

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

AUDIT REPORT



LMW TEXTILE MACHINERY (SUZHOU) CO., LTD

FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE PERIOD FROM April 1, 2024 to March 31, 2025

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

Catalogue

	Page
I. Auditor's Report	1-2
II. Audited financial statements	
Balance sheet	1-2
Income statement	3
Cash flow statement	4
Statement of owner's equity	5
Appendix	6-18

Auditor's Report

[English Translation for Reference Only]

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, 2025, and the income statement, cash flow statement for the period from April 1, 2024 to March 31, 2025, 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, 2025 and the operating results and cash flow from April 1, 2024 to March 31, 2025.

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.

When preparing financial statements, management is responsible for evaluating your company's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and applying the going concern assumption, unless management plans to liquidate your company, terminate operations, 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.

Zhongxingcai Guanghua cpas LLP Jiangsu Branch



China Suzhou

CICPA



CICPA



5.22.2025

LMW Textile Machinery (Suzhou) Co., Ltd.

Balance Sheet

2025/03/31

RMB (Yuan)

<u>Assets</u>	<u>Notes</u>	<u>2025/3/31</u>	<u>2024/3/31</u>
Current Assets:			
Cash at bank and in hand	5.1	13,086,352.89	23,664,347.11
Short-term investment		0.00	0.00
Notes receivable		319,119.43	406,578.37
Dividend Receivable		0.00	0.00
Accounts receivable	5.2	16,402,852.45	7,186,872.80
Other receivables		59,645.36	54,452.24
Prepayments		944,059.14	526,909.43
Inventory	5.3	35,237,868.63	50,108,160.86
Pending expenses		80,638.00	99,488.00
Other current assets		0.00	0.00
Total current assets		66,130,535.90	82,046,808.81
Long term investment:			
Long-term equity investment		0.00	0.00
Long-term debt investments		0.00	0.00
Total long-term investment		0.00	0.00
Fixed assets:			
Original price of fixed assets	5.4	76,968,798.64	76,944,665.42
Less: Accumulated depreciation	5.4	46,657,151.42	43,321,644.11
Less: Provision for impairment of fixed assets		0.00	0.00
Net fixed assets	5.4	30,311,647.22	33,623,021.31
Construction in progress		0.00	0.00
Fixed asset liquidation		0.00	0.00
Total fixed assets		30,311,647.22	33,623,021.31
Intangible assets and other assets:			
Intangible assets	5.5	4,329,195.72	4,443,623.88
Long-term deferred expenses		0.00	0.00
Other long-term assets		0.00	0.00
Total intangible assets and other assets		4,329,195.72	4,443,623.88
Total Non-current assets		34,640,842.94	38,066,645.19
Total assets		100,771,378.84	120,113,454.00

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

Enterprise

Person in charge:

Chief accountant:

LMW Textile Machinery (Suzhou) Co., Ltd.

Balance Sheet

2025/03/31

RMB (Yuan)

<u>Liabilities and owner's equity</u>	<u>Notes</u>	<u>2025/3/31</u>	<u>2024/3/31</u>
Current liabilities:			
Short-term loans		0.00	0.00
Notes payable		0.00	0.00
Accounts payable	5.6	8,618,813.18	25,047,652.88
Advances from customers	5.7	2,205,320.51	1,879,038.46
Accrued Wages		1,407,188.48	1,268,584.42
Welfare payable		0.00	0.00
Payable dividends		0.00	0.00
Taxes payable	5.8	540,220.49	522,567.25
		0.00	0.00
Other payables	5.9	16,508,675.88	13,106,704.12
Accrued expenses		0.00	0.00
Other current liabilities	5.10	1,513,285.85	1,439,038.05
Total current liabilities		30,793,504.39	43,263,585.18
Non-current liabilities:			
Long-term debt		0.00	0.00
Long-term payables		0.00	0.00
Other Non-current liabilities		0.00	0.00
Total Non-current liabilities		0.00	0.00
Total liabilities		30,793,504.39	43,263,585.18
Owner's equity (or Shareholders' equity) :			
Paid-in capital	5.11	80,494,171.89	80,494,171.89
Capital surplus		877.65	877.65
Earned surplus		0.00	0.00
Undistributed profit	5.12	-10,517,175.09	-3,645,180.72
Total owner's equity		69,977,874.45	76,849,868.82
Total liabilities and owner's equity		100,771,378.84	120,113,454.00

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

Enterprise

Person in charge:

Chief accountant:

LMW Textile Machinery (Suzhou) Co., Ltd.

Income statement

2024-4-01 To 2025-3-31

RMB (Yuan)

Items	Notes	2024-04-01 To 2025-03-31	2023-04-01 To 2024-03-31
1.Operating income	5.13	57,463,221.68	24,107,912.74
Less: Operating cost	5.14	48,309,087.20	22,662,767.84
Taxes and surcharges	5.15	541,996.08	741,921.33
2.Main business profit		8,612,138.40	703,223.57
Add: Other income	5.16	11,416.37	29,797.33
Sales expense	5.17	7,243,155.25	4,763,524.79
Management costs	5.18	8,820,258.30	8,680,214.58
Among them: R&D expenses			
Financial expenses	5.19	-408,622.15	-1,688,520.56
3.Operating profit		-7,031,236.63	-11,022,197.91
Add: Investment income		0.00	0.00
Subsidy income		0.00	0.00
Add: Non-operating income	5.20	162,696.56	70,178.01
Less: Non-operating cost		3,454.30	200.00
4.Total profit		-6,871,994.37	-10,952,219.90
Less: Income tax expense		0.00	0.00
5.Net profit		-6,871,994.37	-10,952,219.90
Net profit from continuing operations		-6,871,994.37	-10,952,219.90
Termination of operating net profit		0.00	0.00
6.Total comprehensive income		-6,871,994.37	-10,952,219.90
7. Add: Undistributed profit at the beginning of the year		-3,645,180.72	7,307,039.18
Other transfers in		0.00	0.00
Less: Distribution to owners		0.00	0.00
Withdrawal of surplus reserve		0.00	0.00
Other		0.00	0.00
Undistributed profit		-10,517,175.09	-3,645,180.72

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

Enterprise

Person in charge:

Chief accountant:

LMW Textile Machinery (Suzhou) Co., Ltd.

Cash Flow Statement

2024-04-01 To 2025-3-31

RMB (Yuan)

<u>Items</u>	<u>2024-04-01 To 2025-3-31</u>	<u>2023-04-01 To 2024-3-31</u>
1. Cash flow from operating activities		
Cash received from sales of goods or rendering services	49,665,171.87	51,791,115.74
Cash received from tax return	1,942,971.09	5,461,310.35
Other cash received from operating activities	359,518.07	86,155.02
Sub-total of cash inflows	51,967,661.03	57,338,581.11
Cash paid for goods and services	43,502,244.77	60,233,440.74
Cash paid to and on behalf of employees	10,397,565.53	10,146,619.23
Taxes paid	1,700,699.00	1,448,687.21
Other cash paid relating to operating	7,225,386.07	1,657,385.74
Sub-total of cash outflows	62,825,895.37	73,486,132.92
Net cash flows from operating activities	-10,858,234.34	-16,147,551.81
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	24,133.22	2,467,566.83
Cash paid to investment	0.00	0.00
Other cash paid to investment	0.00	0.00
Sub-total cash outflows	24,133.22	2,467,566.83
Net cash flows from investment activities	-24,133.22	-2,467,566.83
3. Cash from financing activities		
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
Sub-total of cash inflows	0.00	0.00
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	0.00	0.00
Net cash flows from financing activities	0.00	0.00
4. Effect of foreign exchange rate changes	304,373.34	1,869,369.81
5. Net increases in cash and cash equivalent	-10,577,994.22	-16,745,748.83
Add: balance of cash and cash equivalents at the beginning of the period	23,664,347.11	40,410,095.94
6. Balance of cash and cash equivalents at the end of the period	13,086,352.89	23,664,347.11

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

Enterprise

Person in charge:

Chief accountant:

LMW Textile Machinery (Suzhou) Co., Ltd.

RMB (Yuan)

Items	2024.4.1-2025.3.31					2023.4.1-2024.3.31				
	Paid in capital	Capital reserve	Surplus reserves	Undistributed profits	Owner's equity	Paid in capital	Capital reserve	Surplus reserves	Undistributed profits	Owner's equity
I. Balance at the end of last year	80,494,171.89	877.65	-	-3,645,180.72	76,849,868.82	80,494,171.89	877.65	-	7,307,039.18	87,802,088.72
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Early error correction	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
III. Increase and decrease in the current year (decrease expressed with "-")										
(1) Total comprehensive income	-	-	-	-6,871,994.37	-6,871,994.37	-	-	-	-10,952,219.90	-10,952,219.90
(2) Capital invested and reduced by owners	-	-	-	-6,871,994.37	-6,871,994.37	-	-	-	-10,952,219.90	-10,952,219.90
1. Capital invested by the owner	-	-	-	-	-	-	-	-	-	-
2. Amount of share based payment included in owner's equity	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserve	-	-	-	-	-	-	-	-	-	-
2. Distribution to owners	-	-	-	-	-	-	-	-	-	-
(4) Internal carry forward of owner's equity	-	-	-	-	-	-	-	-	-	-
1. Capital reserve converted to capital	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve transferred to capital	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve to cover losses	-	-	-	-	-	-	-	-	-	-
(5) Others	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	80,494,171.89	877.65	-	-10,517,175.09	69,977,874.45	80,494,171.89	877.65	-	-3,645,180.72	76,849,868.82

Person in charge:

Chief accountant:

Enterprise

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

1. CORPORATE INFORMATION

LMW Textile Machinery (SUZHOU) Co., Ltd. ("the Company") was established on September 4, 2008, with the approval of the Wujiang Foreign Trade and Economic Cooperation Bureau. It was funded by LAKSHMI MACHINE WORKS LIMITED, with a total investment of 29 million US dollars and a registered capital of 12.5 million US dollars. The unified social credit code is 91320509679801831M, and the legal representative is Chandrasekaran Arunachalam. The company's operating period is 50 years. The company's address is on the south side of Yegang Road and the west side of Guangming Road in Wujiang Economic and Technological Development Zone. Our business scope includes research, development, and manufacturing of new textile machinery and key components, as well as sales of our company's self-produced products; And provide installation, debugging, maintenance, and related technical consultation and after-sales service for the above products; Engaged in wholesale and import/export business of products similar to those produced by our company.

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, 2025, and the operating results and cash flow from April 1, 2024 to March 31, 2025.

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.

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.

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

3.5. Receivables and Bad debt accounting

Accounts receivable include accounts receivable, notes receivable, prepaid accounts, interest receivable, other receivables, etc.

The provision for bad debts is based on a combination of similar credit risk characteristics and individual recognition. Based on past experience, the actual financial condition and cash flow of the debtor unit, as well as other relevant information, estimate the recoverability of accounts receivable at the end of the period, and make provisions for bad debts for accounts receivable that are clearly difficult to recover.

Bad debt recognition criteria: Accounts receivable that cannot be recovered even after the debtor's revocation, bankruptcy, or death has been lawfully settled through their bankruptcy or inheritance; Accounts receivable that the debtor has failed to fulfill their repayment obligations for more than three years and still cannot be recovered, with solid evidence indicating that they cannot be recovered, shall be recognized as bad debt losses after approval.

If there is objective evidence indicating that the value of the receivable has been restored and objectively related to events that occurred after the recognition of the loss, the originally recognized impairment loss shall be reversed and recorded in the current period's profit and loss. However, the book value after the reversal shall not exceed the amortized cost of the receivable on the reversal date assuming no provision for impairment.

3.6. Inventories

(1) Classification of inventory

Our company's inventory is divided into raw materials, finished products, low value consumables, packaging materials, etc.

(2) Valuation method for inventory acquisition and issuance

Inventory is valued at actual cost upon acquisition. When raw materials, inventory goods, etc. are shipped, they are priced using the weighted average method; Low value consumables are amortized using the one-time write off method when received. Our company adopts the perpetual inventory system for inventory management.

(3) Method for provision for inventory depreciation

If the cost of inventory at the end of the period exceeds its net realizable value, a provision for inventory impairment shall be made. Our company usually makes provisions for inventory impairment based on individual (category) inventory items. At the end of the period, if the factors that previously reduced the value of inventory have disappeared, the inventory impairment provision will be reversed within the originally provisioned amount,

(4) Confirmation method for net realizable value of inventory

The net realizable value of inventory is the amount obtained by subtracting the estimated costs to be incurred until completion, estimated sales expenses, and related taxes from the estimated selling price of inventory.

3.7. 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.

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

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	0~10.00	9.90~20.00
Vehicles equipment	Straight-line method	4~5	0~10.00	18.00~20.00
Electronic equipment	Straight-line method	3~10	0~10.00	0.09~33.33
Other equipment	Straight-line method	1~5	0~10.00	18.00~100.00

3.8. Intangible assets

The intangible assets of our company are initially measured at cost and analyzed to determine their useful life upon acquisition. For intangible assets with a limited useful life, the amortization method that reflects the expected realization of economic benefits related to the asset shall be adopted from the time when the intangible asset is available for use, and shall be amortized within the expected useful life; If the expected implementation method cannot be reliably determined, the straight-line method shall be used for amortization; Intangible assets with uncertain useful lives are not amortized.

At the end of each fiscal year, our company reviews the useful life and amortization method of intangible assets with limited useful life. If there are differences from previous estimates, the original estimates are adjusted and treated as accounting estimate changes.

If the company expects that a certain intangible asset will no longer bring future economic benefits to the enterprise at the end of the period, the book value of the intangible asset will be fully transferred to the current period's profit and loss.

3.9. 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 made 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

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

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.

3.10. Payable salary

Our company's salary mainly includes short-term employee compensation, post-employment benefits, termination benefits, and other long-term employee benefits.

3.11. Revenue recognition

Revenue is the total inflow of economic benefits generated by the company in its daily activities, which leads to an increase in shareholder equity and is unrelated to the capital invested by shareholders. Our company has fulfilled its contractual obligations by recognizing revenue when the customer obtains control of the relevant goods or services (referred to as the goods).

If the contract contains two or more performance obligations, the company shall allocate the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the promised goods for each individual performance obligation on the start date of the contract, and calculate the revenue based on the transaction price allocated to each individual performance obligation.

The transaction price is the expected amount of consideration that our company is entitled to receive for transferring goods to customers, excluding payments received on behalf of third parties. The transaction price confirmed by our company shall not exceed the amount that is highly unlikely to result in a significant reversal of the cumulative recognized revenue at the time of the elimination of relevant uncertainties. If there is a significant financing component in the contract, the company determines the transaction price based on the assumed payable amount paid in cash by the customer upon obtaining control of the goods. The difference between the transaction price and the consideration promised in the contract is amortized using the effective interest method during the contract period.

(1) Sales revenue of goods

Our company will transport the goods to the agreed delivery location in accordance with the contract, and recognize the time of receipt by the buyer (or the time of acceptance, which should be described based on the actual situation, considering whether customer acceptance is just a routine procedure and whether it affects the company's judgment of the time when the customer obtains control of the goods) as the time of transfer of control and recognition of revenue. The credit period provided by our company to customers is determined based on their credit risk characteristics, and there is no significant financing component involved.

(2) Income from providing labor services

The services provided by our company to external parties are recognized as revenue over a period of time based on the progress of completed services. The progress of completed services is determined by the proportion of incurred costs to the estimated total costs. On the balance sheet date, the company re estimates the progress of completed services to reflect changes in performance.

When our company recognizes revenue based on the progress of completed labor services, the portion that has obtained unconditional collection rights is recognized as accounts receivable, and the

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
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remaining portion is recognized as contract assets. We also recognize loss provisions for accounts receivable and contract assets based on expected credit losses; If the contract price received or receivable by the company exceeds the completed labor progress, the excess will be recognized as a contract liability. Our company presents the net amount of contract assets and contract liabilities under the same contract.

3.12. 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

	2025-3-31	2024-3-31
Cash on hand	54,345.07	169,241.53
Cash in banks	13,032,007.82	23,495,105.58
Total	13,086,352.89	23,664,347.11

5.2. Accounts Receivable

	2025-3-31	2024-3-31
Accounts receivable	16,402,852.45	7,186,872.80
Less: provisions for bad debts	--	--
Total:	16,402,852.45	7,186,872.80

Account receivable mainly includes:

Suppliers	End balance	Nature
Fazal Cloth Mills Ltd	7,955,085.60	Purchase
A.J. TEXTILE MILLS LTD	3,591,295.27	Purchase
LMW INDIA	2,571,040.10	Purchase

5.3. Inventories

	2025-3-31	2024-3-31
Raw materials	25,149,066.70	28,242,411.74
WIP	2,759,660.95	722,955.64
Finished goods	5,229,229.69	20,245,531.13

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

Self-manufactured goods	2,099,911.29	897,262.35
Less: provisions for inventory impairment	--	--
Total	35,237,868.63	50,108,160.86

5.4. Fixed Assets

<u>Items</u>	<u>2024-4-1</u>	<u>Increase</u>	<u>Decrease</u>	<u>2025-3-31</u>
Original Value:				
Buildings	50,790,877.93	--	--	50,790,877.93
Machinery	15,007,176.05	--	--	15,007,176.05
Equipment	691,469.58	--	--	691,469.58
Vehicle Equipment	5,913,216.32	22,734.99	--	5,935,951.31
Office Equipment	4,541,925.54	1,398.23	--	4,543,323.77
Other Equipment	76,944,665.42	24,133.22	--	76,968,798.64
Total	76,944,665.42	24,133.22	--	76,968,798.64

<u>Items</u>	<u>2024-4-1</u>	<u>Increase</u>	<u>Decrease</u>	<u>2025-3-31</u>
Accumulated depreciation:				
Buildings	23,255,873.16	2,514,148.45	--	25,770,021.61
Machinery	12,206,499.43	499,864.50	--	12,706,363.93
Equipment	622,469.96	--	--	622,469.96
Vehicle Equipment	3,072,742.65	299,304.89	--	3,372,047.54
Office Equipment	4,164,058.91	22,189.47	--	4,186,248.38
Other Equipment	43,321,644.11	3,335,507.31	--	46,657,151.42
Total	43,321,644.11	3,335,507.31	--	46,657,151.42

<u>Items</u>	<u>2024-4-1</u>	<u>Increase</u>	<u>Decrease</u>	<u>2025-3-31</u>
Net value:				
Buildings	27,535,004.77			25,020,856.32
Machinery Equipment	2,800,676.62			2,300,812.12
Vehicle Equipment	68,999.62			68,999.62
Office Equipment	2,840,473.67			2,563,903.77
Other Equipment	377,866.63			357,075.39
Total	33,623,021.31			30,311,647.22

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

5.5. Intangible Assets

	2025-3-31	2024-3-31
Beginning of year	4,443,623.88	4,558,052.04
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	4,329,195.72	4,443,623.88

Balance mainly includes:

Item	Original value	Useful life	Beg. Bal.	Increase	Decrease	End. Bal.
Land use right	5,721,408.00	50	4,443,623.88	--	114,428.16	4,329,195.72
Total	5,721,408.00	--	4,443,623.88	--	114,428.16	4,329,195.72

5.6. Accounts Payable

	2025-3-31	2024-3-31
	8,618,813.18	25,047,652.88

Accounts balance of accounts payable includes:

Name of the Company	Accounts Balance	Nature
LMW LIMITED	6,519,503.38	Payment of material
Wuxi Hengda Motor Co., Ltd	264,261.05	Payment of material

5.7. Advances from customers

	2025-3-31	2024-3-31
	2,205,320.51	1,879,038.46

Accounts balance of Advances from customers includes:

Name of the Company	Accounts Balance	Nature
Broadex (Vietnam) Co., Ltd	289,647.53	Payment of goods
Hebei Taipu Textile Co., Ltd	155,714.01	Payment of goods
LLC"Sitorai Toch"	145,097.61	Payment of goods

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

5.8. Taxes Payable

	2025-3-31	2024-3-31
	540,220.49	522,567.25

Main Items of taxes payable are as follow:

Item	2025-3-31	2024-3-31
VAT	-247,492.17	32,616.86
PIT	91,337.84	103,179.60
Land use tax	90,816.00	90,816.00
Property tax	125,732.20	125,732.20
Urban construction and additional	479,826.62	170,222.59
Total	540,220.49	522,567.25

The main taxations and the related tax rates include:

(1) Value Added Tax ("VAT")

According to the national tax regulations, the value-added tax rate of the company's export sales income is zero. The VAT rate for domestic sales of products is 13%. The value-added tax is paid by the buyer at 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.

(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.

5.9. Other Payables

	2025-3-31	2024-3-31
	16,508,675.88	13,106,704.12

Main Items include:

Item	2025-3-31	2024-3-31
Sales service fee	9,599,115.95	9,239,889.80
Import charges	251,390.00	231,800.00
Technology license fee	1,014,161.55	121,040.72
Export charges	253,800.00	88,740.00
Machine material cost	2,111,897.32	1,299,208.70

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

Safety production cost	2,701,584.72	1,965,697.65
Headquarters Management Fee	314,179.87	- -

5.10. Other Current Liabilities

	2025-3-31	2024-3-31
	1,513,285.85	1,439,038.05

For the provision of deferred income.

5.11. Paid in capital

	2025-3-31		2024-3-31	
	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	100.00	100.00
Total	12,500,000.00	80,494,171.89	100.00	100.00

The equity transfer has not undergone special verification.

5.12. Undistributed profit

	2025-3-31	2024-3-31
Net Profit	-6,871,994.37	-10,952,219.90
Add: The beginning undistributed profit of this year	-3,645,180.72	7,307,039.18
Less: Adjustment for prior years	--	--
Less: Extract surplus reserve	--	--
Undistributed profits at year-end	-10,517,175.09	-3,645,180.72

5.13. Sales from operating activities

	2024-04-01 To 2025-03-31	2023-04-01 To 2024-03-31
Main business income	57,463,221.68	24,107,912.74
Total	57,463,221.68	24,107,912.74

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

5.14. Cost of main operating activities

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
Main business cost	48,309,087.20	22,662,767.84
Total	<u>48,309,087.20</u>	<u>22,662,767.84</u>

5.15. Taxes and surcharges

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
Urban construction tax and surcharges	541,996.08	741,921.33
Total	<u>541,996.08</u>	<u>741,921.33</u>

5.16. Other business profits

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
Other business income	11,416.37	29,797.33
Other business expenses	--	--
Other business profits	<u>11,416.37</u>	<u>29,797.33</u>

5.17. Sales Expense

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
	<u>7,243,155.25</u>	<u>4,763,524.79</u>
Main Items include:		
	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
Wage	2,463,408.24	2,081,843.45
Travel expenses	1,317,880.01	891,933.34
Sales service fee	756,295.79	144,067.67
Export cost	1,287,362.20	620,524.49
Maintenance cost during warranty period	849,696.12	632,350.59
Freight	168,466.73	138,511.71
Employee social security	298,439.35	207,706.49

5.18. Administrative Expenses

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
	<u>8,820,258.30</u>	<u>8,680,214.58</u>

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

Account balance of administrative expenses includes:

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
Wages	2,987,026.38	3,292,537.13
Rent	116,688.00	133,360.00
Meal	139,142.10	145,547.80
Travel expenses	400,520.54	316,991.06
Depreciation	588,154.29	399,909.45
Telephone rate	81,037.12	88,456.68
Security fee	192,436.00	210,184.00
Technology license fee	893,120.83	104,665.86
Service fees	142,629.80	162,862.21
Electricity	93,942.90	80,733.96
Employee insurance	244,392.04	219,380.29
Factory maintenance fee	803,136.69	2,032,295.77
Consulting fee	174,365.61	63,765.97
Headquarters Management Fee	314,179.87	- -

5.19. Financial Expense

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
Interest expense	- -	- -
Less: Interest income	196,821.51	15,977.01
Add: Exchange gain & loss	-304,373.34	-1,869,369.81
Add: Other charges	92,572.70	196,826.26
Total	<u>-408,622.15</u>	<u>-1,688,520.56</u>

5.20. Non-operating Income

	<u>2024-04-01 To 2025-03-31</u>	<u>2023-04-01 To 2024-03-31</u>
Employee work-related injury	- -	40,481.11
Other	10,696.56	0.01
Government subsidies	152,000.00	22,277.00
Personal income tax service charge	- -	7,419.89
Total	<u>162,696.56</u>	<u>70,178.01</u>

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

5.21. Cash Flow Statement Supplementary Information

Items	2024-04-01 To 2025-03-31	2023-04-01 To 2024-03-31
1. Adjusting net profit to cash flow from operating activities:		
Net profit	-6,871,994.37	-10,952,219.90
Add: Asset impairment provision	--	--
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	3,335,507.31	3,203,287.80
Amortization of intangible assets	114,428.16	114,428.16
Long-term deferred expenses amortization	--	--
Reduction in prepaid expenses	18,850.00	28,147.00
Increased provision for expenses	--	--
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 "-")	-304,373.34	-1,869,369.81
Investment losses (revenues are marked with "-")	--	--
Deferred income tax assets decreased (increase by "-")	--	--
Deferred income tax liabilities increased (reduced by "-")	--	--
Reduced inventory (increase by "-")	14,870,292.23	-14,508,168.38
Reduction of operational receivables (increased by "-")	-9,550,863.54	28,722,818.89
Increase in operational payables (reduced by "-")	-12,470,080.79	-20,886,475.57
Other (see note after the table)	--	--
Net cash flow from operating activities	-10,858,234.34	-16,147,551.81
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:	13,086,352.89	23,664,347.11
Ending balance of cash	23,664,347.11	40,410,095.94
Less: the opening balance of cash	--	--
Plus: the ending balance of cash equivalents	--	--
Less: the opening balance of cash equivalents	--	--
Net increase in cash and cash equivalents	-10,577,994.22	-16,745,748.83

LMW TEXTILE MACHINERY (SUZHOU) CO., LTD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM April 1, 2024 to March 31, 2025
(All amounts are stated in RMB Yuan unless otherwise stated)

6. OTHER MATERIAL ISSUES

6.1. Disclosure of related parties and their trade

Related party	Nature	Transactions			
		Material procurement	Technology licensing fee	Sale of goods	Provide services
LMW LIMITED	Ultimate Control	15,781,153.18	893,120.83	232,907.10	--
LMW HOLDING LIMITED	Parent Company	--	--	--	314,179.87

6.2. Disclosure of related parties and their current accounts

Related party	Nature	Accounts receivable	Payment for goods payable	Other accounts payable
LMW MIDDLE EAST FZE	Same Control	163,941.10	--	--
LMW LIMITED	Ultimate Control	2,571,040.10	6,519,503.38	--
LMW HOLDING LIMITED	Parent Company	--	--	314,179.87

6.3. Financial commitment

As of March 31, 2025, the company had no major financial commitments that needed to be disclosed.

6.4. Contingencies

As of March 31, 2025, the company had no major contingent issues to disclose.

6.5. 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.

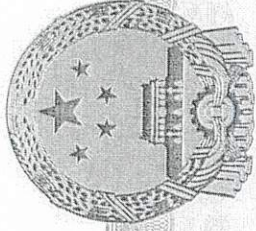
6.6. Other important matters

From April 1, 2024 to March 31, 2025, the company disclosed no other important matters.

Enterprise
(Signature)

Person in charge
(Signature)

Chief accountant
(Signature)



统一社会信用代码

91320509093497406W (1/1)

营业执照

(副本)

编号 320584666202312220054



扫描二维码登录“国家企业信用信息公示系统”了解更多登记、备案、许可、监管信息。

仅供审计报告之用,不得他用

名称 中兴财光华会计师事务所(特殊普通合伙)江苏分所

类型 特殊普通合伙企业分支机构

经营范围 审查企业会计报表,出具审计报告;验证企业资本;出具验资报告;办理企业合并、分立、清算事宜中的审计业务,出具相关报告;承办会计咨询、会计服务业务;法律、行政法规规定的其他审计业务(以上全部范围法律、法规及国务院决定禁止或者限制的事项,不得经营;需其它部门审批的事项,待批准后方可经营)房屋租赁。(依法须经批准的项目,经相关部门批准后方可开展经营活动)

负责人 朱建华

成立日期 2014年03月26日

经营场所 苏州市吴江区东太湖生态旅游度假区(太湖新城)迎宾大道333号苏州湾东方创基地38号楼

登记机关



2023年12月22日