

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

**AUDIT REPORT**

**HUARUISHENZI [2020] NO. 101017**

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

## **FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE PERIOD FROM APRIL 1, 2019 to MARCH 31,2020**

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

### **Catalogue**

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## Auditor's Report

[English Translation for Reference Only]

HUARUISHENZI [2020] NO. 101017

The shareholders of 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, 2020, and the income statement, cash flow statement for the period from April 1, 2019 to March 31, 2020, 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 the company as of March 31, 2020 and the operating results and cash flow from April 1, 2019 to March 31, 2020.

### 2. Basis of forming an audit opinion

We performed the audit work in accordance with the provisions of the Chinese CPA Auditing Standards. The "Certified Public Accountant's Responsibility for Auditing Financial Statements" section of the audit report further explains our responsibilities under these guidelines. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent and fulfill other responsibilities in professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the publication of audit opinions.

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

The management is responsible for compiling financial statements in accordance with the provisions of enterprise accounting standards to achieve fair reflection, and to design, implement and maintain the necessary internal controls so that the financial statements do not contain major misstatements caused by fraud or error.

In preparing the financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing matters related to the going concern (if applicable), and applying the going concern assumption, unless the management plans to liquidate the company, terminate the operation or has no other realistic choice.

The management is responsible for supervising the financial reporting process

#### 4. Auditor's Responsibility

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatement due to fraud or error, and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but there is no guarantee that audits performed in accordance with auditing standards will always be discovered in the presence of a material misstatement. Misstatements may be caused by fraud or error. If it is reasonably expected that the misstatement alone or aggregated may affect the financial decision made by the financial statement user based on the financial statements, the misstatement is generally considered to be significant.

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) To draw a conclusion on the appropriateness of the assumption of going concern used by management. At the same time, according to the audit evidence obtained, it is possible to draw a conclusion on whether there are significant uncertainties in the event or situation that may cause serious doubts about the sustainability of LMW Textile Machinery (Suzhou) Co., Ltd. If we come to the conclusion that there are significant uncertainties, the auditing standards require us to draw the attention of the users of the financial statements to the relevant disclosures in the auditing reports; if the disclosures are insufficient, we should issue non-unreserved opinions. Our conclusions are based on information available as of the audit report date. However, future events or circumstances may lead to the unsustainable operation of LMW Textile Machinery (Suzhou) Co., Ltd.
- (5) 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.



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

**Balance Sheet**

2020/03/31

RMB (Yuan)

<u>Assets</u>	<u>Notes</u>	<u>2020/3/31</u>	<u>2019/3/31</u>
<b>Current Assets:</b>			
Cash at bank and in hand	5.1	18,110,094.30	33,484,241.75
Notes receivable	5.2	757,282.19	1,616,000.00
Accounts receivable	5.3	5,559,425.04	9,614,668.81
Advances to suppliers	5.4	879,159.69	1,526,397.53
Dividend Receivable		0.00	0.00
Interest receivable		0.00	0.00
Other receivables		32,853.03	109,814.06
Inventory	5.5	13,677,768.49	16,455,214.59
Holding assets for sale		0.00	0.00
Non-current assets due within one year		0.00	0.00
Other current assets		68,538.00	97,679.00
<b>Total current assets</b>		<b>39,087,120.74</b>	<b>62,904,015.74</b>
<b>Non-current Assets:</b>			
Held to maturity investments		0.00	0.00
Investment real estate		0.00	0.00
Long-term share investment		0.00	0.00
Fixed assets	5.6	43,252,808.04	47,925,246.04
Construction in progress		0.00	0.00
Engineering materials		0.00	0.00
Disposal of fixed assets		0.00	0.00
Intangible assets	5.7	4,901,336.52	5,015,764.68
Development expenditure		0.00	0.00
Long-term prepaid expenses		-0.02	6,154.20
Deferred tax assets		0.00	0.00
Other Non-current assets		0.00	0.00
<b>Total Non-current assets</b>		<b>48,154,144.54</b>	<b>52,947,164.92</b>
<b>Total assets</b>		<b>87,239,265.28</b>	<b>115,851,180.66</b>

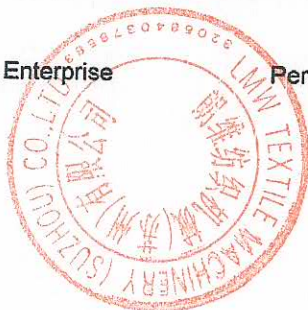


The attached notes is an integral part of the financial statements.

Enterprise

Person in charge: Ganapathiappan Rajeswaran

Chief accountant: Chunlan Xu



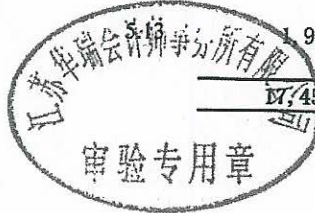
*Ganapathiappan Rajeswaran*

*徐春兰*  
Chunlan Xu

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

2020/03/31  
RMB (Yuan)

<u>Liabilities and owner's equity</u>	<u>Notes</u>	<u>2020/3/31</u>	<u>2019/3/31</u>
<b>Current liabilities:</b>			
Short-term loans		0.00	0.00
Notes payable		0.00	2,674,793.99
Accounts payable	5.8	9,700,634.36	12,765,476.01
Advances from customers	5.9	2,975,045.56	5,704,807.31
Accrued Wages	5.10	1,596,512.68	1,878,000.80
Taxes payable	5.11	108,131.39	-109,732.28
Interest payable		0.00	0.00
Dividends payable		0.00	0.00
Other payables	5.12	1,140,753.17	2,139,722.41
Non-current liabilities due within one year		0.00	0.00
Other current liabilities		1,938,617.30	2,205,983.25
<b>Total current liabilities</b>		<b>17,459,694.46</b>	<b>27,259,051.49</b>
<b>Non-current liabilities:</b>			
Long-term debt		0.00	2,850,000.00
Bonds payable		0.00	0.00
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
<b>Total Non-current liabilities</b>		<b>0.00</b>	<b>2,850,000.00</b>
<b>Total liabilities</b>		<b>17,459,694.46</b>	<b>30,109,051.49</b>
<b>Owner's equity (or Shareholders' equity) :</b>			
Paid-in capital	5.14	80,494,171.89	80,494,171.89
Other equity instruments		0.00	0.00
Capital surplus		877.65	877.65
Earned surplus		0.00	0.00
Undistributed profit	5.15	-10,715,478.72	5,247,079.63
<b>Total owner's equity</b>		<b>69,779,570.82</b>	<b>85,742,129.17</b>
<b>Total liabilities and owner's equity</b>		<b>87,239,265.28</b>	<b>115,851,180.66</b>



The attached notes is an integral part of the financial statements.

Enterprise



Person in charge: Ganapathiappan Rajeswaran

*Ganapathiappan Rajeswaran*

Chief accountant: Chunlan Xu

*徐春兰*

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

**Income statement**

2019-04-01 To 2020-03-31

RMB (Yuan)

<u>Items</u>	<u>Notes</u>	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
<b>1. Operating income</b>	5.16	18,813,754.47	108,724,633.99
Less: Operating cost	5.17	24,892,034.97	94,891,823.17
Taxes and surcharges	5.18	489,194.95	540,417.61
Sales expense	5.19	4,014,266.55	7,645,536.11
Management costs	5.20	5,519,991.28	9,581,339.84
Research expenses		0.00	0.00
Financial expenses	5.21	-142,319.11	722,594.69
Asset impairment loss		0.00	0.00
Add: Other income		0.00	0.00
Investment income		0.00	0.00
Income from changes in fair value		0.00	0.00
Income from asset disposal		0.00	0.00
<b>2. Operating profit</b>		<b>-15,959,414.17</b>	<b>-4,657,077.43</b>
Add: Non-operating income	5.22	29,486.93	500,015.48
Less: Non-operating cost	5.23	32,631.11	59,944.30
<b>3. Total profit</b>		<b>-15,962,558.35</b>	<b>-4,217,006.25</b>
Less: Income tax expense		0.00	0.00
<b>4. Net profit</b>		<b>-15,962,558.35</b>	<b>-4,217,006.25</b>
Net profit from continuing operations		0.00	0.00
Termination of operating net profit		0.00	0.00
<b>5. Net of tax of other comprehensive income</b>		<b>0.00</b>	<b>0.00</b>
Not reclassified into profit or loss		0.00	0.00
Reclassified to profit or loss		0.00	0.00
<b>6. Total comprehensive income</b>		<b>-15,962,558.35</b>	<b>-4,217,006.25</b>
<b>7. Add: Undistributed profit at the beginning of the year</b>		<b>5,247,079.63</b>	<b>9,474,454.95</b>
Other transfers in		0.00	-10,369.07
Less: Distribution to owners		0.00	0.00
Withdrawal of surplus reserve		0.00	0.00
Other		0.00	0.00
Undistributed profit		0.00	0.00
		<b>-10,715,478.72</b>	<b>5,247,079.63</b>



The attached notes is an integral part of the financial statements.

Enterprise



Person in charge: Ganapathiappan Rajeswaran

Chief accountant: Chunlan Xu

LMW Textile Machinery (Suzhou) Co., Ltd.

Cash Flow Statement

2019-04-01 To 2020-03-31

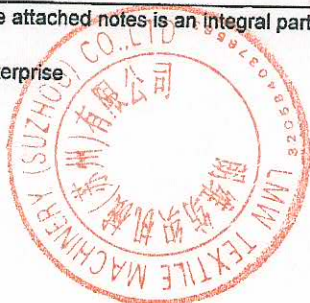
RMB (Yuan)

<u>Items</u>	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
<b>1. Cash flow from operating activities</b>		
Cash received from sales of goods or rendering services	21,424,635.98	93,712,999.34
Cash received from tax return	1,416,584.34	5,436,494.27
Other cash received from operating activities	111,971.12	387,735.23
<b>Sub-total of cash inflows</b>	<b>22,953,191.44</b>	<b>99,537,228.84</b>
Cash paid for goods and services	23,659,739.76	110,566,275.52
Cash paid to and on behalf of employees	8,748,592.09	11,946,527.93
Taxes paid	1,089,298.35	1,917,316.39
Other cash paid relating to operating	1,577,746.85	848,961.66
<b>Sub-total of cash outflows</b>	<b>35,075,377.05</b>	<b>125,279,081.50</b>
<b>Net cash flows from operating activities</b>	<b>-12,122,185.61</b>	<b>-25,741,852.66</b>
<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	0.00
Other cash received from investment	0.00	0.00
<b>Sub-total of cash inflows</b>	<b>0.00</b>	<b>0.00</b>
Cash paid to acquire fixed assets and intangible assets	216,518.29	129,655.02
Cash paid to investment	0.00	0.00
Other cash paid to investment	0.00	0.00
<b>Sub-total cash outflows</b>	<b>216,518.29</b>	<b>129,655.02</b>
<b>Net cash flows from investment activities</b>	<b>-216,518.29</b>	<b>-129,655.02</b>
<b>3. Cash from financing activities</b>		
Cash received from absorbing investment	0.00	0.00
Proceeds from loans	0.00	0.00
Other cash received from financing activities	0.00	0.00
<b>Sub-total of cash inflows</b>	<b>0.00</b>	<b>0.00</b>
Cash repayments of amounts borrowed	2,850,000.00	0.00
Cash payments of interests payment	185,443.55	164,323.97
Other cash payments from financing activities	0.00	0.00
<b>Sub-total of cash outflows</b>	<b>3,035,443.55</b>	<b>164,323.97</b>
<b>Net cash flows from financing activities</b>	<b>-3,035,443.55</b>	<b>-164,323.97</b>
<b>4. Effect of foreign exchange rate changes</b>	<b>0.00</b>	<b>0.00</b>
<b>5. Net increases in cash and cash equivalent</b>	<b>-15,374,147.45</b>	<b>-26,035,831.65</b>
Add: balance of cash and cash equivalents at the beginning of the period	33,484,241.75	59,520,073.40
<b>6. Balance of cash and cash equivalents at the end of the period</b>	<b>18,110,094.30</b>	<b>33,484,241.75</b>



The attached notes is an integral part of the financial statements.

Enterprise



Person in charge: Ganapathiappan Rajeswaran

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Chief accountant: Chunla

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**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM April 1, 2019 to March 31, 2020**  
(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. The address is South of Ye Gang Road, West of Guang Ming Road, Wujiang Economic Development Zone. Legal representative is MUTHULINGAM SANKAR. The total investment of the Company is USD 29,000,000, the registered capital is USD 12,500,000, and the business period 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 products mentioned above 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. 07270002 agreed to change the legal representative. The legal representative after the change is 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").

**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. Statement of compliance with corporate accounting standards and regulations**

The financial statements meet the requirements of the Accounting Standards for Business Enterprises, which truly and completely fully reflects the financial position of the company as of March 31, 2020, and the operating results and cash flow from April 1, 2019 to March 31, 2020.

**3.2. Accounting Period**

The accounting period of the company is divided into annual period and interim period. Interim period refers to the reporting period shorter than a complete accounting year.

**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM April 1, 2019 to March 31, 2020**  
(All amounts are stated in RMB Yuan unless otherwise stated)

3.3. Reporting currency

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

3.4. 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.

3.5. Receivables and other items

Other receivables such as receivables, notes receivable, prepayments, interest receivable, etc. are listed as actual. If bad debts are incurred, they are written off directly.

3.6. Bad debt accounting

Bad debt recognition criteria: receivables that are still uncollectible after the debtor has been revoked, bankrupted or dying, in accordance with the lawful bankruptcy or settlement of the estate; the debtor's overdue performance of the repayment obligation for more than three years is still not recoverable and there is a clear basis that Receivables that are indeed uncollectible are treated as bad debt losses upon approval.

The company's bad debt accounting uses the direct write-off method.

3.7. Inventories

(1) Classification of inventory

The company's inventory is divided into raw materials, in-process products, semi-finished products, finished products, inventory goods, 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. Raw materials, products, stocks, and 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.

3.8. Long term equity investment

The long-term equity investment with joint control (excluding joint operators) or significant impact on the invested entity shall be accounted by the equity method. In addition, the company adopts cost method to calculate the long-term equity investment that can control the investee.

**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM April 1, 2019 to March 31, 2020**  
 (All amounts are stated in RMB Yuan unless otherwise stated)

(1) Long term equity investment accounted by cost method

When the cost method is adopted for accounting, the long-term equity investment is priced at the initial investment cost, and the cost of the long-term equity investment is adjusted by adding or recovering the investment. In addition to the price actually paid or the cash dividends or profits declared but not yet distributed included in the consideration when the investment is obtained, the current investment income shall be recognized according to the cash dividends or profits declared and distributed by the invested entity.

(2) Long term equity investment accounted by equity method

When the equity method is adopted for accounting, if the initial investment cost of the long-term equity investment is greater than the fair value share of the investee's identifiable net assets at the time of investment, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the fair value share of the investee's identifiable net assets at the time of investment, the difference shall be included in the current profit and loss, and the long-term shares shall be adjusted at the same time Cost of equity investment.

**3.9. Fixed Assets and Depreciation**

(1) Recognition conditions and valuation of fixed assets

The company's 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 cost of the asset includes the purchase price and the expenditure necessary before the asset reaches its intended usable state. The maintenance and maintenance expenditure incurred after the fixed assets are put into use shall be expended in the year in which they occur, and the major improvement and renewal expenditure with future economic benefits shall be capitalized.

(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	9.00~19.80
Vehicles equipment	Straight-line-method	4~5	0~10.00	18.00~22.50
Office equipment	Straight-line-method	3~5	0~10.00	19.00~31.67
Other equipment	Straight-line-method	1~5	0~10.00	18.00~100.00

**3.10. 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

**LMW TEXTILE MACHINERY (SUZHOU) CO., LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM April 1, 2019 to March 31, 2020**  
(All amounts are stated in RMB Yuan unless otherwise stated)

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 has reached the working condition for its intended use.

**3.11. Borrowing cost**

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings. Borrowing costs directly attributable to the acquisition, construction or production of assets eligible for capitalization. The acquisition, construction or production activities necessary for the occurrence of the asset expenditure, the borrowing costs have occurred, and the assets are ready for their intended use or sale. At the beginning, capitalization begins; capitalization is stopped when the assets under construction or production that meet the capitalization conditions are ready for their intended use or saleable status. The remaining borrowing costs are recognized as an expense in the period in which they are incurred.

**3.12. Intangible assets**

(1) 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.

(2) 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).

**3.13. 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.

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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.

**3.14. 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 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.

**3.15. Payable Salary**

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

**3.16. 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 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.

**3.17. 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

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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.

**3.18. Income tax**

The Company applies tax payable method to Tax payable method.

**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**

	<b>2020-03-31</b>	<b>2019-03-31</b>
Cash on hand	1,660.20	31,277.85
Cash in banks	18,108,434.10	33,452,963.90
<b>Total</b>	<b>18,110,094.30</b>	<b>33,484,241.75</b>

**5.2. Notes Receivable**

	<b>2020-03-31</b>	<b>2019-03-31</b>
Trade notes	--	--
Bank notes	757,282.19	1,616,000.00
<b>Total</b>	<b>757,282.19</b>	<b>1,616,000.00</b>

Notes receivable mainly includes:

<b>Name of the Company</b>	<b>End. Balance</b>	<b>Nature</b>
Linqing Yutai Textile Co., Ltd	500,000.00	Purchase
Shandong Shengxiang Textile Co., Ltd	257,282.19	Purchase

**5.3. Accounts Receivable**

	<b>2020-03-31</b>	<b>2019-03-31</b>
Accounts receivable	5,559,425.04	9,614,668.81
Less: provisions for bad debts	--	--
<b>Total:</b>	<b>5,559,425.04</b>	<b>9,614,668.81</b>

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Ageing Analysis	2020-3-31			2019-3-31		
	Carrying Amount	Provision for bad debts		Carrying Amount	Provision for bad debts	
		%	Amount		%	Amount
Within 1 year	5,559,425.04	--	--	9,614,668.81	--	--
1-3 years	--	--	--	--	--	--
Above 3 years	--	--	--	--	--	--
<b>Total</b>	<b>5,559,425.04</b>	<b>--</b>	<b>--</b>	<b>9,614,668.81</b>	<b>--</b>	<b>--</b>

Account receivable mainly includes:

customers	End balance	Nature
LMW INDIA	5,057,077.75	Purchase

As of March 31, 2020, the company's management believes that there is no difficulty in recovery in the balance of the above receivables.

**5.4. Advance to suppliers**

	2020-03-31	2019-03-31
	879,159.69	1,526,397.53

The advance to suppliers mainly includes:

Suppliers	End balance	Nature
Customs Authorities	275,232.39	Customs duties and charges
Suzhou Jiangsu Electric Power Company	97,439.60	Electricity fees

**5.5. Inventories**

	2020-3-31	2019-3-31
Raw materials	10,878,403.32	12,069,033.56
WIP	1,056,962.83	2,000,212.14
Self-manufactured goods	1,021,382.15	2,385,968.89
Finished goods	721,020.19	--
Less: provisions for inventory impairment	--	--
<b>Total</b>	<b>13,677,768.49</b>	<b>16,455,214.59</b>

As of March 31, 2020, the company's management believes that there is no sign of impairment of inventory, and no provision for impairment is required.

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**5.6. Fixed Assets**

<u>Items</u>	<u>2019-03-31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2020-03-31</u>
<b>Original Value:</b>				
Buildings	50,790,877.93	--	--	50,790,877.93
Machinery Equipment	14,137,590.93	172,918.29	120,285.36	14,190,223.86
Vehicle Equipment	691,469.58	--	--	691,469.58
Office Equipment	3,337,189.96	43,600.00	--	3,380,789.96
Other Equipment	4,449,780.63	--	--	4,449,780.63
<b>Total</b>	<b>73,406,909.03</b>	<b>216,518.29</b>	<b>120,285.36</b>	<b>73,503,141.96</b>

<u>Items</u>	<u>2019-03-31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2020-03-31</u>
<b>Accumulated depreciation:</b>				
Buildings	10,685,130.91	2,514,148.45	--	13,199,279.36
Machinery Equipment	8,012,546.73	1,703,753.22	20,749.22	9,695,550.73
Vehicle Equipment	493,606.89	45,288.80	--	538,895.69
Office Equipment	2,838,395.02	262,534.98	--	3,100,930.00
Other Equipment	3,451,983.44	263,694.70	--	3,715,678.14
<b>Total</b>	<b>25,481,662.99</b>	<b>4,789,420.15</b>	<b>20,749.22</b>	<b>30,250,333.92</b>

<u>Items</u>	<u>2019-03-31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2020-03-31</u>
<b>Net value:</b>				
Buildings	40,105,747.02	--	2,514,148.45	37,591,598.57
Machinery Equipment	6,125,044.20	--	1,630,371.07	4,494,673.13
Vehicle Equipment	197,862.69	--	45,288.80	152,573.89
Office Equipment	498,794.94	--	218,934.98	279,859.96
Other Equipment	997,797.19	--	263,694.70	734,102.49
<b>Total</b>	<b>47,925,246.04</b>	<b>--</b>	<b>4,672,438.00</b>	<b>43,252,808.04</b>

As of March 31, 2020, the company's management believes that there is no sign of impairment of fixed assets and no provision for impairment is required.

**5.7. Intangible Assets**

	<u>2020-03-31</u>	<u>2019-03-31</u>
Beginning of year	5,015,764.68	5,130,192.84
Add: Increase this year	--	--
Less: Carry forward this year	--	--
Amortize this year	114,428.16	114,428.16
<b>Net balance at the end of year</b>	<b>4,901,336.52</b>	<b>5,015,764.68</b>



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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	5,015,764.68	--	114,428.16	4,901,336.52
Total	5,721,408.00	--	5,015,764.68	--	114,428.16	4,901,336.52

**5.8. Accounts Payable**

2020-03-31	2019-03-31
9,700,634.36	12,765,476.01

Accounts balance of accounts payable includes:

Name of the Company	Accounts Balance	Nature
Wuxi Yuqi Textile Machinery Parts Factory	275,313.34	Payment of material
LAKSHMI MACHINE WORKS LIMITED	6,904,422.31	Payment of material

**5.9. Advance from customers**



2020-3-31	2019-3-31
2,975,045.56	5,704,807.31

Accounts balance of advance from customers includes:

Name of the Company	Accounts Balance	Nature
Shandong Shengxiang Textile Co., Ltd	510,000.00	Advance payment
Bailong (Vietnam) Co., Ltd.	590,106.18	Advance payment

**5.10. Accrued Wages**

	2020-03-31	2019-03-31
Wages of staff and workers	1,596,512.68	1,878,000.80
Union funds	--	--
Other	--	--
Total	1,596,512.68	1,878,000.80

**5.11. Taxes Payable**

2020-03-31	2019-03-31
108,131.39	-109,732.28

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Main Items of taxes payable are as follow:

Item	Beginning balance	Payable	Paid	Ending balance
VAT	-504,180.01	318,703.29	--	-185,476.72
PIT	249,795.53	277,729.42	382,353.04	145,171.91
Land tax	18,920.00	94,600.00	90,816.00	22,704.00
Housing property tax	125,732.20	505,503.40	505,503.40	125,732.20
Urban construction	--	285,363.72	285,363.72	--
Additional education	--	203,831.23	203,831.23	--
Total	-109,732.28	1,685,731.06	1,467,867.39	108,131.39

The main taxations and the related tax rates include:

(1) Value Added Tax ("VAT")

According to the national tax regulations, the VAT rate for domestic sales of products is 16%/13%. The value-added tax is paid by the buyer at 16%/13% 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 deducted due to the purchase of the goods. (Note: The VAT rate is 16% before March 31, 2019, and the VAT rate is adjusted to 13% from April 1, 2019.)

(2) Corporate income taxes ("CIT")

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

(3) Individual Income Tax ("IIT")

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

**5.12. Other Payables**

2020-03-31	2019-03-31
1,140,753.17	2,139,722.41

Main Items include:

Item	2020-3-31	2019-3-31
Sales service fee	688,454.46	1,182,231.39
Import charges	243,500.00	562,515.00
Outport charges	--	120,555.00

**5.13. Other Current Liabilities**

2020-03-31	2019-03-31
1,938,617.30	2,205,983.25

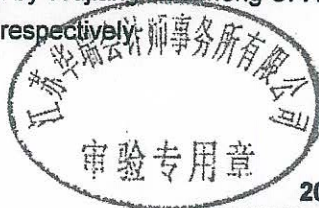
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**5.14. Paid in capital**

<u>2020-03-31</u>	<u>2019-03-31</u>
80,494,171.89	80,494,171.89

Investor	Ending balance of paid-in capital		% to paid-in capital	% to registered capital
	USD	RMB		
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.



**5.15. Undistributed profit**

	<u>2020-03-31</u>	<u>2019-03-31</u>
Net Profit	-15,962,558.35	-4,217,006.25
Add: The beginning undistributed profit of this year	5,247,079.63	9,474,454.95
Less: Adjustment for prior years	--	10,369.07
Less: Statutory accumulation reserve	--	--
Statutory welfare reserve	--	--
Capitalization of profit	--	--
Undistributed profits at year-end	<u>-10,715,478.72</u>	<u>5,247,079.63</u>

**5.16. Sales from operating activities**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Main business income	18,794,508.04	108,624,755.93
Other business income	19,246.43	99,878.06
Total	<u>18,813,754.47</u>	<u>108,724,633.99</u>

**5.17. Cost of main operating activities**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Main business cost	24,892,034.97	94,891,823.17
Other business cost	--	--
Total	<u>24,892,034.97</u>	<u>94,891,823.17</u>

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**5.18. Taxes and surcharges**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Urban maintenance and construction tax	122,298.74	135,104.40
Education surcharge	81,532.49	90,069.60
Local education surcharge	285,363.72	315,243.61
<b>Total</b>	<b>489,194.95</b>	<b>540,417.61</b>

**5.19. Sales Expense**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
	4,014,266.55	7,645,536.11
<b>Main Items include:</b>		
	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Wages	1,841,742.91	1,838,805.27
Travel expenses	868,143.23	1,220,715.68
Sales service fee	85,973.84	1,662,922.37
Export cost	429,389.28	1,409,157.11
Warranty maintenance fee	325,299.34	917,065.52
Transportation cost	140,736.51	--
Employee social security	270,076.91	--

**5.20. Administrative Expenses**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
	5,519,991.28	9,581,339.84

Accounts balance of administrative expenses includes:

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Wages	1,856,423.95	2,260,127.36
Rent	94,692.33	122,431.99
Meals	204,856.90	375,385.97
Travel expenses	157,910.20	169,118.74
Depreciation	534,720.92	791,070.34
Telephone rate	90,065.19	102,172.64
Security fee	225,493.90	258,509.45
Technology license fee	22,336.28	2,014,072.79
Service charge	106,295.65	182,466.34
R & D fee	583,256.60	1,417,087.44
Water and electricity	109,565.82	181,042.35
Employee social security	108,910.20	141,666.77

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**5.21. Financial Expense**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Interest expense	185,443.55	164,323.97
Less: Interest income	96,109.65	287,719.75
Add: Exchange gain & loss	-272,634.06	772,788.01
Add: Other charges	40,981.05	73,202.46
<b>Total</b>	<b>-142,319.11</b>	<b>722,594.69</b>

**5.22. Non-operating income**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Purchase individual refund	--	30,000.00
Employee medical insurance and other subsidies	--	15,000.00
Return of individual income tax service charge	--	37,700.48
Stable subsidy	--	17,315.00
Confiscation of deposit	--	400,000.00
Wall allocation	13,761.47	--
Insurance for employee's absence from work	2,100.00	--
Proceeds from sale of fixed assets	13,625.46	--
<b>Total</b>	<b>29,486.93</b>	<b>500,015.48</b>



**5.23. Non-operating cost**

	<u>2019-04-01 To 2020-03-31</u>	<u>2018-04-01 To 2019-03-31</u>
Fines/late fees	24,957.00	59,335.30
Overdue payment for imported goods	491.00	609.00
Tax overdue fine	7,183.11	--
<b>Total</b>	<b>32,631.11</b>	<b>59,944.30</b>

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**5.24. Cash Flow Statement Supplementary Information**

Items	2019-04-01 To 2020-3-31	2018-04-01 To 2019-3-31
<b>1. Adjusting net profit to cash flow from operating activities:</b>		
Net profit	-15,962,558.35	-4,217,006.25
Add: Asset impairment provision	--	--
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	4,789,420.15	5,196,174.56
Amortization of intangible assets	114,428.16	114,428.16
Long-term deferred expenses amortization	6,154.22	6,154.20
Disposal of fixed assets, intangible assets and other long-term assets (revenues are marked with "-")	-13,625.46	--
Loss of fixed assets (revenues are marked with "-")	--	--
Loss of fair value change (revenue is marked with "-")	--	--
Financial expenses (revenues are marked with "-")	185,443.55	164,323.97
Investment losses (revenues are marked with "-")	--	--
Deferred income tax assets decreased (increase by "-")	--	--
Deferred income tax liabilities increased (reduced by "-")	--	--
Reduced inventory (increase by "-")	2,777,446.10	22,068,317.57
Reduction of operational receivables (increased by "-")	5,780,463.05	-2,114,100.96
Increase in operational payables (reduced by "-")	-9,799,357.03	-46,960,143.91
Other (see note after the table)	--	--
Net cash flow from operating activities	-12,122,185.61	-25,741,852.66
<b>2. Significant investment and fundraising activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital	--	--
Convertible corporate bonds due within one year	--	--
Financing leased fixed assets	--	--
<b>3. Net change in cash and cash equivalents:</b>		
Ending balance of cash	18,110,094.30	33,484,241.75
Less: the opening balance of cash	33,484,241.75	59,520,073.40
Plus: the ending balance of cash equivalents	--	--
Less: the opening balance of cash equivalents	--	--
Net increase in cash and cash equivalents	-15,374,147.45	-26,035,831.65



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**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	4,537,888.25	6,448,678.80	22,336.28

**6.2. Financial commitment**

As of March 31, 2020, the company had no major financial commitments that needed to be disclosed.

**6.3. Contingencies**

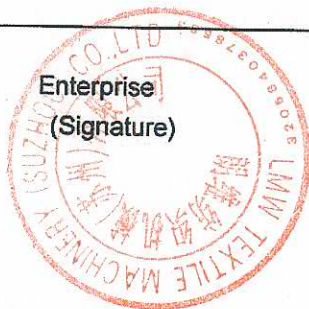
As of March 31, 2020, the company had no major contingent issues to disclose.

**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**

From April 1, 2019 to March 31, 2020, the company disclosed no other important matters.



Person in charge  
(Signature)

Chief accountant  
(Signature)