



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]

HUARUISHENZZI 【2015】 No.083

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, 2015, and the income statement, cash flow statement for the period from April 1, 2014 to March 31, 2015, 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, 2015, and its financial performance and its cash flows for the period from April 1, 2014 to March 31, 2015.

Materials included:

1. The Company's financial report as of March 31, 2015.
2. Notes to the financial report.



April 20th, 2015

LMW Textile Machinery (Suzhou) Co., Ltd.

Balance Sheet

2015/03/31

RMB (Yuan)

<u>Assets</u>	<u>Notes</u>	<u>2015/03/31</u>	<u>2014/03/31</u>
Current Assets:			
Cash at bank and in hand	6.1	33,348,642.91	35,281,869.90
Allowance receivable		0.00	0.00
Notes receivable	6.2	12,953,000.00	100,000.00
Accounts receivable	6.3	245,172.54	266,751.58
Advances to suppliers	6.4	4,132,389.38	4,904,025.29
Other receivables	6.5	2,060,156.57	2,306,378.93
Inventory	6.6	32,834,512.40	56,958,679.23
Deferred expenses		257,256.20	365,149.98
Total current assets		<u>85,831,130.00</u>	<u>100,182,854.91</u>
Long-term investment			
Long-term share investment		0.00	0.00
Long-term debt investment		0.00	0.00
Total Long-term investment		<u>0.00</u>	<u>0.00</u>
Fixed assets:			
Original cost	6.7	68,815,305.76	8,403,504.85
Less: Accumulated depreciation	6.7	5,335,127.12	3,505,445.68
Fixed assets-net value	6.7	63,480,178.64	4,898,059.17
Construction in progress		0.00	33,909,602.00
Total fixed assets		<u>63,480,178.64</u>	<u>38,807,661.17</u>
Intangible assets and other assets			
Intangible assets	6.8	5,473,477.32	5,587,908.48
Long-term prepaid expenses	6.9	138,863.78	408,227.43
Other assets			
Total intangible assets and other assets		<u>5,612,341.10</u>	<u>5,996,135.91</u>
Total assets		<u>154,923,649.74</u>	<u>144,986,651.99</u>

Notes to the financial report is included in the financial reports

Enterprise Person in charge: Kandaswamy Soundhar Rajhan Chief accountant: Xu Chunlan

Kandaswamy Soundhar Rajhan

Xu Chunlan



LMW Textile Machinery (Suzhou) Co., Ltd.

Balance Sheet

2015/03/31

RMB (Yuan)

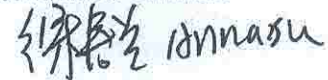
<u>Liabilities and owner's equity</u>	<u>Notes</u>	<u>2015/03/31</u>	<u>2014/03/31</u>
Current liabilities:			
Short-term loans		0.00	0.00
Notes payable	6.10	3,572,497.74	0.00
Accounts payable	6.11	46,211,888.23	50,777,239.29
Advances from customers	6.12	9,092,445.37	3,124,630.77
Accrued payroll		1,095,974.58	1,269,342.92
Welfare payable		0.00	0.00
Profit payable		0.00	0.00
Taxes payables	6.13	1,288,419.01	-1,918,334.72
Other payables to government		0.00	0.00
Other payables		20,207.70	0.00
Accrued expenses	6.14	4,831,027.37	15,145,155.94
Estimated liabilities		597,137.55	113,263.28
Total current liabilities		<u>66,709,597.55</u>	<u>68,511,297.48</u>
Long-term liabilities:			
Long-term debt		0.00	0.00
Long-term payables		0.00	0.00
Total long-term liabilities		<u>0.00</u>	<u>0.00</u>
Total liabilities		<u>66,709,597.55</u>	<u>68,511,297.48</u>
Owner's equity:			
Paid-in capital	6.15	80,494,171.89	80,494,171.89
Capital surplus		877.65	877.65
Earned surplus		0.00	0.00
Undistributed profit	6.16	7,719,002.65	-4,019,695.03
Total owner's equity		<u>88,214,052.19</u>	<u>76,475,354.51</u>
Total liabilities and owner's equity		<u>154,923,649.74</u>	<u>144,986,651.99</u>

Notes to the financial report is included in the financial reports

Enterprise

Person in charge: Kandaswamy Soundhar Rajhan

Chief accountant: Xu Chunlan

LMW Textile Machinery (Suzhou) Co., Ltd.

Income statement and profit appropriation

2014-04-01 To 2015-03-31

RMB (Yuan)

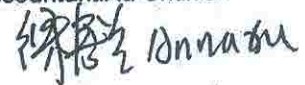
<u>Items</u>	<u>Notes</u>	<u>2014-04-01 To 2015-03-31</u>	<u>2013-04-01 To 2014-03-31</u>
Revenues from main operations	6.17	137,713,962.23	144,631,342.75
Less: Cost of main operations	6.18	103,902,778.23	113,728,687.87
Sales tax and additionals		266,301.72	377,051.61
Gross profit		<u>33,544,882.28</u>	<u>30,525,603.27</u>
Add: Other income		122,948.49	58,978.61
Less: Operation expenses	6.19	6,927,807.89	9,668,218.71
Administrative expenses	6.20	14,207,546.81	12,051,059.73
Financial expenses	6.21	-22,392.46	-1,179,887.51
Operating income		<u>12,554,868.53</u>	<u>10,045,190.95</u>
Add: Income from investment		0.00	0.00
Allowance income		0.00	0.00
Non-operating income		175,804.12	18,538.45
Less: Non-operating expenses	6.23	54,993.73	686.83
Income before tax		<u>12,675,678.92</u>	<u>10,063,042.57</u>
Less: Income taxes		0.00	2,465,888.09
Net income		<u>12,675,678.92</u>	<u>7,597,154.48</u>
Profit distribution			
Add: Undistributed profit at Beg. of year		-4,019,695.03	-11,616,849.51
Less: Adjustment for prior years			
Profit that can be distributed		<u>8,655,983.89</u>	<u>-4,019,695.03</u>
Less: Earned surplus		0.00	0.00
Less: Adjustment for prior years		936,981.24	0.00
Profit that can be distributed to shareholders		<u>7,719,002.65</u>	<u>-4,019,695.03</u>
Less: Distributed profit		0.00	0.00
Undistributed profit at end of period		<u>7,719,002.65</u>	<u>-4,019,695.03</u>

Notes to the financial report is included in the financial reports

Enterprise

Person in charge: Kandaswamy Soundhar Rajhan

Chief accountant: Xu Chunlan

LMW Textile Machinery (Suzhou) Co., Ltd.

Cash Flow Statement

2014-04-01 To 2015-03-31

RMB (Yuan)

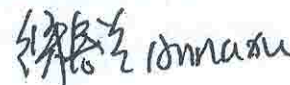
Items	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
1. Cash flow from operating activities		
Cash received from sales of goods or rendering services	137,861,363.81	174,472,419.89
Cash received from tax return	10,860,863.80	7,146,600.97
Other cash received from operating activities	468,424.00	684,381.98
Sub-total of cash inflows	<u>149,190,651.61</u>	<u>182,303,402.84</u>
Cash paid for goods and services	101,918,595.98	137,150,089.63
Cash paid to and on behalf of employees	14,981,672.58	11,164,470.44
Taxes paid	2,751,011.57	4,924,310.21
Other cash paid relating to operating	7,051,109.06	5,272,063.01
Sub-total of cash outflows	<u>126,702,389.19</u>	<u>158,510,933.29</u>
Net cash flows from operating activities	<u>22,488,262.42</u>	<u>23,792,469.55</u>
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	249,572.62	0.00
Other cash received from investment	0.00	0.00
Sub-total of cash inflows	<u>249,572.62</u>	<u>0.00</u>
Cash paid to acquire fixed assets and intangible assets	24,671,062.03	38,896,874.86
Cash paid to investment	0.00	0.00
Other cash paid to investment	0.00	0.00
Sub-total cash outflows	<u>24,671,062.03</u>	<u>38,896,874.86</u>
Net cash flows from investment activities	<u>-24,421,489.41</u>	<u>-38,896,874.86</u>
3. Cash from financing activities		
Cash received from absorbing investment	0.00	27,841,551.47
Proceeds from loans	0.00	0.00
Other cash received from financing activities	0.00	0.00
Sub-total of cash inflows	<u>0.00</u>	<u>27,841,551.47</u>
Cash repayments of amounts borrowed	0.00	0.00
Cash payments of interests payment	0.00	0.00
Other cash payments from financing activities	0.00	0.00
Sub-total of cash outflows	<u>0.00</u>	<u>0.00</u>
Net cash flows from financing activities	<u>0.00</u>	<u>27,841,551.47</u>
4. Effect of foreign exchange rate changes	0.00	0.00
5. Net increases in cash and cash equivalent	<u>-1,933,226.99</u>	<u>12,737,146.16</u>

Notes to the financial report is included in the financial reports

Enterprise

Person in charge: Kandaswamy Soundhar Rajhan

Chief accountant: Xu Chunlan

LMW Textile Machinery (Suzhou) Co., Ltd.

Cash Flow Statement

2014-04-01 To 2015-03-31

RMB (Yuan)

Items	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	12,675,678.92	7,597,154.48
Add: Preparation of losses on asset	0.00	0.00
Depreciation of fixed assets	2,133,783.74	1,292,336.62
Amortization of intangible assets	114,431.16	133,499.52
Amortization of long-term prepaid expenses	315,348.35	704,953.02
Decrease in prepaid expenses (less increase)	107,893.78	-46,439.76
Increase in accrued expenses (less decrease)	-10,314,128.57	-5,637,727.98
Loss on disposal of fixed assets (less gain)	-44,471.32	-21,612.15
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)	24,124,166.83	-9,691,393.02
Decrease in operating receivable (less increase)	-11,813,562.69	32,881,387.95
Increase in operating payable (less decrease)	5,189,122.22	-3,419,689.13
Others	0.00	0.00
Net cash flows operating activities	22,488,262.42	23,792,469.55
2. Investment and financing activities that do not involve in cash receipts /payments		
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
3. Net increase in cash and cash equivalence		
Cash at end of period	33,348,642.91	35,281,869.90
Less: Cash at beg. of year	35,281,869.90	22,544,723.74
Add: Cash equivalence at end of period	0.00	0.00
Less: Cash equivalence at beg. of year	0.00	0.00
Net increase in cash and cash equivalence	-1,933,226.99	12,737,146.16

Notes to the financial report is included in the financial reports

Enterprise Person in charge: Kandaswamy Soundhar Rajhan Chief accountant: Xu Chunlan

Kandaswamy Soundhar Rajhan

Xu Chunlan

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
(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, Tongjing Street, Wujiang Economic Development Zone. Legal representative: Kandaswamy Soundhar Rajhan. 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 1st, 2014 to March 31st, 2015.

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

(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

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

equipments, instruments and tools.

(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

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015

(All amounts are stated in RMB Yuan unless otherwise stated)

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.

(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

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

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.

(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.

审验专用章

6. NOTES TO FINANCIAL STATEMENTS

(6.1) MONETARY ASSETS

	2015-03-31	2014-03-31
Cash on hand	9,084.31	17,318.11
Cash in banks	33,339,558.60	35,264,551.79
Other monetary assets	-	-
Total	33,348,642.91	35,281,869.90

(6.2) NOTES RECEIVABLE

	2015-03-31	2014-03-31
Bank notes	12,953,000.00	100,000.00

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

The balances mainly include:

Name of the Company	End. Balance	Nature
Fujian Longyuan Textile Co., Ltd.	12,953,000.00	Receivable on goods

(6.3) ACCOUNTS RECEIVABLE

	2015-03-31	2014-03-31
Accounts receivable	245,172.54	266,751.58
Less: provisions for bad debts	-	-
Total:	245,172.54	266,751.58

AGEING Analysis:

	2015-03-31		2014-03-31		
	Carrying	Provision for bad	Carrying	Provision for bad	
	Amount	debts	Amount	debts	
		%	Amount	%	Amount
Within 1 year	245,172.54	-	77,084.09	-	-
1~2 years	-	-	189,667.49	-	-
Total	245,172.54	-	266,751.58	-	-

Accounts balance of accounts receivable includes:

Name	Accounts balance	Nature
Fujian Changle Jinyuan Textile Co., Ltd.	187,977.44	Receivable on goods supplied

As of March 31, 2015, the management of the Company doesn't think there are any unrecoverable accounts in the receivables.

(6.4) ADVANCE TO SUPPLIERS

	2015-03-31	2014-03-31
	4,132,389.38	4,904,025.29

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

The advance to suppliers mainly includes:

Suppliers	End balance	Nature
Yangzhou Aoersite Machinery Co., Ltd.	2,274,900.00	Procurement of equipment
Wujiang Custom	649,433.74	Custom duty

(6.5) OTHER RECEIVABLES

	2015-03-31	2014-03-31
Other receivables	2,060,156.57	2,306,378.93
Less: Provision for bad debts	-	-
Total	2,060,156.57	2,306,378.93

AGEING Analysis:

	2015-03-31		2014-03-31	
	Carrying Amount	Provision for bad Amount	Carrying Amount	Provision for bad debts % Amount
Within 1 year	56,456.57	-	61,140.93	- -
1~2 years	-	-	3,750.00	- -
2~3 years	3,700.00	-	2,000,000.00	- -
Above 3 years	2,000,000.00	-	241,488.00	- -
Total	2,060,156.57		2,306,378.93	

Accounts balance of other receivables includes:

Name	Accounts balance	Nature
Deposit pay to Wujiang Custom	2,000,000.00	Deposit

As of March 31, 2015, the management of the Company doesn't think there are any unrecoverable accounts in other receivables.

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

(6.6) INVENTORIES

	2015-03-31	2014-03-31
Raw materials	18,907,080.76	23,858,281.64
WIP & self-manufactured goods	3,839,555.72	18,609,861.43
Finished goods	10,087,875.92	14,490,536.16
Less: provisions for inventory impairment	-	-
Total	32,834,512.40	56,958,679.23

As of March 31, 2015, the management of the Company doesn't think there has any evidence indicating a possible impairment of inventories.

(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>
2014-03-31	-	4,410,529.82	820,184.03	723,863.76	2,448,927.24	8,403,504.85
Increase	50,790,877.93	3,609,191.04	106,239.25	2,158,838.13	4,165,858.19	60,921,004.54
Decrease	-	-	509,203.63	-	-	509,203.63
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
Accumulated Depreciation						
2014-03-31	-	1,510,863.54	332,511.02	509,724.48	1,152,346.64	3,505,445.68
Increase	628,537.11	523,007.64	151,101.63	326,860.22	504,277.14	2,133,783.74
Decrease	-	-	304,102.30	-	-	304,102.30
2015-03-31	628,537.11	2,033,871.18	179,510.35	836,584.70	1,656,623.78	5,335,127.12
Net Value						
2014-03-31	-	2,899,666.28	487,673.01	214,139.28	1,296,580.60	4,898,059.17
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

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

As of March 31, 2015, the management of the Company doesn't think there has any evidence indicating a possible impairment of fixed assets.

(6.8) INTANGIBLE ASSETS

	2015-03-31	2014-03-31
Beginning of year	5,587,908.48	-
Add: Increase this year	-	5,721,408.00
Less: Carry forward this year	-	-
Amortize this year	114,431.16	133,499.52
 Net balance at the end of year	 <u>5,473,477.32</u>	 <u>5,587,908.48</u>

Balance mainly include:

Item	Original value	Useful life	Beg. Bal.	Increase	Decrease	End. Bal.
Land use right	5,721,408.00	50 years	5,587,908.48	-	114,431.16	5,473,477.32
Total	5,721,408.00		5,587,908.48	-	114,431.16	5,473,477.32

(6.9) LONG-TERM PREPAID EXPENSES

	2015-03-31	2014-03-31
Beginning of year	408,227.43	208,240.99
Add: Increase this year	45,984.70	904,939.48
Less: Carry forward this year	-	-
Amortized this year	315,348.35	704,953.04
 At the end of the year	 <u>138,863.78</u>	 <u>408,227.43</u>

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

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	-	15,213.68	2,535.60	12,678.08
Expense for Oracle	265,428.62	2 years	66,274.33	-	66,274.33	-
Expense for plant decoration & bunkhouse	3,823,320.13	5 years	341,953.10	30,771.02	246,538.42	126,185.70
Total	4,103,962.43	-	408,227.43	45,984.70	315,348.35	138,863.78

(6.10) NOTES PAYABLE

	2015-03-31	2014-03-31
Bank notes	3,572,497.74	-

Balance mainly include:

Name	End Balance	Nature
Suzhou Le Wei Precise Co., Ltd.	651,360.79	Purchase
Wuxi Yu Qi Textile Machinery Fittings Factory	531,331.41	Purchase
Changshu Pujiang Mechanical Co., Ltd.	500,000.00	Purchase
Jiangyin Changfang Technology Co., Ltd.	500,000.00	Purchase

(6.11) ACCOUNTS PAYABLE

2015-03-31	2014-03-31
46,211,888.23	50,777,239.29

Accounts balance of accounts payable includes:

Name of the Company	Accounts Balance	Nature
LAKSHMI MACHINE WORKS LIMITED	20,907,922.88	Purchase
Suzhou Fuda Century Construction Engineering Co., Ltd.	1,500,000.01	Engineering
Wuxi Yu Qi Textile Machinery Fittings Factory	899,811.63	Purchase
Jiangsu Jiangdu Construction Group Co., Ltd.	886,325.20	Engineering

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

(6.12) ADVANCE FROM CUSTOMERS

2015-03-31	2014-03-31
9,092,445.37	3,124,630.77

Accounts balance of advance from customers includes:

Name of the Company	Accounts Balance	Nature
Shandong Huaxing Textile Group Co., Ltd.	3,729,600.00	Advance on sales
Jiangsu Pai Li Di Textile Technology Co., Ltd.	1,000,000.00	Advance on sales
Fujian Longyuan Textile Co., Ltd	1,000,000.00	Advance on sales

(6.13) TAXES PAYABLE

2015-03-31	2014-03-31
1,288,419.01	-1,918,334.72

Main items of taxes payable are as follow:

Item	Beginning balance	Payable	Paid	Ending balance
VAT	-1,964,389.26	3,052,681.60	-	1,088,292.34
PIT	46,054.54	1,152,927.60	1,127,438.64	71,543.50
EIT	-	936,981.24	936,981.24	-
Housing property tax	-	229,392.73	131,081.56	98,311.17
Land tax	-	151,360.00	121,088.00	30,272.00
Total	-1,918,334.72	5,523,343.17	2,316,589.44	1,288,419.01

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%.

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

(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.

(6.14) ACCRUED EXPENSES

2015-03-31	2014-03-31
4,831,027.37	15,145,155.94

The main items of accrued expense are as follows:

Item	2015-03-31	2014-03-31
Commission expense	3,723,826.03	3,366,703.81
Estimated cost	-	8,008,846.22



(6.15) PAID IN CAPITAL

2015-03-31	2014-03-31
80,494,170.89	80,494,170.89

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	

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

41

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

(6.16) UNDISTRIBUTED PROFIT

	2015-03-31	2014-03-31
Net Profit	12,675,678.92	7,597,154.48
Add: The beginning undistributed profit of this year	-4,019,695.03	-11,616,849.51
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	<u>7,719,002.65</u>	<u>-4,019,695.03</u>

(6.17) SALES FROM MAIN OPERATING ACTIVITIES

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Overseas sales	95,038,373.93	70,252,150.99
Domestic sales	42,675,588.30	74,379,191.76
Total	<u>137,713,962.23</u>	<u>144,631,342.75</u>

(6.18) COST OF MAIN OPERATING ACTIVITIES

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Cost of goods sold	103,902,778.23	113,728,687.87
Total	<u>103,902,778.23</u>	<u>113,728,687.87</u>

(6.19) OPERATING EXPENSES

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Total	<u>6,927,807.89</u>	<u>9,668,218.71</u>

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

Accounts balance of operating expenses includes:

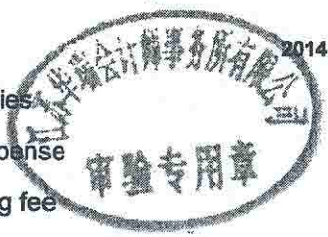
	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Salaries	1,742,666.66	1,611,099.77
Travelling expense	1,425,905.09	1,171,917.71
Sales Commission	586,477.64	3,052,306.79
Exportation expense	1,946,005.79	2,486,954.72

(6.20) ADMINISTRATIVE EXPENSES

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Total	14,207,546.81	12,051,059.73

Accounts balance of administrative expenses includes:

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Salaries	3,522,276.95	2,669,098.57
Rent expense	638,501.35	614,263.78
Catering fee	827,834.40	654,695.90
Travelling expense	797,221.80	506,522.51
Depreciation	711,588.74	915,028.89
Telephone bills	183,445.07	246,625.24
Consultation expense	246,460.15	201,055.05
Security expense	300,398.00	231,972.00
Software amortization	68,809.93	141,966.66
Technology royalty	3,281,877.65	3,446,531.05



43

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
 NOTES TO FINANCIAL STATEMENTS
 FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

(6.21) FINANCIAL EXPENSE

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Interest expense	-	-
Less: Interest income	337,091.20	684,381.98
Add: Exchange gain & loss	148,050.66	-601,440.13
Add: other charges	166,648.08	105,934.60
Total	-22,392.46	-1,179,887.51

(6.22) NON-OPERATING INCOMES

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Income from disposal of fixed assets	44,471.32	18,536.45
Handling fee for PIT withholding and payment	28,332.80	-
Others	-	2.00
Subsidies	103,000.00	-
Total	175,804.12	18,538.45



(6.23) NON-OPERATING EXPENSES

	2014-04-01 To 2015-03-31	2013-04-01 To 2014-03-31
Overdue fine	53,143.71	286.83
Penalty	1,850.00	400.00
Others	0.02	-
Total	54,993.73	686.83

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 1, 2014 to MARCH 31, 2015
 (All amounts are stated in RMB Yuan unless otherwise stated)

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	1,539,540.08	32,405,191.21	3,466,353.16

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

Enterprise

Person in charge

Chief accountant

(Signature)

[Handwritten Signature]
(Signature)

[Handwritten Signature]
(Signature)