

SMP Automotive Interiors (Beijing) Co., Ltd.

Illustrative Audited Financial Statements

Year ended 31 December 2020

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AUDITOR'S REPORT

Ernst & Young Hua Ming (2021) Shen Zi No.61377736_E01
SMP Automotive Interiors (Beijing) Co., Ltd.

To the board of directors of SMP Automotive Interiors (Beijing) Co., Ltd.

(I) Opinion

We have audited the financial statements of SMP Automotive Interiors (Beijing) Co., Ltd. (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2020, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2020, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). 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 *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the 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, the 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 the 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.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2021) Shen Zi No.61377736_E01
SMP Automotive Interiors (Beijing) Co., Ltd.

(IV) 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 CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally 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 CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) 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.
- (2) 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the 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.
- (5) 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.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2021) Shen Zi No.61377736_E01
SMP Automotive Interiors (Beijing) Co., Ltd.

Ernst & Young Hua Ming LLP Dalian Branch

Chinese Certified Public Accountant: Carol Zhou

Chinese Certified Public Accountant: Sean Sun

Dalian, the People's Republic of China

07 04 2021

SMP Automotive Interiors (Beijing) Co., Ltd.
COMPANY BALANCE SHEET
Year ended 31 December 2020

Expressed in Renminbi Yuan

<u>ASSETS</u>	<u>Note V</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current assets			
Currency funds	1	131,969,600.07	52,703,078.12
Accounts receivable	2	50,735,893.34	49,285,653.95
Prepayments	3	976,331.36	8,273,210.41
Other receivables	4	5,378,202.30	3,775,668.75
Inventories	5	53,034,849.02	23,959,658.83
Current portion of non-current assets	6	15,102,504.96	17,757,274.88
Other current assets		<u>419,794.91</u>	<u>952,455.59</u>
Total current assets		<u>257,617,175.96</u>	<u>156,707,000.53</u>
Non-current assets			
Long-term receivables	6	17,341,055.75	33,708,891.91
Fixed assets	7	17,691,905.15	28,183,178.13
Construction in progress		529,891.16	22,831.87
Intangible assets	8	3,586,206.51	4,077,963.14
Long-term prepaid expenses	9	2,259,744.75	5,134,206.37
Deferred tax assets	10	<u>2,073,495.30</u>	<u>1,827,787.13</u>
Total non-current assets		<u>43,482,298.62</u>	<u>72,954,858.55</u>
Total assets		<u><u>301,099,474.58</u></u>	<u><u>229,661,859.08</u></u>

The accompanying notes to financial statements form an integral part of these financial statements.

SMP Automotive Interiors (Beijing) Co., Ltd.
COMPANY BALANCE SHEET
Year ended 31 December 2020

Expressed in Renminbi Yuan

<u>LIABILITIES AND EQUITY</u>	<u>Note V</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current liabilities			
Accounts payable		138,931,669.24	101,999,951.64
Employee benefits payable	11	6,675,140.34	7,267,328.59
Taxes and surcharges payable	12	10,661,774.37	4,690,293.46
Other payables		<u>3,529,488.82</u>	<u>2,544,501.18</u>
Total current liabilities		<u>159,798,072.77</u>	<u>116,502,074.87</u>
Total liabilities		<u>159,798,072.77</u>	<u>116,502,074.87</u>
Equity			
Paid-in capital	13	42,510,280.00	42,510,280.00
Surplus reserve	14	19,379,112.18	10,564,950.42
Unappropriated profit	15	<u>79,412,009.63</u>	<u>60,084,553.79</u>
Total equity		<u>141,301,401.81</u>	<u>113,159,784.21</u>
Total liabilities and equity		<u><u>301,099,474.58</u></u>	<u><u>229,661,859.08</u></u>

The financial statements have been signed by:

Legal representative:

Financial controller:

Accounting supervisor:

The accompanying notes to financial statements form an integral part of these financial statements.

SMP Automotive Interiors (Beijing) Co., Ltd.
COMPANY INCOME STATEMENT
Year ended 31 December 2020

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Revenue	16	774,251,794.23	755,741,716.87
Less: Cost of sales		619,179,942.41	623,831,186.46
Taxes and surcharges		3,592,781.48	2,686,826.68
Selling expenses		1,123.00	7,705.59
Administrative expenses		19,914,030.23	21,006,903.91
Research and development expenses		24,100,216.31	24,218,923.64
Finance expenses	17	4,022,504.14	5,843,082.82
Including: Interest expenses		3,442,809.90	5,942,741.68
Interest income		482,143.52	873,247.83
Add: Other income		287,356.32	14,500.00
Profit or loss arising from changes in fair value		-	(201,685.77)
Operating profit		103,728,552.98	77,959,902.00
Less: Income tax expenses	19	15,586,935.38	14,107,546.33
Profit		<u>88,141,617.60</u>	<u>63,852,355.67</u>
Classified by continuity of operations			
Profit from continuing operations		<u>88,141,617.60</u>	<u>63,852,355.67</u>
Total comprehensive income		<u>88,141,617.60</u>	<u>63,852,355.67</u>

The accompanying notes to financial statements form an integral part of these financial statements

SMP Automotive Interiors (Beijing) Co., Ltd.
COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

Expressed in Renminbi Yuan

2020

		Paid in capital	Surplus reserve	Unappropriated profit	Total equity
I.	Balance at beginning of year	<u>42,510,280.00</u>	<u>10,564,950.42</u>	<u>60,084,553.79</u>	<u>113,159,784.21</u>
II.	Changes for the year				
1.	Total comprehensive income	-	-	88,141,617.60	88,141,617.60
2.	Profit distribution				
(1)	Appropriation to surplus reserves	-	8,814,161.76	(8,814,161.76)	-
(2)	Distribution to owners	<u>-</u>	<u>-</u>	<u>(60,000,000.00)</u>	<u>(60,000,000.00)</u>
III.	Balance at end of year	<u>42,510,280.00</u>	<u>19,379,112.18</u>	<u>79,412,009.63</u>	<u>141,301,401.81</u>

2019

		Paid in capital	Surplus reserve	Unappropriated profit	Total equity
I.	Balance at beginning of year	<u>42,510,280.00</u>	<u>4,179,714.85</u>	<u>37,617,433.69</u>	<u>84,307,428.54</u>
II.	Changes for the year				
1.	Total comprehensive income	-	-	63,852,355.67	63,852,355.67
2.	Profit distribution				
(1)	Appropriation to surplus reserves	-	6,385,235.57	(6,385,235.57)	-
(2)	Distribution to owners	<u>-</u>	<u>-</u>	<u>(35,000,000.00)</u>	<u>(35,000,000.00)</u>
III.	Balance at end of year	<u>42,510,280.00</u>	<u>10,564,950.42</u>	<u>60,084,553.79</u>	<u>113,159,784.21</u>

The accompanying notes to financial statements form an integral part of these financial statements

SMP Automotive Interiors (Beijing) Co., Ltd.
COMPANY STATEMENT OF CASH FLOWS
Year ended 31 December 2020

Expressed in Renminbi Yuan

	<u>Note VI</u>	<u>2020</u>	<u>2019</u>
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		876,535,263.34	894,504,215.32
Other cash receipts relating to operating activities		<u>685,543.04</u>	<u>778,810.53</u>
Total cash inflows from operating activities		<u>877,220,806.38</u>	<u>895,283,025.85</u>
Cash payments for goods and services		648,560,466.81	688,880,307.48
Cash payments to and on behalf of employees		34,271,939.13	38,274,907.07
Payments of all types of taxes and surcharges		37,145,492.70	35,860,498.13
Other cash payments relating to operating activities		<u>32,612,551.99</u>	<u>24,177,335.04</u>
Total cash outflows from operating activities		<u>752,590,450.63</u>	<u>787,193,047.71</u>
Net cash flows from operating activities	20	<u>124,630,355.75</u>	<u>108,089,978.14</u>
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from returns of investment		<u>286,462.60</u>	<u>-</u>
Total cash inflows from investing activities		<u>286,462.60</u>	<u>-</u>
Cash payments to acquire fixed assets, intangible assets and other long-term assets		427,802.21	984,241.91
Cash payments for investments		<u>-</u>	<u>-</u>
Total cash outflows from investing activities		<u>427,802.21</u>	<u>984,241.91</u>
Net cash flows from investing activities		<u>(141,339.61)</u>	<u>(984,241.91)</u>

The accompanying notes to financial statements form an integral part of these financial statements.

SMP Automotive Interiors (Beijing) Co., Ltd.
COMPANY STATEMENT OF CASH FLOWS (CONTINUED)
Year ended 31 December 2020

Expressed in Renminbi Yuan

	<u>Note VI</u>	<u>2020</u>	<u>2019</u>
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from borrowings		- 14,173,834.11	
Other cash receipts relating to financing activities		<u>865,236,484.49</u>	<u>850,067,005.33</u>
Total cash inflows from financing activities		<u>865,236,484.49</u>	<u>864,240,839.44</u>
Cash repayments for debts		- 39,607,387.04	
Cash payments for distribution of dividends or profit and interest expenses		63,615,732.75	41,236,042.82
Other cash payments relating to financing activities		<u>846,843,083.32</u>	<u>867,414,040.72</u>
Total cash outflows from financing activities		910,458,816.07	948,257,470.58
Net cash flows from financing activities		<u>(45,222,331.58)</u>	<u>(84,016,631.14)</u>
4. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		<u>(162.61)</u>	<u>3,230.22</u>
5. NET INCREASE IN CASH AND CASH EQUIVALENTS	21	79,266,521.95	23,092,335.30
Add: Cash and cash equivalents at beginning of year		<u>52,703,078.12</u>	<u>29,610,742.82</u>
6. CASH AND CASH EQUIVALENTS AT END OF YEAR	21	<u>131,969,600.07</u>	<u>52,703,078.12</u>

The accompanying notes to financial statements form an integral part of these financial statements.

I. General information

SMP Automotive Interiors (Beijing) Co., Ltd. (the “Company”) was registered in Beijing, People’s Republic of China on 31 March 2014 with an operating term of 30 years. The Company’s registered address is 1-101, Building 6, Yard 2, Street Rongxing North 1, Economic & technology development zone, Beijing.

The principal activity of the Company is production and sales of automotive door panel interiors.

The parent company of the Company and the ultimate parent company are respectively the Samvardhana Motherson Automotive Systems Group B.V. in Netherland and Motherson Sumi Systems Limited in India.

II. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Accounting System for Business Enterprises and other related regulations issued by the Ministry of Finance of the People’s Republic of China (“PRC”).

The financial statements have been prepared under the historical cost convention. If the assets are impaired, corresponding provisions for impairment should be provided in accordance with the relevant regulations.

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with the CAS, and present truly and completely, the Company’s financial position as at 31 December 2020 and the Company’s results of operations and cash flows for the year then ended.

III. Significant accounting policies and estimates

The financial information presented in the 2020 annual financial statements was prepared based on the following significant accounting policies and estimates under ASBEs.

1. Accounting year

The accounting year of the Company is from 1 January to 31 December.

2. Functional currency

The Company’s reporting and presentation currency is the Renminbi (“RMB”). Unless otherwise stated, the unit of the currency is Yuan.

3. Cash and cash equivalents

Cash comprises the Group’s cash on hand and bank deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

III. Significant accounting policies and estimates (continued)

4. Foreign currency transactions and foreign currency translation

The Company translates foreign currencies into the reporting currency when foreign currency transactions occur.

Foreign currency transactions are initially recorded using the functional currency rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currency at the spot exchange rate at the balance sheet date. The resulting exchange differences are recognized in the income statement. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the foreign exchange rate at the transaction date.

Foreign currency cash flows are translated using the spot exchange rate when the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

5. Financial instruments

Recognition and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- (1) the rights to receive cash flows from the asset have expired; or
- (2) the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period as specified by regulations or convention in the marketplace. Trade date is the date that the Company commits to purchase or sell the asset.

III. Significant accounting policies and estimates (continued)

5. Financial instruments (continued)

Classification and measurement of financial instruments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are recognised initially at fair value, with transaction costs taken directly to profit or loss, and are subsequently remeasured at fair value. All the realised and unrealised gains or losses are recognised in profit or loss. Dividend income or interest income relating to financial assets at fair value through profit or loss is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction costs that are attributable to the acquisition of the financial assets, and are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment are recognised in profit or loss.

The Company recognises a loss for impairment where there is objective evidence that an impairment loss on a financial asset has been incurred. The Company assesses whether impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment has been incurred, an impairment loss is recognised in profit or loss. The Company assesses whether impairment exists for financial assets that are not individually significant, collectively on the basis of financial assets with similar credit risk characteristics. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) through the use of an allowance account and the loss is recognised in profit or loss. If there is objective evidence of a recovery in the value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss.

Other financial liabilities

Such financial liabilities are initially recognised at fair value less any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the financial asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the financial asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

III. Significant accounting policies and estimates (continued)

5. Financial instruments (continued)

Transfer of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the carrying amount of the financial asset and the guarantee amount. The guarantee amount is the maximum amount of consideration that the Group could be required to repay.

Derivative financial instruments

The Group uses derivative financial instruments, such as foreign currency forward contracts and interest rate swap contracts to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. However, a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted market price in an active market) and whose fair value cannot be reliably measured, is measured at cost.

6. Inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, cost of conversion and other costs. The cost of inventories transferred out is determined on the weighted average basis. Low-value consumables are expensed in full when issued for use.

At the balance sheet date, inventories are stated at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision is made in profit or loss. If factors that previously resulted in the provision for the inventories disappear and make the net realizable value higher than their carrying amount, the amount of the write-down is reversed, to the extent of the amount of the provision for the inventories, and the reversed amount is recognized in profit or loss for the current period.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sales. The provision for inventories is determined on an individual item basis.

7. Fixed assets

Fixed assets are recognised only when the economic benefits relating to the fixed assets are likely to flow into the Company and the cost of the fixed assets can be measured reliably. Expenditure incurred after fixed assets have been put into operation is normally charged to the income statement during the period in which it is incurred, unless in certain situations the expenditure is capitalised as an additional cost of that asset or as a replacement.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset includes the purchase price, relevant taxes and other disbursements that bring the fixed asset to the expected conditions for use and that is attributed to the fixed asset.

Depreciation is calculated using the straight-line method. The respective estimated useful lives, estimated residual value rate and annual depreciation rates of fixed assets are as follows:

Category	Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	5-10 years	5%	9.50%-19.00%
Machinery	3-10 years	5%	9.50%-31.67%
Office furniture	3-10 years	5%	9.50%-31.67%

The Company reviews the fixed assets' useful life, residual values and depreciation method, and adjusts if appropriate, at least at each balance sheet date.

III. Significant accounting policies and estimates (continued)

8. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period and other relevant expenditures.

An item of construction in progress is transferred to fixed assets when the asset is ready for its intended use.

9. Borrowing costs

Borrowing costs are interests and other expenses arising from borrowings of the Company, including interests, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs are directly attributable to construction or production of all qualifying assets are capitalised and other borrowing costs are treated as expenses.

10. Intangible assets

An intangible asset is recognised only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Company. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company.

The useful lives of the intangible assets are as follows:

	Estimated life
Computer Software	10 years

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at least at each financial year-end and makes adjustment if necessary.

11. Long-term prepaid expenses

Long-term prepaid expenses are amortised using the straight-line method as follows:

	Amortisation period
Improvement expenditure for leased fixed assets	7 years
Disbursement for equipment spare parts	5 years
Disbursement for tooling car	3 years

III. Significant accounting policies and estimates (continued)

12. Impairment of assets

The Company determines the impairment of assets except for inventories, deferred tax and financial assets as follows:

The Company assessed whether an indication of impairment exists as at the balance sheet date, and performed impairment test on estimation of the asset's recoverable amount if such indications exist.

An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and the present value of estimated future cash flows of the assets. The recoverable amount is calculated for an individual asset unless it is not applicable, in which case, the recoverable amount is determined for the asset groups to which the asset belongs. The asset group is recognised based on whether the cash inflows generated by the asset groups are largely independent to that of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to the income statement and an impairment allowance is provided.

Impairment losses cannot be reversed in the prospective accounting periods.

13. Employee benefits

Employee benefits are all forms of considerations given and other relevant expenditures incurred by the Group in exchange for services rendered by employees. Employee benefits include short-term employee benefits, post-employee benefits, termination benefits and other long-term employee benefits. Employee benefits also include the welfare given to the spouse, children, dependents, the deceased employee survivors and other beneficiaries.

Post-employment benefit (defined contribution plans)

The Company's employees participate in a government-regulated defined contribution pension scheme. The contributions are charged as a cost of asset or an expense to the income statement as incurred.

14. Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow into the Company and the relevant amounts of revenue can be measured reliably, as well as all the following conditions are satisfied.

Revenue from the sale of goods

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sale of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair value. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sale of goods is measured at the fair value of the consideration receivable.

Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

III. Significant accounting policies and estimates (continued)

15. Income tax

Income tax comprises current tax and deferred tax, and is recognised as income or expense in the income statement.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognised as assets and liabilities, deferred taxes are provided using the liability method.

Deferred tax liabilities are recognised for all taxable temporary differences except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised, except:

when the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

III. Significant accounting policies and estimates (continued)

16. Leases

A lease that transfers substantially all of the risks and benefits of ownership of an asset to the lessee is termed as finance lease. All the other leases are termed as operating leases.

Operating lease as a lessee

Operating lease payments are recognised as costs of the relevant assets or expenses on a straight-line basis over the lease term.

17. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimations could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the financial statements, such as the recognition of income and the classification of relevant financial instruments.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Income tax preference for HNTE

The Company has been certified as High and New Technology Enterprise ("HNTE") in September 2018. The Company believes that it complies with the notice of the Ministry of science and technology, the Ministry of Finance and the State Administration of Taxation on revising and printing the administrative measures for the identification of high tech enterprises (Guo Ke FA Huo [2016] No. 32), and the notice of the Ministry of science and technology, the Ministry of Finance and the State Administration of Taxation on revising and printing the guidelines for the administration of the identification of high tech enterprises (Guo Ke FA Huo [2016] No. 195) and relevant tax regulations, and the Company is qualified to enjoy preferential income tax rate in 2020. If the final tax result of the matter is different from the original estimate, the difference will affect the enterprise income tax expense and income tax provision in the future..

IV. Taxation

Major tax items and rates are as follows:

Value added tax ("VAT")	- VAT payable is the difference between VAT output and less deductible VAT input for the current period. VAT output has been calculated by applying a rate of 13% to the taxable value.
Urban maintenance and construction tax	- It is levied at 7% on the turnover taxes paid
Education surcharge	- The Company is subject to a value added rate of 3% on its actual payment of value added tax
Local education surcharge	- The Company is subject to a value added rate of 2% on its actual payment of value added tax
Corporate income tax	- The Company was approved as a high-tech enterprise, and the applicable corporate income tax for the current year is levied at 15%
Withholding of individual Income taxes	- In accordance with the relevant tax laws income tax in the PRC, the Company is required to withhold individual income tax on salaries paid to its employees
Withholding of corporate Income taxes	- In accordance with the relevant tax laws in the PRC, the Company is required to withhold and pay corporate income tax, business tax and VAT in respect of the interest and technology transfer fees payable to foreign investors and overseas related companies.

V. Notes to major items in the financial statements

1. Currency funds

	2020	2019
Cash	2,419.84	1,101.64
Cash at bank	<u>131,967,180.23</u>	<u>52,701,976.48</u>
	<u>131,969,600.07</u>	<u>52,703,078.12</u>

There were no restricted cash or bank deposits at the balance sheet date.

2. Accounts receivable

The credit terms of accounts receivable are usually 3 months. Accounts receivable are interest-free. As at the balance sheet date, the ageing of accounts receivables is within one year.

The management of the Company is of the opinion that no bad debt provision is necessary for accounts receivable as at the balance sheet date.

3. Prepayments

As at the balance sheet date, the ageing of advances to suppliers is within one year. The management of the Company is of the opinion that no bad debt provision is necessary for prepayments as at the balance sheet date.

4. Other receivables

An ageing analysis of other receivables is as follows:

	2020	2019
Within 1 year	2,501,072.40	984,119.72
1 to 2 years	204,360.90	2,277,722.60
2 to 3 years	2,160,000.00	511,186.43
Over 3 years	<u>512,769.00</u>	<u>2,640.00</u>
	<u>5,378,202.30</u>	<u>3,775,668.75</u>

The management of the Company considers that no provision for impairment is necessary for other receivables as at the balance sheet date.

V. Notes to major items in the financial statements (continued)

5. Inventories

	2020	2019
Raw materials	25,617,258.00	22,497,522.70
Work in process	1,085,225.39	1,363,196.85
Finished goods	-	98,939.28
Goods in transit	<u>26,332,365.63</u>	<u>-</u>
	<u>53,034,849.02</u>	<u>23,959,658.83</u>

As at the balance sheet date, no inventories were restricted to use.

The management of the Company considers that no provision for impairment is necessary for inventories as at the balance sheet date.

6. Long-term receivables

An ageing analysis of Long-term receivables is as follows:

	2020	2019
3 year to 4 years	-	51,466,166.79
4 year to 5 years	<u>32,443,560.71</u>	<u>-</u>
	32,443,560.71	51,466,166.79
Less: Long-term receivables due within one year	<u>15,102,504.96</u>	<u>17,757,274.88</u>
	<u>17,341,055.75</u>	<u>33,708,891.91</u>

Long-term receivables are receivable from third-party moulds. As at the balance sheet date, Management is of the opinion that no provision for impairment was necessary for long-term receivables.

V. Notes to major items in the financial statements (continued)

7. Fixed assets

2020

	Buildings	Machinery	Office equipment	Total
Cost				
Opening balance	1,698,631.96	53,699,366.01	10,928,268.19	66,326,266.16
Transfers from construction in progress	<u>63,274.34</u>	<u>22,831.86</u>		<u>86,106.20</u>
Closing balance	<u><u>1,761,906.30</u></u>	<u><u>53,722,197.87</u></u>	<u><u>10,928,268.19</u></u>	<u><u>66,412,372.36</u></u>
Accumulated depreciation				
Opening balance	709,522.03	30,199,294.67	7,234,271.33	38,143,088.03
Depreciation provided during the year	<u>201,696.24</u>	<u>9,326,536.18</u>	<u>1,049,146.76</u>	<u>10,577,379.18</u>
Closing balance	<u><u>911,218.27</u></u>	<u><u>39,525,830.85</u></u>	<u><u>8,283,418.09</u></u>	<u><u>48,720,467.21</u></u>
Carrying amount				
At end of year	<u><u>850,688.03</u></u>	<u><u>14,196,367.02</u></u>	<u><u>2,644,850.10</u></u>	<u><u>17,691,905.15</u></u>
At beginning of year	<u><u>989,109.93</u></u>	<u><u>23,500,071.34</u></u>	<u><u>3,693,996.86</u></u>	<u><u>28,183,178.13</u></u>

V. Notes to major items in the financial statements (continued)

7. Fixed assets (continued)

2019	Buildings	Machinery	Office equipment	Total
Cost				
Opening balance	1,698,631.96	53,577,699.58	10,928,268.19	66,204,599.73
Transfers from construction in progress		121,666.43		121,666.43
Closing balance	<u>1,698,631.96</u>	<u>53,699,366.01</u>	<u>10,928,268.19</u>	<u>66,326,266.16</u>
Accumulated depreciation				
Opening balance	513,836.84	20,685,882.61	5,778,260.66	26,977,980.11
Depreciation provided during the year	<u>195,685.19</u>	<u>9,513,412.06</u>	<u>1,456,010.67</u>	<u>11,165,107.92</u>
Closing balance	<u>709,522.03</u>	<u>30,199,294.67</u>	<u>7,234,271.33</u>	<u>38,143,088.03</u>
Carrying amount				
At end of year	<u>989,109.93</u>	<u>23,500,071.34</u>	<u>3,693,996.86</u>	<u>28,183,178.13</u>
At beginning of year	<u>1,184,795.12</u>	<u>32,891,816.97</u>	<u>5,150,007.53</u>	<u>39,226,619.62</u>

There were no restricted fixed assets as at the balance sheet date.

The management of the Company considers that no provision for impairment is necessary for fixed assets as at the balance sheet date.

V. Notes to major items in the financial statements (continued)

8. Intangible Assets

Computer Software

	2020	2019
Cost		
Opening and closing balance	<u>5,121,100.61</u>	<u>5,121,100.61</u>
Accumulated amortization		
Opening balance	1,043,137.47	548,481.13
Amortization provided for the year	<u>491,756.63</u>	<u>494,656.34</u>
Closing balance	<u>1,534,894.10</u>	<u>1,043,137.47</u>
Accounting amount		
At end of year	<u>3,586,206.51</u>	<u>4,077,963.14</u>
At beginning of year	<u>4,077,963.14</u>	<u>4,572,619.48</u>

There were no restricted intangible assets as at the balance sheet date.

The management of the Company considers that no provision for impairment is necessary for intangible assets as at the balance sheet date.

9. Long-term prepaid expenses

	2020	2019
Improvement expenditure for leased fixed assets	1,816,546.71	2,304,034.71
Disbursement for equipment spare parts	-	2,107,059.10
Disbursement for tooling car	<u>443,198.04</u>	<u>723,112.56</u>
	<u>2,259,744.75</u>	<u>5,134,206.37</u>

10. Deferred tax assets

The net amount of deferred tax assets and the confirmed deferred tax liabilities is set out in the balance sheet. As of 31 December 2020, the offset amount was RMB293,196.96 (31 December 2019: RMB 138,463.92).

Recognized deferred tax assets:

	2020	2019
Installment sales gross profit	(293,196.96)	(138,463.92)
Unpaid bonus	583,038.19	601,775.42
Fixed assets depreciation	<u>1,783,654.07</u>	<u>1,364,475.63</u>
	<u>2,073,495.30</u>	<u>1,827,787.13</u>

V. Notes to major items in the financial statements (continued)

11. Employee benefits payable

	2020	31 December	2019	31 December
	Amount payable	2020 Outstanding amount	Amount payable	2019 Outstanding amount
Salaries, bonuses, allowances and subsidies	26,992,740.00	5,844,880.26	28,621,411.41	5,441,667.46
Staff welfare	1,648,936.95	447,984.06	1,607,356.51	879,793.60
Social security	1,476,092.63	148,479.81	2,373,867.22	192,537.80
Including: Medical insurance and maternity insurance	1,462,663.84	148,479.81	2,196,689.96	178,530.07
Work injury insurance	13,428.79	-	177,177.26	14,007.73
Housing funds	2,010,982.00	150,248.01	2,301,398.00	173,577.92
Union funds and employee education funds	504,000.00	83,548.20	775,869.56	320,937.20
	<u>32,632,751.58</u>	<u>6,675,140.34</u>	<u>35,679,902.70</u>	<u>7,008,513.98</u>
Defined contribution plan	248,562.60	-	3,410,351.13	258,814.61
Including: Basic pension insurance	236,827.04	-	3,260,173.76	246,590.88
Unemployment insurance	11,735.56	-	150,177.37	12,223.73
Portion of termination benefits	<u>798,436.70</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>33,679,750.88</u>	<u>6,675,140.34</u>	<u>39,090,253.83</u>	<u>7,267,328.59</u>

12. Taxes and surcharges payable

	2020	2019
VAT	2,194,602.89	1,027,824.60
Corporate income tax	7,864,441.62	3,193,284.43
Stamp tax	347,878.73	269,839.74
Withholding of individual income tax	70,950.28	57,777.24
Urban maintenance and construction tax	107,275.50	82,581.02
Education surcharge	45,975.20	35,391.87
Local education surcharge	<u>30,650.15</u>	<u>23,594.56</u>
	<u>10,661,774.37</u>	<u>4,690,293.46</u>

V. Notes to major items in the financial statements (continued)

13. Paid-in capital

Registered Capital

	2020		2019	
	EUR	Ratio	EUR	Ratio
Samvardhana Motherson Automotive Systems Group B.V.	<u>6,000,000.00</u>	<u>100%</u>	<u>6,000,000.00</u>	<u>100%</u>

Paid-in Capital

	2020		2019	
	EUR	RMB	EUR	RMB
Samvardhana Motherson Automotive Systems Group B.V.	<u>6,000,000.00</u>	<u>42,510,280.00</u>	<u>6,000,000.00</u>	<u>42,510,280.00</u>

The paid-in capital has been verified by Chinese Certified Public Accountants and capital verification reports have been issued.

14. Surplus reserve

2020

	Opening balance	Increase	Closing balance
Reserve fund	<u>10,564,950.42</u>	<u>8,814,161.76</u>	<u>19,379,112.18</u>

2019

	Opening balance	Increase	Closing balance
Reserve fund	<u>4,179,714.85</u>	<u>6,385,235.57</u>	<u>10,564,950.42</u>

According to the provisions of the Company Law and the Company's Articles of Association, the Company appropriates 10% of the net profit to the statutory surplus reserves. Where the accumulated amount of the surplus reserves reaches 50% or more of the Company's registered capital, further appropriation is not required.

After the appropriation to the statutory surplus reserves, the Company may appropriate the discretionary surplus reserves. When approved, the discretionary surplus reserves can be used to make up for accumulated losses or converted to the paid-in capital.

V. Notes to major items in the financial statements (continued)

15. Unappropriated profit

	2020	2019
Balance at end of the prior year	60,084,553.79	37,617,433.69
Net profit for the year	88,141,617.60	63,852,355.67
Less: Reserve fund	(8,814,161.76)	(6,385,235.57)
Cash dividends declared	<u>(60,000,000.00)</u>	<u>(35,000,000.00)</u>
Balance at end of the current year	<u>79,412,009.63</u>	<u>60,084,553.79</u>

16. Revenue

Revenue is as follows:

	2020	2019
Primary business	773,931,876.07	753,985,255.84
Other businesses	<u>319,918.16</u>	<u>1,756,461.03</u>
	<u>774,251,794.23</u>	<u>755,741,716.87</u>

Revenue is as follows:

	2020	2019
Sales of goods	773,931,876.07	753,985,255.84
Rendering of services	-	1,753,641.52
Sales of raw materials and wastes	<u>319,918.16</u>	<u>2,819.51</u>
	<u>774,251,794.23</u>	<u>755,741,716.87</u>

17. Finance expenses

	2020	2019
Interest expenses	3,442,809.90	5,942,741.68
Less: Interest income	482,143.52	873,247.83
Foreign exchange differences	931,169.95	611,222.88
Others	<u>130,667.81</u>	<u>162,366.09</u>
	<u>4,022,504.14</u>	<u>5,843,082.82</u>

V. Notes to major items in the financial statements (continued)

18. Expenses by nature

Supplemental information of the Company's costs of sales, selling expenses, administrative expenses, and research and development expenses by nature are as followings:

	2020	2019
Consumption of raw materials	585,409,111.79	590,408,499.52
Change of work in progress and finished goods	376,910.74	(191,910.52)
Payroll	33,679,750.88	39,090,253.83
Depreciation and amortization	13,943,597.43	12,758,823.31
Others	29,785,941.11	26,999,053.46
	<u>663,195,311.95</u>	<u>669,064,719.60</u>

19. Income tax expenses

	2020	2019
Current tax	15,832,643.55	14,821,878.41
Deferred tax	(245,708.17)	(714,332.08)
	<u>15,586,935.38</u>	<u>14,107,546.33</u>

Reconciliation between income tax and profit before tax is as follows:

	2020	2019
Profit before tax	103,728,552.98	77,959,902.00
Income tax expenses at applicable tax rate (Note)	15,559,282.95	11,693,985.30
Adjustments in respect of current tax of previous periods	24,639.12	2,402,702.63
Expenses not deductible for tax	3,013.31	10,858.40
Tax charged at the Company's effective income tax rate	<u>15,586,935.38</u>	<u>14,107,546.33</u>

Note: The Company has been certified as High and New Technology Enterprise ("HNTE") since 2018 with an available period of 3 years. The corporate income tax was calculated and paid at 15% on the taxable profit in 2020 and 2019.

V. Notes to major items in the financial statements (continued)

20. Cash flows from operating activities

Reconciliation of net profit to net cash flows from operating activities:

	2020	2019
Net profit	88,141,617.60	63,852,355.67
Add: Depreciation of fixed assets	10,577,379.18	11,165,107.92
Amortisation of intangible assets	491,756.63	494,656.34
Amortisation of long-term prepayments	2,874,461.62	1,099,059.05
Profit from changes in fair value	-	201,685.77
Finance expenses	3,359,015.72	5,830,574.17
Decrease in inventories	(29,075,190.19)	1,177,333.20
Decrease in deferred tax assets	(245,708.17)	(714,332.08)
Decrease in operating receivables	5,203,465.89	26,260,855.45
Decrease in operating payables	<u>43,303,557.47</u>	<u>(1,277,317.35)</u>
Net cash flows from operating activities	<u>124,630,355.75</u>	<u>108,089,978.14</u>

21. Cash and cash equivalents

	2020	2019
Cash and cash equivalents		
Including: Cash on hand	2,419.84	1,101.64
Cash at banks available for payment	<u>131,967,180.23</u>	<u>52,701,976.48</u>
Cash and cash equivalents at end of year	<u>131,969,600.07</u>	<u>52,703,078.12</u>

VI. Financial instruments and risk

1. Classification of financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets

	2020	2019
	Other financial liabilities	Other financial liabilities
Cash	131,969,600.07	52,703,078.12
Accounts receivable	50,735,893.34	49,285,653.95
Other receivables	5,378,202.30	3,775,668.75
Non-current assets due in one year	15,102,504.96	17,757,274.88
Long-term receivables	<u>17,341,055.75</u>	<u>33,708,891.91</u>
	<u>220,527,256.42</u>	<u>157,230,567.61</u>

Financial liabilities

	2020	2019
	Other financial liabilities	Other financial liabilities
Accounts payable	138,931,669.24	101,999,951.64
Other payables	<u>3,529,488.82</u>	<u>2,544,501.18</u>
	<u>142,461,158.06</u>	<u>104,544,452.82</u>

2. Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

The Company enters non-recourse factoring arrangements for its trade receivables with banks. Receivables are derecognised from the book since it transferred substantially all the risks and rewards of ownership of the financial asset (i.e. receivables) to the bank. At 31 December 2020, the full carrying amount of the derecognised and unsettled trade receivables was RMB150,321,442.94 (31 December 2019: RMB 131,928,041.77).

VI. Financial instruments and risk (continued)

3. Risk of financial instruments

The main risks arising from the financial instruments are credit risk, liquidity risk and market risk. The policies are summarised below.

Credit risk

The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. As at 31 December 2020, the Company had certain concentration of credit risk as 100% (31 December 2019: 97%) of the Company's accounts receivable were due from the top customer.

The maximum exposure to credit risk of the Company's financial assets is equal to the carrying amounts. As the balance date, financial assets are neither past due nor impaired.

Liquidity risk

The Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Company finances its working capital requirements through a combination of funds generated from operations and other borrowings.

The tables below summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

2020

	Within one year
Accounts payable	138,931,669.24
Other payables	<u>3,529,488.82</u>
	<u>142,461,158.06</u>

2019

	Within one year
Accounts payable	101,999,951.64
Other payables	<u>2,544,501.18</u>
	<u>104,544,452.82</u>

VI. Financial instruments and risk (continued)

3. Risk of financial instruments (continued)

Market risk

Currency risk

The Company has currency exposures arising from sales or purchases by operating units in currencies other than the units' functional currencies.

At 31 December 2020, if the exchange rate of RMB/EUR had weakened/strengthened by 5%, with all other variables held constant, the Company's net profit would have been decreased/increased by RMB200,808.02 (2019: RMB45,204.00) as a result of changes in the fair value of monetary assets and liabilities.

4. Capital management

The primary objective of the Company's capital management is to ensure the Company's ability to operate as a going concern and maintain healthy capital structure so as to support business growth and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to owners, return capital to owners or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes in the objectives, policies or processes for managing capital were made during the years ended 31 December 2020 and 31 December 2019.

VII. Fair value

1. Fair value of financial instruments

Management has assessed currency funds, and accounts receivable, other receivables, and accounts payable, other payables and other similar instruments. Given the short term maturities, the fair values approximate to the carrying values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of long-term receivables and short-term loans have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. As at 31 December 2020, the default risk of long-term payables and short-term loans is assessed to be not material.

VIII. Related party relationships and transactions

1. Definition of related parties

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

The following parties are defined as related parties of the Company:

- (1) Parent of the Company;
- (2) Other entities controlled by the parent of the Company;
- (3) Key management personnel of the Company or of the parent and close family members of such individuals.

2. Parent company

Parent company	Origion of registration	Nature	Equity held ratio (%)	Voting ratio (%)	Registered EUR
Samvardhana Motherson Automotive Systems Group B.V.	Netherlands	Manufacture and sell the components of vehicles	100	100	66,176

Companies controlled by the ultimate holding company: Motherson Sumi Systems Limited.

3. Other related parties

	<u>Relationship</u>
Samvardhana Peguform Automotive Technology Management Services (Changchun) Co., Ltd.	Entity controlled by the parent company
Samvardhana Enterprise Management (Shanghai) Co., Ltd.	Entity controlled by the parent company
SMP Deutschland GmbH	Entity controlled by the parent company
SMP Automotive Systems Alabama Inc.	Entity controlled by the parent company
Motherson Automotive Technologies & Engineering	Entity under common control of the ultimate holding company
Motherson Sumi INFotech & Designs Ltd.	Entity under common control of the ultimate holding company
Motherson Sumi INFotek and Design	Entity under common control of the ultimate holding company
MSSL Advanced Polymers s.r.o.	Entity under common control of the ultimate holding company

VIII. Related party relationships and transactions (continued)

4. Significant transactions between the Company and its related parties

(1) Sales of goods to related parties

	2020	2019
Motherson Automotive Technologies& Engineering	<u>6,482,015.61</u>	<u>15,041,268.44</u>

The price of the goods sold by the company to its related party shall be determined by the parties through negotiation according to the market price.

(2) Provide services to related parties

	2020	2019
SMP Automotive Systems Alabama Inc.	<u>-</u>	<u>1,753,641.52</u>

(3) Purchases of goods from related parties

	2020	2019
MSSL Advanced Polymers s.r.o.	<u>27,455.36</u>	<u>63,319.55</u>

The price of the goods purchased by the company from its related party shall be determined by the parties through negotiation according to the market price.

(4) Financing

	2020	2019
<u>Interest income</u>		
Samvardhana Peguform Automotive Technology Management Services (Changchun) Co., Ltd.	<u>83,956.78</u>	<u>108,937.30</u>

VIII. Related party relationships and transactions (continued)

4. Significant transactions between the Company and its related parties

(5) Other transactions

	2020	2019
<u>Engineering and software technology service fee</u>		
Motherhood Sumi INFotech & Designs Ltd.	890,436.93	920,540.37
Motherhood Sumi INFotekk and Design	<u>800,894.08</u>	<u>823,008.40</u>
	<u>1,691,331.01</u>	<u>1,743,548.77</u>
<u>Consultation and management fees</u>		
SMP Deutschland GmbH	9,237,428.94	10,280,589.44
Samvardhana Enterprise Management (Shanghai) Co., Ltd.	<u>824,451.52</u>	<u>565,736.63</u>
	<u>10,061,880.46</u>	<u>10,846,326.07</u>
<u>Acceptance of a guarantee</u>		
Samvardhana Motherhood Automotive Systems Group B.V.	<u>67,000,000.00</u>	<u>132,000,000.00</u>

The above transactions were conducted according to the terms of the contracts entered into between the Company and its related parties.

5. Receivables from/payables to related parties

	2020	2019
<u>Accounts receivable</u>		
Motherhood Automotive Technologies & Engineering	<u>187,356.42</u>	<u>1,579,219.75</u>
<u>Other receivables</u>		
Samvardhana Peguform Automotive Technology Management Services (Changchun) Co., Ltd.	-	2,732,505.81
SMP Deutschland GmbH	2,703,393.80	710,772.85
SMP Automotive Systems Alabama Inc.	-	138,535.40
MSSL Advanced Polymers s.r.o.	-	3,490.80
Samvardhana Motherhood Automotive Systems Group B.V.	<u>2,530,000.00</u>	<u>-</u>
	<u>5,233,393.80</u>	<u>3,585,304.86</u>
<u>Accounts payable</u>		
SMP Deutschland GmbH	<u>5,477,922.88</u>	<u>2,114,976.04</u>
<u>Other payables</u>		
Motherhood Sumi INFotekk and Design	57,768.55	153,066.13
Motherhood Sumi INFotech & Designs Ltd.	160,165.76	122,446.94
Motherhood Sumi INFotekk and Design Samvardhana Enterprise Management (Shanghai) Co., Ltd.	<u>84,386.07</u>	<u>45,791.37</u>
	<u>302,320.38</u>	<u>321,304.44</u>

VIII. Related party relationships and transactions (continued)

5. Receivables from/payables to related parties (continued)

Samvardhana Peguform Automotive Technology Management Services (Changchun) Co., Ltd. will be removed from the Register. After negotiation, the debt of Samvardhana Peguform Automotive Technology Management Services (Changchun) Co., Ltd. will be borne by samvardhana motherson Automotive Systems Group B.V.

Except for note VIII.4 (4), receivables from/payables to related parties are unsecured, interest-free and have no fixed term of repayment.

IX. Lease arrangements

As lessee

The Company had total future minimum lease payments under non-cancellable leases with its lessors falling due as follows:

	2020	2019
Within one year (includes 1 year)	7,685,662.74	7,253,261.22
1 year to 2 years (includes 2 years)	7,681,351.22	7,279,652.64
2 years to 3 years (includes 3 years)	7,553,990.23	7,372,438.32
Over 3 years	<u>5,491,201.83</u>	<u>12,546,461.15</u>
	<u>28,412,206.02</u>	<u>34,451,813.33</u>

X. Comparative amounts

Certain comparative amounts have been restated to conform to the current year's presentation and accounting treatment.

XI. Approval of the financial statements

The financial statements were approved by the board of directors on 07 04 2021.