts payable includes:

Name of the Company	Accounts Balance	Nature
LAKSHMI MACHINE WORKS LIMITED	8,108,819.69	Payment of material



5.10. ADVANCE FROM CUSTOMERS

	<u>2019-3-31</u>	<u>2018-3-31</u>
	<u>5,704,807.31</u>	<u>23,717,299.73</u>

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

Accounts balance of advance from customers includes:

Name of the Company	Accounts Balance	Nature
Belon Macau Offshore Commercial Services Co., Ltd.	2,200,420.40	Advance payment
Wushi Huasheng Textile Co., Ltd.	1,065,387.83	Advance payment
Chaohu Youngor Color Spinning Technology Co., Ltd.	661,200.00	Advance payment

5.11. TAXES PAYABLE

2019-3-31	2018-3-31
-109,732.28	-1,347,147.53

Main Items of taxes payable are as follow:

Item	Beginning balance	Payable	Paid	Ending balance
VAT	-1,635,158.39	1,166,230.34	35,251.96	-504,180.01
PIT	132,006.66	742,315.15	624,526.28	249,795.53
Urban construction and additional education	--	540,417.61	540,417.61	--
Housing property tax	125,732.20	502,928.80	502,928.80	125,732.20
Land tax	30,272.00	64,328.00	75,680.00	18,920.00
Total	-1,347,147.53	3,016,219.90	1,778,804.65	-109,732.28

The main taxations and the related tax rates include

(1) Value Added Tax ("VAT")

According to the national tax regulations, the VAT rate of the company's export sales revenue is zero. The VAT rate for domestic sales of products is 17%/16%. The value-added tax is paid by the buyer at 17%/16% of the sales amount together with the sales amount, and the company pays the tax authority after deducting the value-added tax that is allowed to be

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

deducted due to the purchase of the goods. (Note: The VAT rate is 17% before April 30, 2018, and the VAT rate is adjusted to 16% from May 1, 2018)

(2) Enterprise income taxes ("EIT")

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

(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.

5.12. OTHER PAYABLES

<u>2019-3-31</u>	<u>2018-3-31</u>
2,139,722.41	6,836,354.99

Main Items include:

Item	Ending balance	Remark
Sales service fee	1,182,231.39	Accrued expenses
Import charges	562,515.00	Accrued expenses
Export charges	120,555.00	Accrued expenses

5.13. OTHER CURRENT LIABILITIES

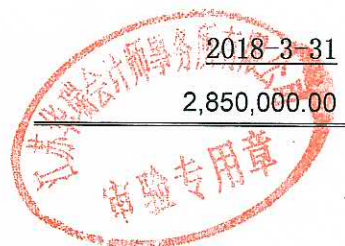
<u>2019-3-31</u>	<u>2018-3-31</u>
2,205,983.25	4,792,631.76

5.14. LONG-TERM BORROWING

<u>2019-3-31</u>	<u>2018-3-31</u>
2,850,000.00	2,850,000.00

The details of the loan are as follows:

Name of the Company	Borrowing period	Accounts Balance	Rate
Standard Chartered Bank (China) Ltd.	2017.7.28 To 2021.10.28	2,850,000.00	5.75%
Total		2,850,000.00	



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
(All amounts are stated in RMB Yuan unless otherwise stated)

5.15. PAID IN CAPITAL

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

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

5.16. UNDISTRIBUTED PROFIT

	2019-3-31	2018-3-31
Net Profit	-4,217,006.25	3,105,630.49
Add: The beginning undistributed profit of this year	9,474,454.95	6,368,824.46
Less: Adjustment for prior years	10,369.07	--
Less: Statutory accumulation reserve	--	--
Statutory welfare reserve	--	--
Capitalization of profit	--	--
Undistributed profits at year-end	5,247,079.63	9,474,454.95

5.17. SALES FROM OPERATING ACTIVITIES

	2018-4-01 To 2019-03-31	2017-04-01 To 2018-03-31
Main business income	108,624,755.93	153,093,850.52
Other business income	99,878.06	64,196.94
Total	108,724,633.99	153,158,047.46



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

5.18. COST OF MAIN OPERATING ACTIVITIES

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
Main business cost	94,891,823.17	134,708,888.07
Total	<u>94,891,823.17</u>	<u>134,708,888.07</u>

5.19. TAXES AND SURCHARGES

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
Urban maintenance and construction tax	315,243.61	137,148.58
Education surcharge	135,104.40	58,777.97
Local education surcharge	90,069.60	39,185.31
Total	<u>540,417.61</u>	<u>235,111.86</u>

5.20. SALES EXPENSE

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
	7,645,536.11	7,453,136.64

Main Items include:

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
wage	1,838,805.27	1,791,296.91
Travel expenses	1,220,715.68	1,180,324.17
Sales service fee	1,662,922.37	1,926,479.67
Export cost	1,409,157.11	1,822,873.48
Warranty maintenance fee	917,065.52	387,726.15

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

5.21. ADMINISTRATIVE EXPENSES

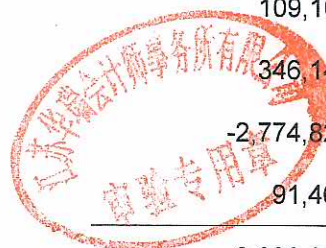
	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
Total	9,581,339.84	10,580,100.26

Accounts balance of administrative expenses includes:

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
Salaries	2,260,127.36	2,006,615.23
Rent expense	122,431.99	76,618.17
Catering fee	375,385.97	530,935.27
Travelling expense	169,118.74	162,478.73
Depreciation	791,070.34	784,030.70
Telephone bills	102,172.64	116,384.89
Consultation expense	--	45,283.02
Security expense	258,509.45	239,932.10
Technical license fee	2,014,072.79	3,378,463.46
Service fee	182,466.34	186,106.87
Research and development fee	1,417,087.44	1,088,464.21

5.22. FINANCIAL EXPENSE

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
Interest expense	164,323.97	109,106.58
Less: Interest income	287,719.75	346,143.82
Add: Exchange gain & loss	772,788.01	-2,774,820.62
Add: other charges	73,202.46	91,463.27
Total	722,594.69	-2,920,394.59



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

5.23. NONBUSINESS INCOME

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
Purchase personal refund	30,000.00	--
Employee medical insurance and other subsidies	15,000.00	30,821.14
Individual tax commission refunds	37,700.48	--
Stable subsidy	17,315.00	23,104.13
Deposit forfeiture	400,000.00	--
Other	--	500.00
Total	<u>500,015.48</u>	<u>54,425.27</u>

5.24. NON-BUSINESS EXPENDIYURE

	<u>2018-4-01 To 2019-03-31</u>	<u>2017-04-01 To 2018-03-31</u>
Delaying payment	59,335.30	--
Overdue payment for goods in and out	609.00	--
Sponsorship	--	50,000.00
Total	59,944.30	50,000.00



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

5.25. CASH FLOW STATEMENT SUPPLEMENTARY INFORMATION

Items	2018-4-01 To 2019-03-31	2017-04-01 To 2018-03-31
1、 Adjusting net profit to cash flow from operating activities:		
net profit	-4,217,006.25	3,105,630.49
add: Asset impairment provision	--	--
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	5,196,174.56	5,049,225.34
Amortization of intangible assets	114,428.16	114,428.16
Long-term deferred expenses amortization	6,154.20	7,778.63
Disposal of fixed assets, intangible assets and other long-term assets (revenues are marked with "-")	--	--
Loss of fixed assets (revenues are marked with "-")	--	--
Loss of fair value change (revenue is marked with "-")	--	--
Financial expenses (revenues are marked with "-")	164,323.97	109,106.58
Investment losses (revenues are marked with "-")	--	--
Deferred income tax assets decreased (increase by "-")	--	--
Deferred income tax liabilities increased (reduced by "-")	--	--
Reduced inventory (increase by "-")	22,068,317.57	-4,192,085.07
Reduction of operational receivables (increased by "-")	-2,114,100.96	10,876,784.86
Increase in operational payables (reduced by "-")	-46,960,143.91	11,706,166.76
Other (see note after the table)	--	--
Net cash flow from operating activities	-25,741,852.66	26,777,035.75
2、 Significant investment and fundraising activities that do not involve cash receipts and payments:		
Conversion of debt into capital	--	--
Convertible corporate bonds due within one year	--	--
Financing leased fixed assets	--	--
3、 Net change in cash and cash equivalents:		
Ending balance of cash	33,484,241.75	59,520,073.40
Less: the opening balance of cash	59,520,073.40	31,321,789.03
Plus: the ending balance of cash equivalents	--	--
Less: the opening balance of cash equivalents	--	--
Net increase in cash and cash equivalents	-26,035,831.65	28,198,284.37



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2018 to March 31, 2019
 (All amounts are stated in RMB Yuan unless otherwise stated)

6. OTHER MATERIAL ISSUES

6.1. Disclosure of related parties and the transactions between them

Related party	Nature	Transactions		
		Commodity (material) sale	Purchase of materials (merchandise)	Technical royalty
LAKSHMI MACHINE WORKS LIMITED	parent company	15,965,030.63	26,467,723.49	2,014,072.79

6.2. Financial commitment

As of March 31, 2019, the company had no major financial commitments that needed to be disclosed.

6.3. Contingencies

As of March 31, 2019, the company had no major contingent issues to disclose.

6.4. Description of non-adjusted major events after the balance sheet date

As of the approval date of the audit report, the company has no need to disclose the non-adjusted major events after the balance sheet date.



6.5. Other important matters

As of March 31, 2019, the company disclosed no other important matters.



Enterprise
(Signature)

Person in charge
(Signature)

Chief accountant
(Signature)