



**AOL COMPOSITES (JIANGSU) CO. LTD.
DANYANG DEVELOPMENT ZONE, CHINA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED MARCH 31, 2019**

FALCON INTERNATIONAL
CONSULTING & AUDITING

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<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF PROFIT AND LOSS	4
STATEMENT OF CASH FLOW	5
NOTES TO THE FINANCIAL STATEMENTS	6-13



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INDEPENDENT AUDITOR'S REPORT

To
The Shareholders
AOL Composites (Jiangsu) Co. Ltd.
No 1 Machinery Industrial Zone,
East side of Bajing Road
Danyang Development Zone, China

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements M/s. AOL Composites (Jiangsu) Co. Ltd. (the "Company"), which comprise the statement of financial position as at **March 31, 2019**, statement of profit and loss and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at **March 31, 2019**, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the UAE, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

continued...



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For FALCON INTERNATIONAL CONSULTING & AUDITING
Chartered Accountants


Managing Partner
(Rakesh Jain)
Reg. No: 606



May 21, 2019



AOL COMPOSITES (JIANGSU) Co. Ltd.

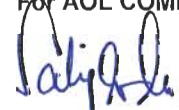
Balance Sheet as at March 31, 2019

		RMB	RMB
	Notes	31-Mar-19	31-Mar-18
Assets			
Non-current assets			
Capital work-in-progress	4	6,651,290	6,487
Other non-current assets	5	679,951	823,729
		<u>7,331,241</u>	<u>830,216</u>
Current assets			
Inventories	6	246,720	-
Financial Assets			
Cash and cash equivalents	7	644,171	612,594
Other current assets	5	522,492	-
		<u>1,413,383</u>	<u>612,594</u>
Total Assets		<u>8,744,624</u>	<u>1,442,810</u>
Equity and liabilities			
Equity			
Capital	8	5,884,465	-
Other Equity	9	-	1,442,810
		<u>5,884,465</u>	<u>1,442,810</u>
Current liabilities			
Financial liabilities			
Trade payables	10	110,885	-
Other	11	1,862,781	-
Other Current liabilities	12	886,493	-
		<u>2,860,159</u>	<u>-</u>
Total Equity and liabilities		<u>8,744,624</u>	<u>1,442,810</u>
Summary of significant Accounting policies	3		

The accompanying notes (1-19) are an integral part of the financial statements

Approved by the Management on May 21, 2019

For AOL COMPOSITES (JIANGSU) Co. Ltd.


 Director





AOL COMPOSITES (JIANGSU) Co. Ltd.

Statement of Profit and Loss for the year ended 31 March 2019

		RMB	RMB
	Notes	31-Mar-19	31-Mar-18
Income			
Revenue from operations		-	-
Total revenue (I)		-	-
Expenses			
Cost of raw material and components consumed	13	-	-
Purchase of traded goods	14	5,000	-
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	15	(5,000)	-
Other expense		-	-
Total expense (II)		-	-
Earnings before exceptional items and tax, (I) – (II)		-	-
Exceptional Items		-	-
Profit for the year		-	-

Summary of significant Accounting policies 3

The accompanying notes (1-19) are an integral part of the financial statements

Approved by the Management on May 21, 2019

For AOL COMPOSITES (JIANGSU) Co. Ltd.


Director





AOL COMPOSITES (JIANGSU) Co. Ltd.

Cash Flow Statement For The Year Ended March 31 2019

	31-Mar-19	31-Mar-18
A. Cash flow from operating activities		
Profit for the year	-	-
Operating profit before working capital changes	-	-
Movements in working capital :		
Increase in trade payables	110,885	-
Increase in other payables	2,749,274	-
(increase) in inventories	(246,720)	-
(Increase) in other receivables	(378,715)	(823,729)
Net cash flow / (Used In) from operating activities (A)	2,234,724	(823,729)
B. Cash flows from investing activities		
Purchase of fixed assets, including CWIP	(6,644,802)	(6,487)
Net cash flow (used in) / from investing activities (B)	(6,644,802)	(6,487)
C. Cash flows from financing activities		
Changes in Capital	4,441,655	1,442,810
Net cash flow / (used in) in financing activities (C)	4,441,655	1,442,810
Net (decrease) / increase in cash and cash equivalents (A+B+C)	31,577	612,594
Cash and cash equivalents at the beginning of the year	612,594	-
Cash and cash equivalents at the end of the year	644,171	612,594
Components of cash and cash equivalents		
With banks- on current account	644,171	612,594
Total cash and cash equivalents (refer note no. 7)	644,171	612,594
Summary of significant accounting policies		
The accompanying notes (1-19) are an integral part of the financial statements		

Approved by the Management on May 21, 2019

For AOL COMPOSITES (JIANGSU) Co. Ltd.


 Director





AOL COMPOSITES (JIANGSU) CO. LTD.
No 1 Machinery Industrial Zone, East side of Bajing Road
Danyang Development Zone, China

Notes to the Financial Statements for the year ended March 31, 2019

1. LEGAL STATUS & BUSINESS ACTIVITIES

- a) **AOL Composites (Jiangsu) Co. Ltd.** (“the Establishment”) was registered as on July 18, 2017 in china (License no. 321181000201707180178) as 100 % subsidiary of AOL (FZE), A Free Zone Establishment registered with Sharjah Airport International Free Zone, Sharjah-U.A.E (License no. 08437)
- b) The Company is engaged in the activity of R&D and production of composite optical fiber and fiber reinforced plastic rod.
- c) The management and control of the Company is vested with Dr. Kailash S Choudhari ((Indian national) and Mr. Satyendra Kumar Gupta (Indian national).
- d) The registered office address of the Company is No 1 Machinery Industrial Zone, East side of Bajing Road Danyang Development Zone, China

SHARE CAPITAL

Authorized capital of the company is USD 8000,000 out of which sharcholder have invested RMB 5,884,465.

Sl No.	Name of the Shareholder	Nationality	Amount (RMB)
1.	M/s. AOL (FZE)	UAE Co.	<u>5,884,465</u>
			<u>5,884,465</u>

2. BASIS OF PREPARATION

2.1 Statement of compliance:

These financial statements have been prepared in accordance with International Financial Accounting Standards for Small & Medium-sized Entities (IFRS for SMEs) Issued by International Accounting Standards Boards (IASB)

2.2 Basis of measurement and preparation

These financial statements have been prepared under going concern assumption and historical cost convention.

2.3 Basis of accounting & coverage:

The company follows the accrual basis of accounting except for statement of cash flows which is presented on cash basis. Under accrual basis, the transactions and events are recognized as and when they occur and are recorded in the financial statements for the period to which they relate to. The financial statements enclosed cover the period 1st April 2018 to 31st March 2019.



2.4 Functional & presentation currency:

The financial statements are presented in Renminbi (RMB), which is also the company's functional currency.

2.5 Use of estimates & judgments:

The preparation of financial statements in conformity with IFRS for SMEs requires management to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected & same are mentioned under respective accounting policy note. The following accounting estimates and management judgments have been considered, which are material in nature, in the preparation of financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied by the management in preparation of the financial statements except where stated here under:

3.1 Capital work in progress

Since operation of the company have not started yet, all expenses have been transferred to capital work in progress as determined by the management.

3.2 Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Expenses are classified as pre-operative expenses and transferred in to capital work in progress.

3.3 Staff end-of-service benefits

Employee benefits have been provided for in accordance with the contractual terms with the employees. The accrual relating to annual leave and leave passage, is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

3.4 Provisions & contingencies

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits would be required to settle these obligations and a reliable estimate of the same can be made. Contingent liabilities are not recognized but are disclosed in the notes to financial statements. A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When likelihood of outflow is remote, no provision or disclosure is made.

3.5 Related party transactions

The company enters into transactions with another company and person that falls within the definition of a related party as per the International Financial Reporting Standards for Small & Medium-sized Entities (IFRS for SMEs).



The terms of trade with such related party is based on commercial terms & conditions agreed upon with them by the management.

Related parties with whom the company has entered into transactions during the year under review comprise of group companies, shareholders and key management personnel as stated hereunder:

Name of the related parties	Relation
AOL (FZE)	Holding Company
Aksh Composites Private Limited	Fellow Subsidiary
Mr. Satyendra Gupta	Key management personnel
Dr. Kailash Shantilal Choudhari	Key management personnel

Transactions which were entered into with related parties is disclosed under note 17 of the financial statement.

3.6 Foreign Currency transactions

Transactions in foreign currencies are translated into RMB at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into RMB at the rate of exchange ruling at the balance sheet date.

Gains or losses resulting from foreign currency transactions are taken to the Comprehensive income statement.

3.7 Financial Instruments

The company recognizes a financial instrument (being a financial asset or financial liability) only when the company becomes a part of the contractual provisions of the instrument. Accounting policy relevant to each type of financial instrument is as follows:

Cash & cash equivalents:

Cash & cash equivalents for the purpose of cash flow statement comprises of cash on hand & balance with bank in current accounts

Accounts receivables:

Accounts receivables are amounts due from customers towards sale of goods or providing of service in the ordinary course of business. Accounts receivables are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less reserve for impairment of accounts receivables. A reserve for impairment of accounts receivables is recognised when it is probable that the company will not be able to collect all amounts due according to original terms of the accounts receivables.

Accounts payable:

Accounts payable represent obligations towards purchase of goods in the ordinary course of business. Same is free of interest & payable at the end of credit period granted by the suppliers. Accounts payable are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method.



Other financial assets:

Other financial assets are recognised initially at transaction value and subsequently measured at amortised cost using the effective interest method less impairment. However, all other financial assets have a value on realization in the ordinary course of the company's business, which is at least equal to the amount at which they are stated in the statement of financial position.

Other financial liabilities:

Other financial liabilities, including borrowings, are initially measured at transaction value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

3.8 Financial, capital risk management & fair value information:

Credit, liquidity & market rate risk:

Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The company's cash is placed with banks of repute. The exposure to credit risk on trade receivables and amounts due from related parties are monitored on an ongoing basis by the management and these are considered recoverable by the company's management.

Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as and when it falls due. The company's assets are sufficient to cover its financial obligations.

The table below summarizes the maturity profile of the company's financial liabilities on contractual undiscounted payments:

Amount in RMB

<u>As on 31st March 2019</u>	<u>Total</u>
Provisions, accruals & other liabilities	2,860,159
Total	<u>2,860,159</u>

Market risk:

Market risk is the risk that changes in market prices, such as investment prices, interest rates and currency rates will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk:

Interest rate risk is the risk of variability in profit due to change in interest rates on interest bearing assets and interest-bearing liabilities. The interest rate on the company's financial instruments is based on market rates.





Currency risk:

Currency risk faced by the company is minimal as there are minimal foreign currency transactions. Most of the monetary assets and liabilities are denominated in RMB.

3.9 Capital management

The company's policy is to maintain a strong capital base so as to maintain lender and creditor confidence and to sustain future development of the business.





AOL COMPOSITES (JIANGSU) Co. Ltd.

Notes to financial statements for the year ended March 31, 2019

4. Capital work-in-progress	RMB	RMB
	31-Mar-19	31-Mar-18
WIP		
Computer	3,173	-
Furniture & Fixture	23,819	-
Capital WIP Building	600,716	-
Capital WIP Plant & Machinery	5,222,659	-
Pre-Operative Expenses	800,923	6,487
	6,651,290	6,487

5. Other Assets	RMB	RMB
	31-Mar-19	31-Mar-18
Non-Current		
Capital advances	679,951	823,729
Total Other Non-Current Assets	679,951	823,729
Current		
Balance With revenue authorities	522,492	-
Total Other Current Assets	522,492	-

6. Inventories	RMB	RMB
	31-Mar-19	31-Mar-18
<i>(Valued at lower of cost and net realisable value)</i>		
Finished and traded goods	5,000	-
Raw material	192,872	-
Stores, spares and others	48,848	-
	246,720	-

7. Cash and Cash equivalents	RMB	RMB
	31-Mar-19	31-Mar-18
Balances with banks:		
On current accounts	428,512	612,594
Cash on hand	215,659	-
	644,171	612,594

8. Share Capital	RMB	RMB
	31-Mar-19	31-Mar-18
At the beginning of the year	-	-
Add:		
Addition during the year	5,884,465	-
Outstanding at the end of the year	5,884,465	-

9. Other Equity	RMB	RMB
	31-Mar-19	31-Mar-18
Retained Earnings		
Balance as per the last financial statements	1,442,810	-
Share application money pending for allotment	-	1,442,810
Less : Convert into Share Capital	(1,442,810)	-
Total Other Equity	-	1,442,810





AOL COMPOSITES (JIANGSU) Co. Ltd.

Notes to financial statements for the year ended March 31, 2019

10. Trade Payable	RMB	RMB
	31-Mar-19	31-Mar-18
Current		
Trade Payables (including acceptances)	110,885	-
	110,885	-
Other Details		
Trade payables to related parties	-	-
Others	110,885	-
	110,885	-
11. Other financial Liabilities	RMB	RMB
	31-Mar-19	31-Mar-18
Current		
Capital Creditors	1,824,996	-
Others	37,785	-
	1,862,781	-
12. Other Current Liabilities	RMB	RMB
	31-Mar-19	31-Mar-18
Advance From Customer	411,492	-
Others	475,002	-
	886,494	-
Other Details		
Other Current liabilities to related parties	411,492	-
Others	475,002	-
13. Cost of raw material and components consumed	RMB	RMB
	31-Mar-19	31-Mar-18
Inventory at the beginning of the year	-	-
Add: Purchases	192,872	-
Less: inventory at the end of the year	192,872	-
Cost of raw material and components consumed	-	-
14. Details of purchase of traded goods	RMB	RMB
	31-Mar-19	31-Mar-18
Fibre Reinforced Plastic Rod	5,000	-
	5,000	-
15. (Increase)/ decrease in inventories	RMB	RMB
	31-Mar-19	31-Mar-18
Inventories at the end of the year		
Finished/Traded goods	5,000	-
Semi Finished goods	-	-
	5,000	-
Inventories at the beginning of the year		
Finished/traded goods	-	-
Semi finished goods	-	-
	(5,000)	-





AOL COMPOSITES (JIANGSU) Co. Ltd.

Notes to financial statements for the year ended March 31, 2019

16. CONTINGENT LIABILITIES	Amount in RMB	
	31-Mar-19	31-Mar-18
Capital commitments	2,911,500	429,570

The Company is setting up a plant for manufacturing of Fibre Reinforced Plastic Rods. Since the Company has not commenced revenue operations then the expenditure incurred during the period is classified as "Capital Work in Progress" pending capitalization and will be apportioned on the completion of the project.

17. RELATED PARTY TRANSACTION Amount in RMB

The Company enters into transactions with entities that fall within the definition of a related party. The management considers such transactions to be in the normal course of business. Related parties companies under common ownership and/or common management control / shareholders and directors.

Below are the list of related parties as on 31st March 2019-

- a) **Ultimate Holding Company**
 - Aksh Optifiber Limited
- b) **Holding Company**
 - AOL FZE, (Dubai)
- c) **Key Management Personnel & their relatives**
 - Dr. Kailash s Choudhari
 - Mr. Satyendra Gupta
- (d) **Fellow Subsidiary Company**
 - Aksh Composites Private Limited
 - AOL Technologies FZE
 - Aksh Technologies Mauritius Ltd

(d) Transaction with related parties	Amount in RMB				
	Nature of Transaction	Holding	Fellow Subsidiary	31-Mar-19	31-Mar-18
Advance from Customer		411,492	411,492	-	
Capital Investment (Holding Company)	4,441,655		4,441,655	1,442,810	

(d) Balance due (to)/ from	Amount in RMB	
	31-Mar-19	31-Mar-18
Aksh Composites Private Limited	411,492	

18. Leases

Operating Lease :

The Company has entered into lease agreement. The lease term is for periods of ten years and renewable at the option of both the parties. Future minimum lease payments as per contracts are as follows :

Future minimum rentals payable under non cancelable operating leases are as follows:	Amount in RMB	
	31-Mar-19	31-Mar-18
With in one year	276,000	-
After one year but not more than five years	1,932,000	-
More than five years	2,760,000	-
	4,968,000	-

19. COMPARATIVE AMOUNTS

Previous year's figures have been reworked, regrouped, rearranged and reclassified to conform to those of current year's. The acGrouping notes form an integral part of these financial statements.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgements underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.