Indo Count Global Inc.

Financial Statements
(Together with Independent Auditors' Report)

Years Ended March 31, 2017 and 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

INDO COUNT GLOBAL, INC.

March 31, 2017 and 2016

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MARKS PANETH
ACCOUNTANTS & ADVISORS

Independent Auditors' Report

To Indo Count Global, Inc.

We have audited the accompanying financial statements of Indo Count Global Inc. (a Delaware corporation), which comprise the balance sheets as of March 31, 2017 and 2016, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indo Count Global Inc. as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marks Paneth LLP

New York, NY
May 8, 2017

INDO COUNT GLOBAL, INC.

Balance Sheets

March 31,

ASSETS

		2017		2016
CURRENT ASSETS				
Cash	$	23,953	$	320,438
Due from factor - net		4,345,039		4,978,370
Inventories		12,457,119		21,464,346
Prepaid expenses		45,764		57,325
Prepaid income taxes		430,743		-
Deferred tax asset		105,000		105,000
Total Current Assets		17,407,618		26,925,479
PROPERTY AND EQUIPMENT, NET		868,247		8,369
RESTRICTED CASH		1,000,000		1,000,000
DEPOSITS		79,733		35,000
TOTAL ASSETS	$	19,355,598	$	27,968,848

LIABILITIES AND STOCKHOLDER'S EQUITY

		2017		2016
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$	6,356,702	$	11,970,672
Due to factor		6,770,626		10,372,376
Income taxes payable		-		157,300
Total Current Liabilities		13,127,328		22,500,348
DEFERRED RENT PAYABLE		78,882		-
DEFERRED TAX LIABILITY		202,000		-
SUBORDINATED DEBT - RELATED PARTY		3,000,000		3,000,000
COMMITMENTS				
STOCKHOLDER'S EQUITY				
Common stock, no par value, authorized 10,000 shares, issued and outstanding 500 shares		500,000		500,000
Additional paid in capital		300,000		300,000
Retained earnings		2,147,388		1,668,500
Total Stockholder's Equity		2,947,388		2,468,500
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$	19,355,598	$	27,968,848

See Notes to Financial Statements.

INDO COUNT GLOBAL, INC.

Statements of Income and Retained Earnings

For the Years Ended March 31,

	2017	2016
SALES	$ 55,863,234	$ 60,420,391
LESS: SALES RETURNS, DISCOUNTS AND ALLOWANCES	8,721,065	14,231,345
NET SALES	47,142,169	46,189,046
COST OF GOODS SOLD	41,750,065	40,896,053
GROSS PROFIT	5,392,104	5,292,993
OPERATING EXPENSES		
Selling and shipping	2,395,476	2,279,008
General and administrative	1,920,388	1,489,182
Total Operating Expenses	4,315,864	3,768,190
INCOME BEFORE OTHER EXPENSES AND INCOME TAXES	1,076,240	1,524,803
OTHER EXPENSES		
Interest expense	263,321	337,651
Factoring expenses	101,952	91,384
Total Other Expenses	365,273	429,035
INCOME BEFORE INCOME TAXES	710,967	1,095,768
INCOME TAXES		
Current	30,079	435,762
Deferred tax (benefit)	202,000	(57,000)
	232,079	378,762
NET INCOME	478,888	717,006
RETAINED EARNINGS - beginning of year	1,668,500	951,494
RETAINED EARNINGS - end of year	$ 2,147,388	$ 1,668,500

See Notes to Financial Statements.

INDO COUNT GLOBAL, INC.

Statements of Cash Flows

For the Years Ended March 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 478,888	$ 717,006
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	118,080	761
Deferred tax benefit	-	(57,000)
Deferred tax	202,000	-
Deferred rent payable	78,882	-
Decline in market value of inventory, including disposal cost	2,355,274	-
Increase (decrease) in cash flows due to changes in operating assets and liabilities:		
Due from factor	633,331	(4,978,370)
Accounts receivable	-	2,550,066
Inventories	6,651,953	(11,228,071)
Prepaid expenses	11,561	3,012
Security deposits	(44,733)	-
Prepaid income taxes	(430,743)	-
Restricted cash	-	700,000
Accounts payable and accrued expenses	(5,613,970)	7,166,916
Accrued interest	-	(66,291)
Income taxes payable	(157,300)	(11,123)
Total adjustments	3,804,335	(5,920,100)
Net cash provided by (used in) in operating activities	4,283,223	(5,203,094)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(977,958)	(9,130)
Net cash used in investing activities	(977,958)	(9,130)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in due to factor	(3,601,750)	10,372,376
Loan repayment	-	(8,500,000)
Net cash provided by (used in) financing activities	(3,601,750)	1,872,376
NET CHANGE IN CASH	(296,485)	(3,339,848)
CASH AT BEGINNING OF YEAR	320,438	3,660,286
CASH AT END OF YEAR	$ 23,953	$ 320,438
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the years for:		
Income taxes	$ 618,078	$ 446,946
Interest	$ 263,321	$ 403,942

SUPPLEMENTARY SCHEDULE OF NONCASH ACTIVITY:

Conversion of trade debt to subordinate debt in the amount of $3,000,000 for the year ended March 31, 2016.

See Notes to Financial Statements.

INDO COUNT GLOBAL, INC.

Notes to Financial Statements

March 31, 2017 and 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Business

Indo Count Global, Inc. (the "Company") was incorporated in the state of Delaware in January 2011. The Company's principal activity is the wholesaling of linens. The Company is a wholly owned subsidiary of the Indian Corporation (the "Parent Company").

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average cost method. Inventories consist of finished goods totaling $12,457,119 and $21,464,346 at March 31, 2017 and 2016, respectively.

As a result of recent changes in the Company's market for certain products, carrying amounts for those inventories have been reduced by approximately $2,355,000 due to quantities in excess of current requirements. Management believes that this reduces inventory to its lower of cost or market, and no additional loss will be incurred upon disposition of the excess quantitates. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional loss that is at least reasonably possible.

Property and Equipment, Net

Property and equipment are stated at cost and include expenditures for major items. Maintenance, repairs and minor replacements are expensed. Depreciation and amortization are provided for under the straight-line method based on expected useful lives of the related assets. Leasehold improvements are amortized over the shorter of their estimated useful lives or the underlying lease term. Gains or losses on dispositions are reflected in income.

Revenue Recognition

The Company recognizes revenue when the title passes to its customers, which is upon delivery to a common carrier. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended March 31, 2017 and 2016 was approximately $4,000 and $3,000, respectively.

INDO COUNT GLOBAL, INC.

Notes to Financial Statements

March 31, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shipping and Handling

A third party service provider is used by the Company to warehouse the inventory and provide shipping services. Shipping and handling costs are included in selling and shipping expense on the income statement. The shipping expenses are included in warehouse expenses and totaled approximately $1,244,000 and $1,342,000 for the years ended March 31, 2017 and 2016, respectively.

Income Taxes

The Company is a "C" Corporation and is subject to federal, state and local income taxes.

Deferred income taxes reflect the impact of "temporary differences" between the amounts of assets and liabilities for financial reporting purposes and such amounts measured by tax laws and regulations. The type of temporary differences that gave rise to deferred taxes at March 31, 2017, and 2016 are tax inventory capitalization costs, additional rent expenses due to straight-lining now codified as ASC 84- “Leases,” and depreciation.

The total deferred tax asset of $105,000 at March 31, 2017 and 2016, has been recorded due to certain qualified costs deducted for financial reporting purposes being capitalized into the inventories for tax purposes and the straight-lining of rent expense for financial reporting purposes as compared to actual rent paid for tax purposes. When necessary, valuation allowances are established to reduce deferred tax assets to the amounts expected to be realized.

The deferred tax liability of $202,000 at March 31, 20107 has been recorded due to depreciation for property and equipment being accelerated for tax purposes while straight-lined for financial reporting purposes.

FASB ASC Topic 740, *Income Taxes*, provides standards for establishing and classifying any tax provisions for uncertain tax positions and recognizing any interest and penalties.

The Company’s policy is to recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. The Company is no longer subject to federal or state and local income tax examinations by tax authorities for years before the year ended March 31, 2013.

NOTE 2: PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at March 31,:

	2017	2016
Leasehold improvements	$ 1,042,438	$ 131,037
Furniture and fixtures	79,929	14,084
Office equipment	9,842	9,130
	1,132,209	154,251
Less: Accumulated depreciation and amortization	263,962	145,882
Property and equipment, net	$ 868,247	$ 8,369

Depreciation amounted to $118,080 and $761 for the years ended March 31, 2017 and 2016, respectively.

INDO COUNT GLOBAL, INC.

Notes to Financial Statements

March 31, 2017 and 2016

NOTE 3: RESTRICTED CASH

The restricted cash balance at March 31, 2017 and 2016 totaled $1,000,000 and is used as collateral for the Company's borrowing facility.

NOTE 4: DUE TO / FROM FACTOR

On July 2, 2015, the Company entered into a factoring agreement with a financial institution where the Company sells approved accounts with or without recourse. The agreement also provides for a line of credit for advances based on a formula as defined in the agreement not to exceed $19,000,000. The interest is accrued on the loan at rates based on 90-day LIBOR plus 2%. The financial institution has been given a security interest in substantially all of the Company's assets. The loan also requires a deposit to be maintained as collateral during the term of the credit facility, which is discussed in Note 3. There is a limited guarantee by the parent company, up to $7,000,000. The agreement contains certain restrictive covenants. For the years ended March 31, 2017 and 2016, the Company had outstanding borrowings against the credit facility in the amount of $6,770,626 and $10,372,376, and outstanding factored balances due from the facility in the amount of $4,345,039 and $4,978,370 for a net balance due to the factor in the amount of $2,425,587 and $5,394,006.

NOTE 5: SUBORDINATED DEBT – RELATED-PARTY

As required by the factoring agreement noted in Note 4, the Company has subordinate $3,000,000 of trade payable due to its parent to the financial institution for the years ended March 31, 2017 and March 31, 2016. This loan is long-term and non-interest bearing.

NOTE 6: COMMITMENTS AND CONTINGENCIES

<u>Concentration of Credit Risk</u>

The Company maintains its cash and cash equivalents at financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits up to the combined amount of $250,000.

At March 31, 2017, and 2016, cash balances were in excess of FDIC insurance limits by approximately $774,000 and $1,070,000, respectively. Substantially all of the Company's cash was on deposit at one major bank for the years ended March 31, 2017 and 2016.

Financial instruments, other than cash balances, that potentially subject the Company to concentration of credit risk, relate primarily to accounts receivable. At March 31, 2017, and 2016, the Company had a balance due from one major customer which is considered a concentration.

INDO COUNT GLOBAL, INC.

Notes to Financial Statements

March 31, 2017 and 2016

NOTE 6: COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

The Company leased showroom space under an operating lease that expired September 2016. In June 2016, the Company signed an operating lease for showroom space that will expire in June 2021. The minimum annual lease payments (exclusive of real estate taxes, insurance, etc.) are approximately as follows:

Years Ending March 31,	Amount
2018	$ 412,000
2019	412,000
2020	412,000
2021	412,000
2022	103,000
	$ 1,751,000

Rent expense charged to operations was approximately $356,000 and $158,000 for the years ended March 31, 2017 and 2016, respectively.

Major Customers

The Company sold 87% of its product to two customers for the year ended March 31, 2017. The total amounts due from these customers was approximately $2,729,000 at March 31, 2017.

The Company sold 88% of its product to one customer for the year ended March 31, 2016. The total amounts due from this customer was approximately $2,858,000 at March 31, 2016.

Related Party and Major Supplier

The Company purchased 100% of its products from the overseas Parent Company for the years ended March 31, 2017 and 2016. The balance owed to the Parent Company for such trade payables was approximately $9,089,210 and $14,222,000 (of which $3,000,000 is subordinated to the financial institution for both years) at March 31, 2017 and 2016, respectively.

NOTE 7: 401(K) PLAN

On June 1, 2015, the Company adopted a defined contributions 401(K) Plan covering all eligible employees of the Company. Employees are eligible to become contributing participants of the Plan on the first day of employment. The Plan is subject to the provisions of Employment Retirement Income Security Act of 1974 ("ERISA"). The Company's contribution to the Plan for years ended March 31, 2017 and 2016 was approximately $14,000 and $10,000, respectively and is included in salaries and benefits on the schedules of operating expenses.

INDO COUNT GLOBAL, INC.

Notes to Financial Statements

March 31, 2017 and 2016

NOTE 8: INCOME TAXES

The components of income tax expense are:

March 31, 2017	Federal	State & Local	Total
Current	$ 18,654	$ 11,425	$ 30,079
Deferred	199,000	3,000	202,000
	$ 217,654	$ 14,425	$ 232,079

March 31, 2016	Federal	State & Local	Total
Current	$ 395,067	$ 40,695	$ 435,762
Deferred benefit	(50,000)	(7,000)	(57,000)
Total	$ 345,067	$ 33,695	$ 378,762

NOTE 9: ROYALTY

In the year ended March 31, 2016, The Company and its Parent Company entered into an agreement with a non-related entity. The agreement grants both entities the right to distribute merchandise under a patent. The Parent Company will make all the required payments under the agreement.

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through May 8, 2017 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDO COUNT GLOBAL, INC.

Supplementary Information

Schedules of Cost of Goods Sold

For the Years Ended March 31,

	2017	2016
Inventories – beginning	$ 21,464,346	$ 10,236,275
Purchases	30,387,564	52,124,124
Decline in market value of inventory, including disposal costs	2,355,274	-
	54,207,184	62,360,399
Inventories – ending	(12,457,119)	(21,464,346)
Total Cost of Goods Sold	$ 41,750,065	$ 40,896,053

INDO COUNT GLOBAL, INC.

Supplementary Information

Schedules of Operating Expenses

For the Years Ended March 31,

	2017	2016
Selling and Shipping		
Warehouse expenses	$ 1,243,632	$ 1,342,473
Commissions	869,414	745,991
Showroom expenses	240,973	155,992
Travel and entertainment	37,357	31,792
Advertising and promotion	4,100	2,760
	$ 2,395,476	$ 2,279,008
General and Administrative		
Salaries and benefits	$ 499,441	$ 397,213
Professional fees	620,375	623,404
Rent and utilities	366,072	166,485
Computer expenses	205,179	151,830
Depreciation and amortization	118,080	-
Office, stationery and printing	76,575	43,924
Insurance	24,065	28,421
Bank charges and other fees	9,201	49,905
Charitable contributions	1,400	28,000
	$ 1,920,388	$ 1,489,182