RENAISSANCE JEWELRY NEW YORK, INC.
AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

RENAISSANCE JEWELRY NEW YORK, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of Renaissance Jewelry New York, Inc.

We have audited the accompanying related consolidated statements of Renaissance Jewelry New York, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of March 31, 2020, and the related consolidated statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these audited consolidated 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 the consolidated financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Jewelry New York, Inc. and Subsidiaries as of March 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Related Party Transactions

As discussed in Note 11 to the consolidated financial statements, Renaissance Jewelry New York, Inc. and Subsidiaries have significant transactions with related parties. Our opinion is not modified with respect to that matter.

UHY LLP

New York, New York
June 25, 2020

CONSOLIDATED FINANCIAL STATEMENTS

RENAISSANCE JEWELRY NEW YORK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
March 31, 2020

ASSETS	
CURRENT ASSETS	
Cash	**$ 677,615**
Accounts receivable, net	**24,278,272**
Accounts receivable, related parties	**7,620,940**
Inventory	**81,205,953**
Loans receivable, related parties	**102,857**
Prepaid expenses and other current assets	**815,038**
Total current assets	**114,700,675**
PROPERTY AND EQUIPMENT, NET	**389,958**
INTANGIBLE ASSETS, NET	**2,663,392**
DEFERRED TAX ASSETS, NET	**796,000**
OTHER ASSETS	**397,343**
Total assets	**$ 118,947,368**
LIABILITIES AND STOCKHOLDER'S EQUITY	
CURRENT LIABILITIES	
Short-term borrowings	**$ 38,282,034**
Accounts payable	**19,234,828**
Accrued expenses and other payables	**1,050,764**
Customer refund liabilities	**5,791,671**
Loans payable, related parties	**1,373,446**
Notes payable - current portion, net	**960,669**
Leases at below-market rate, current portion	**98,755**
Total current liabilities	**66,792,167**
NOTES PAYABLE, LESS CURRENT PORTION	**12,130,549**
DEFERRED RENT	**112,033**
LEASES AT BELOW-MARKET RATE, LESS CURRENT PORTION	**263,107**
Total liabilities	**79,297,856**
COMMITMENTS AND CONTINGENCIES (NOTE 9)	
STOCKHOLDER'S EQUITY	
Common stock, no par value; 200 shares authorized; issued and outstanding 180 shares	**27,397,180**
Retained earnings	**12,252,332**
Total stockholder's equity	**39,649,512**
Total liabilitites and stockholder's equity	**$ 118,947,368**

See notes to consolidated financial statements

RENAISSANCE JEWELRY NEW YORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended March 31, 2020

Sales, net	$	**200,746,314**
Cost of sales		**178,489,636**
Gross profit		**22,256,678**
Operating expenses		
General and administrative expenses		**15,765,919**
Depreciation and amortization expense		**1,567,089**
Total operating expenses		**17,333,008**
Operating income		**4,923,670**
Other expense (income)		
Interest expense, net		**2,561,693**
Other income		**(49,900)**
Total other expenses		**2,511,793**
Income before income tax expense		**2,411,877**
Income tax expense		**520,504**
Net income		**1,891,373**
Retained earnings, beginning		**10,360,959**
Retained earnings, ending	$	**12,252,332**

See notes to consolidated financial statements

RENAISSANCE JEWELRY NEW YORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31, 2020

OPERATING ACTIVITIES	
Net income	$ 1,891,373
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,567,089
Imputed interest	523,922
Bad debt	364,947
Deferred tax benefit	(252,000)
Lease at below-market rate	(94,562)
Deferred rent	(16,542)
Changes in:	
Accounts receivable, net	3,496,694
Accounts receivable, related parties	3,196,760
Inventory	17,709,875
Prepaid expenses and current other assets	(223,769)
Loans given to related parties	(1,060)
Accounts payable	(19,931,630)
Accrued expenses and other payables	1,720,998
Customer refund liabilities	883,125
Net cash provided by operating activities	10,835,220
FINANCING ACTIVITIES	
Repayments under credit facility, net	(6,650,000)
Repayments of loans payable, related parties	(3,964,443)
Repayments of notes payable	(937,985)
Net cash used in financing activities	(11,552,428)
Net decrease in cash	(717,208)
CASH, beginning	1,394,823
CASH, ending	$ 677,615
Supplemental Disclosures of Cash Flow Information	
Cash paid for interest	$ 2,053,654
Cash paid for income tax	$ 1,087,684

NOTE 1 — NATURE OF BUSINESS

Nature of Business

Renaissance Jewelry New York, Inc. (the "Renaissance") is a majority owned subsidiary of Renaissance Global Limited, a company based in India. The Renaissance was incorporated on April 23, 2007 under the laws of the State of New York. Jay Gems Inc. ("Jay Gems") is a wholly owned subsidiary of Renaissance that was incorporated on November 22, 2000 in New York. Essar Capital LLC ("Essar") is a wholly owned subsidiary of Jay Gems that was formed on March 13, 2014 in New York.

The accompanying consolidated financial statements represent the operations of Renaissance, Jay Gems, and Essar. All material intercompany transactions and balances have been eliminated.

Renaissance Jewelry New York, Inc. and Subsidiaries (the "Company") is an importer and wholesaler of diamonds and jewelry whose customers are located primarily throughout the United States of America. Large retail chains comprise a significant portion of the Company's customer base. Management believes that credit risk resulting from concentrations is limited due to the large number of entities comprising this base and their dispersion across many different geographic regions.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and accounts receivable. The Company places its cash primarily in checking accounts with high quality financial institutions which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") coverage limit, the composition and maturities of which are regularly monitored by management.

The Company extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. Exposure to losses on accounts receivable is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses when required. Credit losses, when realized, have been within the range of the Company's expectations and, historically, have not been significant.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at original amount less an allowance for doubtful accounts. An allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable at the date of the consolidated financial statements, assessments of collectability based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions.

Estimated costs associated with trade discounts, advertising allowances, markdowns, and allowance for returns which constitute variable consideration are reflected as a reduction of sales and classified as current liabilities. The Company makes allowances against known chargebacks, as well as for an estimate of potential future deductions by customers. These allowances result from negotiations with the Company's customers, historic deduction trends and the evaluation of current market conditions.

Accounts receivable are presented net of the following reserves at March 31, 2020:

Accounts Receivable	$	24,504,726
Accounts Receivable, Related Parties		7,620,940
Allowance for Doubtful Accounts		(226,454)
Accounts Receivable net of allowances	$	31,899,212

Inventories

Inventories, which consist primarily of finished goods, are stated at the lower of cost and net realizable value. Cost is determined in accordance with the FIFO (First-In, First-Out) method.

Property and Equipment

Property and equipment are stated at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the related assets which are as follows:

	Years
Furniture and fixtures	5-7
Machinery and equipment	3-7
Leasehold improvements (shorter of lease term or the useful life of the related asset)	10

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets consist of various assets which have finite useful lives and are carried at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the intangible assets ranging from 5 to 15 years.

Lease at Below-Market Rate

A lease at below-market rate, represents the difference between the contract in place and market value contracts available at the time of acquisition. The liability was recorded at the present value of future cash flows, utilizing an imputed interest rate of 3.57%. Amortization is recorded using the straight-line method over the life of the lease. At March 31, 2020, the balance included $98,755 in current liabilities and $263,107 in long-term liabilities.

Long Lived Assets

The Company reviews the carrying values of its long-lived assets including finite-lived intangible assets in accordance with accounting for *Long-Lived Assets,* when events or changes in circumstances would indicate that it is more likely than not their carrying values may exceed their realizable values, and records impairment charges when considered necessary.

When circumstances indicate that impairment may have occurred, the Company tests such assets for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amounts. In estimating these future cash flows, assets and liabilities are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows generated by other such groups. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss, measured as the excess of the carrying value of the asset over its estimated fair value, is recognized. Fair values are determined based on discounted cash flows, quoted market values or external appraiser as applicable. There was no impairment of the Company’s long-lived assets during the year ended March 31, 2020.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Sales and related costs are generally recorded by the Company upon shipment of merchandise and transfer of title and risk of loss to customers. Sales are recorded net of estimated discounts, returns and allowances.

Effective April 1, 2019, the Company adopted the new revenue recognition standard which requires revenue to be recognized when the contract is in place, obligations under the terms of the contract are satisfied and control is transferred to the customer. The Company considers control to have been transferred when the Company has transferred the physical possession of the product, the Company has a right to payment for the product, the customer has legal title to the product and the customer has significant risks and rewards of the product. Revenue is recognized for an amount that reflects the consideration to which the Company is entitled in exchange for the product. The Company records variable considerations as a reduction of revenue arising from implicit or explicit obligation in the period the related product revenue is recognized. Variable consideration includes trade discounts, markdowns, co-op advertising, sales returns and other customer allowances. Variable consideration is estimated based on historical experience, customer agreements and expectations, statutory requirements, current economic conditions and other factors that arise in the normal course of business.

The Company is of the opinion that the adoption of this new standard did not have a significant impact on the consolidated financial statements of the Company.

Cost of Goods Sold

Cost of goods sold consist of expenses incurred to acquire and prepare inventory for sale, including freight, import costs, packaging materials and other costs.

Advertising and Promotional Expenses

Advertising and promotional expenses are expensed during the year in which they are incurred. For the year ended March 31, 2020, advertising and promotional expenses amounted to approximately $326,000 and is reflected in general and administrative expenses on the consolidated statement of operations. The Company also participates in the co-op advertising program with certain customers. For the year ended March 31, 2020, co-op advertising expense amounted to approximately $9,438,000 and was netted against sales.

Shipping and Handling Costs

The Company included shipping and handling costs associated with outbound freight in operating expenses. For the years ended March 31, 2020, shipping and handling costs amounted to approximately $359,000.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent

The Company's operating lease contains predetermined fixed escalations of minimum rent payments during the original lease term. For the lease, the Company recognizes the related rental expense on a straight-line basis over the life of the lease and records the difference between the amounts charged to operations and amounts paid as deferred rent.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is required if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are based on the current period taxable income for Federal, state and local income tax reporting purposes.

Uncertain Tax Positions

The Company follows guidance issued by the Financial Accounting Standards Board ("FASB") ASC 740 Accounting for Income Taxes, regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the consolidated financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

The Company records income tax related interest and penalties as a component of the provision for income tax expense. As of March 31, 2020, the Company determined there were no uncertain tax positions.

The Company believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date.

Subsequent Events

For purposes of preparing these financial statements, the Company considered events through June 25, 2020, the date these financial statements were available to be issued.

NOTE 3 — ACCOUNTS RECEIVABLE, NET

Pursuant to the Factoring Agreement (the "Agreement") between the Company and Israel Discount Bank of New York ("IBD") without recourse against the Company in the event of a loss. Per the Agreement, the Company pays a factoring commission ranging from 0.18% to 0.40%. As of March 31, 2020, the Company had $2,597,433 of accounts receivable due from non-related parties which were factored without recourse as defined in the Agreement.

NOTE 4 — INVENTORIES

At March 31, 2020, inventories of $81,205,953 consisted of finished goods.

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2020:

Furniture and fixtures	$ 262,645
Computers and equipment	387,103
Model and display	346,632
Leasehold improvements	732,957
Other depreciable property	95,200
	1,824,537
Less: accumulated depreciation	1,434,579
	$ 389,958

Depreciation expense for the year ended March 31, 2020 was $191,009.

NOTE 6 — INTANGIBLE ASSET

Intangible assets consist of the following at March 31, 2020:

License agreement	$ 4,000,000
Customer list	2,000,000
Non-compete convenants	365,000
Trademarks	33,500
	6,398,500
Less: accumulated amortization	3,735,108
	$ 2,663,392

NOTE 6 — INTANGIBLE ASSET (Continued)

Estimated amortization expense for the next four fiscal years and thereafter is as follows:

Year Ending March 31,	
2021	$ 1,376,065
2022	1,090,865
2023	172,000
2024	24,462
	$ 2,663,392

Amortization expense for the year ended March 31, 2020 was $1,376,080.

NOTE 7 — CREDIT FACITLITY

The Company has credit facilities with two different financial institutions allowing for total maximum borrowings of $50,000,000 for working capital purposes.

Renaissance has a credit facility with a bank allowing for maximum borrowing of $25,000,000 to be utilized for working capital purposes. Borrowing under this facility are subject to a borrowing base limitation consisting of specified percentages of eligible accounts receivable and inventories. Interest on these borrowings is calculated as a function of the bank's prime rate (5.00% at March 31, 2020) or LIBOR (2.03% at March 31, 2020). At March 31, 2020, the outstanding borrowings were $18,000,000 which are secured by substantially all assets of the Company, as well as various guarantees and subordinations. This credit facility agreement matures on August 8, 2020. The Company is in the process of negotiating with the lender to extend the line of credit. The bank is also the loss payee on the jewelers' block policy the Company holds. This facility contains various restrictive covenants.

Jay Gems has a credit facility with a bank allowing for maximum borrowing of $25,000,000 to be utilized for working capital purposes. Borrowing under this facility is subject to a borrowing base limitation consisting of specified percentages of eligible accounts receivable and inventories. Interest on these borrowings is calculated as a function of the bank's prime rate (5.00% at March 31, 2020) or LIBOR (2.03% at March 31, 2020). At March 31, 2020, the outstanding borrowings were $20,282,034 which are secured by substantially all assets of the Company, as well as various guarantees and subordinations. This credit facility agreement matures on July 31, 2020. The Company is in the process of negotiating with the lender to extend the line of credit. The bank is also the loss payee on the jewelers' block insurance policy the Company holds. This facility contains various restrictive covenants.

NOTE 8 – NOTES PAYABLE

In 2014, Essar acquired the net assets of M.A. Reich & Co., Inc. for a purchase price of $2,103,033. In connection with this acquisition, Essar issued a $1,300,000 non-interest bearing note at a total discount of $164,307. At March 31, 2020, Essar had a note payable of $260,000, payable in semi-annual principal installments of $32,500 through March 31, 2024. The note is recorded at the present value of the future cash flows, utilizing an imputed interest rate of 3.75%.

At March 31, 2020, the future principal payments of this note were as follows:

Years ending March 31,	
2021	$ 65,000
2022	65,000
2023	65,000
2024	65,000
	260,000
Less: unamortized discount	20,786
	$ 239,214

For the year ended March 31, 2020, the amortization of discounts on this note amounted to $10,588.

On August 2, 2018, Renaissance acquired 100% of the shares in Jay Gems for the total purchase price of $12,405,547 at a total discount of $1,645,520. In connection with this acquisition, Renaissance issued non-interest-bearing notes to the former stockholders of Jay Gems which were recorded at the present value of the future cash flows, utilizing an imputed interest rate of 3.57%.

At March 31, 2020, the future principal payments of these notes were as follows:

Years ending March 31,	
2021	$ 1,326,554
2022	3,124,514
2023	9,200,000
2024	57,702
	13,708,770
Less: unamortized discount	856,766
	$ 12,852,004

For the year ended March 31, 2020, the amortization of discounts on these notes amounted to $513,334.

NOTE 9 — 401(K) PLAN

The Company has established a 401(k) savings plan (“the Plan”) which covers substantially all employees that meet certain requirements. At the discretion of the Company, the Plan provides for an employer contribution election which is discretionary and is based on eligible amounts contributed to the Plan by its participants.

NOTE 10 — COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company is obligated under a non-cancellable operating leases for office space and facilities through September 30, 2023.

Future minimum rental payments are as follows:

Years Ending March 31,	
2021	$ 1,153,763
2022	1,160,113
2023	1,127,474
2024	183,430
	$ 3,624,781

Rent expense is recognized on a straight-line basis over the term of the lease, including free rent periods. Differences between rent expense recognized and contractual amounts due under the lease agreement are recorded as deferred rent liability. Rent expense was $931,509 for the year ended March 31, 2020.

The Company has a sublease agreement for one of its office spaces which expires on December 31, 2023.

At March 31, 2020, the future minimum rental income were as follows:

Years ending March 31,	
2021	$ 282,204
2022	282,204
2023	282,204
2024	141,102
	$ 987,714

NOTE 10 — COMMITMENTS AND CONTINGENCIES (Continued)

Royalty Agreements

The Company has royalty agreements with various licensors in connection with the marketing, advertising, promotion and distribution of certain jewelry. The licensors require the Company to make royalty payments at various specified percentages of net sales, as defined. One of the agreements also requires future minimum guaranteed payments.

At March 31, 2020, the future minimum guaranteed payments were as follows:

Years ending March 31,	
2021	$ 1,362,000
2022	916,000
	$ 2,278,000

NOTE 11 – RELATED PARTIES TRANSACTIONS

As of March 31, 2020, the Renaissance and Jay Gems had outstanding accounts receivables of $7,620,940 from various affiliates and officers of Jay Gems.

As of March 31, 2020, Jay Gems had outstanding loans receivable of $102,857 from an officer of Jay Gems and a company owned by one of the officers of Jay Gems. These loans are due on a demand basis. The loans receivable from a company owned by one of the officers of Jay Gems bears interest at 2% per annum. For the year ended March 31, 2020, interest on these loans amounted to $1,060.

As of March 31, 2020, Renaissance and Jay Gems had accounts payable of $17,583,891 to various affiliates.
As of March 31, 2020, Renaissance had no outstanding loans payable to an officer of Renaissance and an entity related to one of the officers of Renaissance. For the year ended March 31, 2020, interest on these loans amount to $12,211.

As of March 31, 2020, Jay Gems had outstanding loans payable of $361,345 and $209,068 to an officer of Jay Gems and a company owned by one of the officers of Jay Gems, respectively. These loans are due on demand and bear no interest.

As of March 31, 2020, Essar had outstanding loans payable $803,033 to an officer of Jay Gems. These loans are due on demand and bear no interest.

NOTE 11 – RELATED PARTIES TRANSACTIONS (Continued)

For the year ended as of March 31, 2020, the Company had sales to various affiliates of $17,245,601 which make up approximately 9% of the total Company sales.

For the year ended March 31, 2020, the Company had net purchases from various affiliates of $131,959,379 which make up approximately 88% of the total Company purchases.

For the year ended March 31, 2020, the Company had rental income of $49,900 from an affiliate under a sublease agreement.

NOTE 12 — INCOME TAXES

The components of income tax expense (benefit) for the year ended March 31, 2020, were as follows:

Current:	
Federal	$ 734,893
State	37,611
	772,504
Deferred:	
Federal	(227,000)
State	(25,000)
	(252,000)
Income tax expense	$ 520,504

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The tax effects of temporary differences that give rise to significant portions of the net deferred tax asset are presented below:

Current deferred tax assets:	
Allowance for bad debts	$ 51,473
Allowance for returns	22,730
Deferred rent - current portion	25,465
Unfavorable leases	78,670
Amortization	474,124
263a costs	197,295
Total current deferred tax asset	$ 849,757
Non-current deferred tax assets (liabilities):	
Depreciation	(53,757)
Total non current deferred tax (liabilities)	$ (53,757)
Net deferred tax asset	$ 796,000

NOTE 12 — INCOME TAXES (Continued)

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cut and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code that affect 2017. The Tax Act also establishes new tax laws that will affect 2020 and subsequent years, including a reduction in the U.S. federal corporate income tax rate from 35.0% to 21.0%. The expected income tax rate for the year ended March 31, 2020 was 22.7% whereas the actual rate was 14.9%.

NOTE 13 — MAJOR CUSTOMERS AND VENDORS

For the year ended March 31, 2020, sales to two customers represented approximately 41% and 13% of net sales, respectively. These customers also represented 24% and 8% of accounts receivable at March 31, 2020, respectively.

For the year ended March 31, 2020, the Company made purchases from two vendors, which are also related parties, which represented approximately 46% and 27% of net purchases, respectively. These vendors also represented 12% and 63% of accounts payable at March 31, 2020, respectively.

NOTE 14 — SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19’s effect on the Company’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapid evolving landscape. The Company was closed on March 22, 2020 due to New York State closing all nonessential businesses. The Company has resumed operations starting June 15, 2020 as part of the phase one reopening of New York City.