

**CHANGCHUN PEGUFORM AUTOMOTIVE  
PLASTICS TECHNOLOGY CO., LTD**

**FINANCIAL STATEMENTS AND  
REPORT OF THE AUDITORS FOR  
THE YEAR ENDED 31 DECEMBER 2018**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

**【English Translation for Reference Only】**

## **Auditors' Report**

PCPAR[2019]No.ZA12552

**To the Board of Directors of Changchun Peguform Automotive Plastics Technology Limited Company,**

### **Opinion**

We have audited the accompanying financial statements of Changchun Peguform Automotive Plastics Technology Limited Company (hereafter referred to as "the Company"), which rise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December, 2018, and its financial performance and its cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises and the "Accounting System for Business Enterprises".

### **Basis for opinion**

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of management for the financial statements**

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises and the “Accounting System for Business Enterprises”. And for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Company is responsible for assessing the Company’s ability to continue on a going concern, disclosing matters related to going concern (if applicable), and using the going concern assumption, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **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 the Accounting Standards for Business Enterprises will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Accounting Standards for Business Enterprises, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) 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.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.



- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) 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 the management 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.

BDO China Shu Lun Pan Certified Public Accountants LLP  
Shanghai, China  
March 29, 2019

*This auditors' report and the accompanying notes to the financial statements are English translation of the Chinese auditors' report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.*

THE BALANCE SHEET OF THE COMPANY  
FOR THE YEAR ENDED 2018

Unit: RMB

Assets	Closing balance	Opening balance
<b>Current Assets</b>		
Cash and cash at bank	31,199,279.95	201,172,616.59
Notes receivable	106,443,500.00	114,547,400.00
Accounts receivable	335,646,869.19	363,707,527.26
Prepayments	102,871,866.52	107,104,297.82
Other receivables	164,067,090.49	56,500,025.66
Inventories	157,894,543.14	64,062,032.13
<b>Total Current Assets</b>	<b>898,123,149.29</b>	<b>907,093,899.46</b>
<b>Non-current Assets</b>		
Long-term equity investments	71,235,711.24	20,031,085.62
Fixed assets	209,494,535.25	158,646,920.36
Construction in progress	14,312,782.79	22,349,099.11
Intangible assets	22,071,669.52	22,695,484.59
Other non-current assets	17,495,392.02	
<b>Total Non-current Assets</b>	<b>334,610,090.82</b>	<b>223,722,589.68</b>
<b>Total Assets</b>	<b>1,232,733,240.11</b>	<b>1,130,816,489.14</b>

The companying notes form an integral part of these financial statements.

Person in charge of an enterprise:

Person in charge of accounting function:

Person in charge of accounting department:



THE BALANCE SHEET OF THE COMPANY  
FOR THE YEAR ENDED 2018

Unit: RMB

Liabilities and Owner's Equity	Closing balance	Opening balance
<b>Current Liabilities</b>		
Notes payable	69,442,100.00	52,317,600.00
Accounts payable	251,837,707.34	284,611,101.00
Receipts in advance	72,181.88	25,082.13
Accrued payroll	10,908,169.88	9,792,430.11
Welfare benefits payable	15,714,996.48	14,689,905.43
Taxes payable	20,008,203.50	13,390,890.08
Dividend payable		47,500,950.00
Other payables	178,479,807.67	115,742,106.09
<b>Total Current Liabilities</b>	<b>546,463,166.75</b>	<b>538,070,064.84</b>
<b>Total Liabilities</b>	<b>546,463,166.75</b>	<b>538,070,064.84</b>
<b>Owner's Equity</b>		
Paid-in capital	83,000,000.00	83,000,000.00
Capital surplus	3,363,164.13	3,363,164.13
Surplus reserve	28,762,026.94	24,852,458.28
Undistributed profits	571,144,882.29	481,530,801.89
<b>Total owner's Equity</b>	<b>686,270,073.36</b>	<b>592,746,424.30</b>
<b>Total Liabilities and Owner's Equity</b>	<b>1,232,733,240.11</b>	<b>1,130,816,489.14</b>

The companying notes form an integral part of these financial statements.

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Person in charge of accounting function:

Person in charge of accounting department:

THE INCOME STATEMENT OF THE COMPANY  
FINANCIAL YEAR 2018

Unit: RMB

	Closing balance	Opening balance
<b>Revenue from operations</b>	1,666,435,064.33	1,578,949,900.85
Less: Cost of operations	1,284,091,927.65	1,189,619,065.45
Taxes and surcharges	9,835,351.46	10,527,431.70
Selling and distribution expenses	14,143,615.64	11,869,621.46
Administrative expenses	132,290,455.96	107,010,950.37
Financial expenses	-2,498,403.84	-1,280,105.12
Add: Investment income ("-" for losses)	4,204,625.62	-4,552,873.38
<b>Operating profit ("-" for losses)</b>	232,776,743.08	256,650,063.61
Add: Non-operating income	1,531,683.92	8,576,803.63
Less: Non-operating expense	174,693.49	110,021.47
<b>Total profit ("-" for losses)</b>	234,133,733.51	265,116,845.77
Less: Income tax	38,655,300.12	48,595,953.48
<b>Net profit ("-" for losses)</b>	195,478,433.39	216,520,892.29
Add: Undistributed profits at beginning of year	481,530,801.89	471,505,536.06
<b>Distributable profits</b>	677,009,235.28	688,026,428.35
Less: Appropriation for Staff and Workers' Bonus and Welfare Fund	1,954,784.33	2,165,208.82
Appropriation for Reserve Fund	1,954,784.33	2,165,208.82
Appropriation for Enterprise Expansion Fund	1,954,784.33	2,165,208.82
Profit distribution to equity owners	100,000,000.00	200,000,000.00
<b>Undistributed profits</b>	571,144,882.29	481,530,801.89
Supplementary information		
1. Gain on disposal of business units or investments		
2. Losses arising from natural disasters		
3. Increase/(decrease) in total profit as a result of changes in accounting policies		
4. Increase/(decrease) in total profit as a result of changes in accounting estimates		
5. Losses from debt restructuring		
6. Other		

The companying notes form an integral part of these financial statements.

Person in charge of an enterprise:

Person in charge of accounting function:

Person in charge of accounting department:

THE STATEMENT OF CASH FLOW OF THE COMPANY  
FINANCIAL YEAR 2018

Unit: RMB

ITEMS	Amount for the current period	Amount for the prior period
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	1,971,470,045.63	1,869,446,714.03
Cash received from other operating activities	19,008,673.30	42,726,273.65
<b>Sub-total of cash inflows from operating activities</b>	<b>1,990,478,718.93</b>	<b>1,912,172,987.68</b>
Cash paid for goods purchased and services received	1,468,355,865.51	1,293,196,847.16
Cash paid to and on behalf of employees	123,244,456.33	96,779,362.85
Cash paid for taxes and surcharges	105,844,812.79	140,420,317.94
Other cash paid for operating activities	71,391,789.09	79,917,601.06
<b>Sub-total of cash outflows from operating activities</b>	<b>1,768,836,923.72</b>	<b>1,610,314,129.01</b>
<b>Net cash flows from operating activities</b>	<b>221,641,795.21</b>	<b>301,858,858.67</b>
<b>II. Cash flows from investing activities:</b>		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,413,341.48	738,100.00
Cash received from other investing activities		
<b>Sub-total of cash inflows from investment activities</b>	<b>2,413,341.48</b>	<b>738,100.00</b>
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	98,071,834.76	27,483,915.95
Cash paid for investments	154,357,131.18	23,867,767.04
Other cash payments relating to investing activities		
<b>Sub-total of cash outflows from investing activities</b>	<b>252,428,965.94</b>	<b>51,351,682.99</b>
<b>Net cash flows from investing activities</b>	<b>-250,015,624.46</b>	<b>-50,613,582.99</b>
<b>III. Cash flows from financing activities</b>		
Cash paid for distribution of dividends and profits or payment of interest	147,500,950.00	188,499,770.00
<b>Sub-total of cash outflows from financing activities</b>	<b>147,500,950.00</b>	<b>188,499,770.00</b>
<b>Net cash flows from financing activities</b>	<b>-147,500,950.00</b>	<b>-188,499,770.00</b>
<b>IV. Effect of fluctuation in exchange rate on cash and cash equivalents</b>	<b>-1,057.39</b>	<b>1,381.93</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>-175,875,836.64</b>	<b>62,746,887.61</b>
<b>Add: Opening balance of cash and cash equivalents</b>	<b>185,477,336.59</b>	<b>122,730,448.98</b>
<b>VI. Closing balance of cash and cash equivalents</b>	<b>9,601,499.95</b>	<b>185,477,336.59</b>

The companying notes form an integral part of these financial statements.

Person in charge of an enterprise:

Person in charge of accounting function:

Person in charge of accounting department:



THE STATEMENT OF CASH FLOW OF THE COMPANY  
FINANCIAL YEAR 2018

Unit: RMB

Reconciliation of Net Profit/(Loss) to Cash Flows from Operating Activities	Amount for the current period	Amount for the prior period
Net Profit	195,478,433.39	216,520,892.29
Add: Impairment of Assets	-40,082.61	3,522,697.57
Depreciation of Fixed Assets	25,301,650.68	24,191,271.00
Amortization of Intangible Assets	1,261,884.67	1,480,400.26
Amortization of Long-term Prepaid Expense		
Disposal of Fixed Assets, Intangible Assets and Others		-68,295.26
Losses on Disposal of Fixed Assets	-494,147.81	36,222.27
Finance Expenses	31,676.80	-1,381.93
Investment Loss	-4,204,625.62	4,552,873.38
Decrease in Inventories	-93,832,511.01	63,636,310.54
Decrease/(increase) in Operating Receivables	34,039,235.53	-138,560,638.56
Increase/(decrease) in Operating Payables	64,100,281.19	126,548,507.11
Net Cash Flow from Operating Activities	221,641,795.21	301,858,858.67
<b>Changes of cash and cash equivalents</b>		
Cash at the end of the period	9,601,499.95	185,477,336.59
Less: cash at the beginning of the period	185,477,336.59	122,730,448.98
Net increase in cash and cash equivalents	-175,875,836.64	62,746,887.61

The companying notes form an integral part of these financial statements.

Person in charge of an enterprise:

Person in charge of accounting function:

Person in charge of accounting department:

**CHANGCHUN PEGUFORM AUTOMOTIVE  
PLASTICS TECHNOLOGY CO.,LTD  
NOTES TO THE FINANCIAL STATEMENTS**

**I. BASIC INFORMATION OF THE COMPANY**

Changchun Peguform Automotive Plastics Technology Limited Company (hereafter referred to as “the Company”) is a Sino-foreign investment equity joint venture enterprise incorporated in Changchun city Jilin Province. The registration number is 220108040000094 and registered address is 399, Xiangfan Road, Changchun Economic Development Zone. On December 31, 2018, the registered capital is RMB 83,000,000. The shareholding percentage of Chinese investor Changshu Automotive Trim Co., Ltd and foreign investor SMP Deutschland GmbH are 49.999% and 50.001% respectively.

The Company’s approved scope of business operations includes the production and sale of automotive spare parts and providing related after-sale service. For the year ended 31 December 2018, the principal activities of the Company are the production and sale of automotive spare parts and providing related after-sale service.

**II. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and the “Accounting System for Business Enterprises” as promulgated by the government of the People’s Republic of China.

**III. SIGNIFICANT ACCOUNTING POLICIES**

**1. Declaration of following the accounting standards for enterprises**

The financial statements comply with the requirements of the Accounting Standards for Business Enterprises and the “Accounting System for Business Enterprises” and present fairly the financial position of the Company, and the results of operations and cash flows of the Company.

**2. Accounting year**

The Company’s accounting year starts on 1 January and ends on 31 December.

**3. Business year**

The business year is 12 months.

**4. Recording currency**

The recording currency of the Company is Renminbi(RMB).

**5. Recognition of cash and cash equivalents**

Cash equivalent refers to the investments with short term, strong liquidity and small risk of value fluctuation that are held by the Company and easily converted into cash with known amount.

**6. Foreign currency translation**

Except for the accounting treatment for paid-in capital, foreign currency transactions are translated into RMB at the exchange rates stipulated by the People's Bank of China (the "stipulated exchange rates") on the first day of the month in which the transactions took place. The foreign currency balances of the foreign currency accounts at the balance sheet date are translated into RMB at the stipulated exchange rates at the balance sheet date. Exchange differences arising these transactions are expensed, except for those attributable to foreign currency borrowings that have been drawn out specifically for the construction of fixed assets, which are capitalized as part of the fixed asset costs.

Contributions to paid-in capital made in foreign currencies are translated into the RMB denominated paid-in capital account at the exchange rates prescribed in the equity joint venture contract. Translation differences arising from the use of different exchange rates to translate the related assets and paid-in capital are recorded as capital surplus.

**7. Receivables and provision for bad debts**

Receivables comprise accounts receivable and other receivables. The provision method is use to account for potential bad debts identified by management. Receivables are presented at actual amounts net of provision for bad debts.

i. Accounts receivable

Accounts receivable comprises related-party receivables and receivables from non-related parties ("third-party receivables").

The Company makes specific bad debts provision on an individual basis for accounts receivables that are distinctively different from any other receivable in recoverability.

Where accounts and notes receivable are discounted to financial institution without recourse, the corresponding payment from the financial institution is recorded as cash received from customers. The difference between proceeds derived from the transaction, net of related taxes, and the carrying amounts of the accounts and notes receivables is expensed in the period.

ii. Other receivables

Specific provisions are made of other receivables on an individual basis.

iii. Recognition criteria of bad debt loss

Where evidence exists that the balances cannot be recovered, as in the case of business cancellation, bankruptcy, insolvency or lack of cash flow of debtors, bad debts are recognized and the corresponding provision for bad debts is written off.

**8. Inventories**

i. Categories of inventories

Inventories include raw materials, work in progress, moulds, finished goods, low cost consumables goods in transit and goods shipped in transit, and are presented at the lower of cost and net realized value.

ii. Valuation method

Inventories are recorded at their cost on acquisition. Cost is determined using the weighted average method. Low cost consumable are expensed in full when issued for use. Packaging materials are expensed upon issuance. The cost of finished goods and work in progress comprised raw material, direct labor and an allocation of all production overhead expenditures incurred based on normal operating capacity. The cost of moulds comprises acquisition cost and related raw materials and expenses incurred for testing.

iii. Measurement of net realizable value of inventories

Provisions for decline in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion, estimated costs necessary to make the sale and related taxes.



**9. Long-term equity investments**

Long-term equity investments comprise equity investments in subsidiaries.

Subsidiaries are investees in which the Company has, directly or indirectly, an interest of more than 50% of the voting rights, or otherwise has power to govern the investees' financial and operating policies and obtain benefits from their operating activities. Long-term equity investments are recorded at the cost paid on acquisition. The Company accounts for long-term equity investments in subsidiaries using the equity method of accounting.

Under the equity method of accounting, the attributable share of the investees' net profit or loss for the period is recognized as an investment income or loss and the carrying amount of the investment is adjusted accordingly. The investee's net loss incurred is recognized until the carrying amount of the long-term equity investment is reduced to zero. Cash dividends declared by an investee are accounted for as a reduction of the carrying amount of the investment.

**10. Fixed assets**

**i. Recognition criteria for fixed assets**

Fixed assets are tangible assets that are used in production or held for operation purposes, which have useful lives of more than one year and have relatively high unit price.

Fixed assets purchased or constructed by the Company are recorded at cost.

**ii. Depreciation of each category of fixed assets**

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20 years	3% or 10%	4.5% or 4.9%
Machinery and equipment	10 years	3% or 10%	9% or 9.7%
Implements	5 to 8 years	3% or 10%	11.3% or 19.4%

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NOTES TO THE FINANCIAL STATEMENTS  
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	Estimated useful lives	Estimated residual value	Annual depreciation rate
Motor vehicles	4 years	3%	24.3%
Electronic equipment	3 to 5 years	3% or 10%	18% or 32.3%

When fixed assets are sold, transferred , disposed or damaged, gains and losses on disposal are determined by comparing proceeds with the carrying amount of the assets, adjusted by related taxes and expenses, and are included in non-operating income or expenses.

Repairs and maintenance of fixed assets are expensed as incurred. Subsequent expenditures for major reconstruction, expansion, improvement and renovation are capitalized when it is probable that future economic benefits in excess of the original assessment of performance will flow to the Company. Capitalized expenditures arising from major reconstruction, expansion and improvement are depreciated using straight-line method over remaining useful lives of the fixed assets. Capitalized expenditures arising from the renovation of fixed assets are depreciated on the straight-line basis over the expected beneficial periods.

**11. Construction in progress**

Construction in progress represents fixed assets under construction or installation, which is recorded at actual cost. Cost comprises the original cost of machinery and equipment, installation costs and other direct costs. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

**12. Intangible assets**

Intangible assets include use right of land, proprietary technologies and Computer software.

i. Use right of land

Use Right of Land is initially recorded at actual cost and is amortized on a straight-line basis over the useful lives as stated in the contract of fifty years. Use Right of Land is presented at cost net of accumulated amortization.

ii. Proprietary technologies

Proprietary technologies are initially recorded at actual cost and are amortized on a straight-line basis over the useful lives as stated in the contract of five years. Proprietary technologies are

presented at cost net of accumulated amortization.

iii. Computer software

Computer software is initially recorded at actual cost and is amortized on a straight-line basis over the useful lives as stated in the contract of four or five years. Computer software is presented at cost net of accumulated amortization.

**13. Impairment of assets**

In addition to recognition of provisions for impairment loss on receivables and inventories which have been described in their respective accounting policies, individual assets for which there are indications that their carrying values are higher than the recoverable amounts, arising from occurrence of events and changes in circumstances, are reviewed for impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as impairment loss.

The recoverable amount of an individual asset is the higher of its net selling price and its value in use. The net selling price is the amount obtainable from the sale of the asset in arm's length transaction between knowledgeable and willing parties, after deducting any incremental direct disposal costs. Value in use is the present value of estimated useful cash flows expected to be derived from continuing use of the asset and from its disposal at the end of its useful life.

When there is an indication that the need of an impairment provision recorded in prior year no longer exists or has decreased the provision for impairment loss is reversed. The increased carrying amount of the assets should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior year.

**14. Borrowing costs**

Borrowing costs, including interests, incurred in connection with specific borrowings obtained for the acquisition or construction of fixed assets are capitalized as costs of the fixed assets when capital expenditures and borrowing costs are incurred and the activities have commenced to enable the assets to be ready for their intended use. Borrowing cost incurred thereafter are expensed.

The capitalized interests for each accounting period are determined by using the weighted



average amount of accumulated expenditures incurred in that period for the acquisition or construction of fixed assets and the weighted average capitalization rate of the borrowings. The amount of interest capitalized during a period shall not exceed the amount of interest incurred during that period.

Interests incurred in connection with other borrowings are expensed as incurred.

**15. Provisions**

Provisions for product warranties, external guarantees and pending litigation are recognized when the Company has a present obligation as a result of past transactions or events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

**16. Revenue recognition**

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

Interest income is recognized on a time proportion basis taking into account deposit balances and effective yield.

Subsidy income is recognized when received.

**17. Leases**

Leases of fixed assets where all the risks and rewards incident to ownership of the assets are in substance transferred to the lessees are classified as finance leases. All other leases are operating leases. Payments made under operating leases re expensed on a straight-line basis over the period of the leases.

**18. Accounting for income taxes**

The Company accounts for enterprise income taxes using the tax payable method. Tax expense is recognized based on the current period taxable income and tax rates.

**19. Significant Changes In Accounting Policies And Accounting Estimates**



i. **Changes In Accounting Policies**

There are no changes in accounting policies during the period.

ii. **Changes In Accounting Estimate**

There are no changes in accounting estimate during the period.

**IV. TAXATION**

**1. Corporate income tax**

The Company qualified as a High and New Technology Enterprise ("NHTE"). On 14 September 2018, the Company obtained a High and New Technology Enterprise Qualification Certificate. No. GR201822000151, jointly issued by Jilin Province Provincial Science and Technology Commission, Department of Finance of Jilin Province, State Tax Office of Jilin Province and Jilin Local Taxation Bureau. The qualification certificate is valid for three years(from 2018 to 2020). Therefore, the Company enjoys the preferential tax rate of 15% for Year 2018(in 2017, 15%).

**2. Value added tax**

The Company's sales of self-manufactured products are subject to Value added tax ("VAT"). The applicable tax rate for domestic sales is 17% and 16%.

Input VAT on purchases of raw materials and certain fixed assets can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

**V. NOTES TO THE MAIN ITEMS OF FINANCIAL STATEMENTS**

(All the following amounts are expressed in RMB unless otherwise stated)

**1. Cash and cash at bank**

Items	Closing Balance	Opening Balance
Cash in hand	38,390.04	70,128.98
Cash at bank	9,563,109.91	185,407,207.61
Other cash deposit	21,597,780.00	15,695,280.00
Total	31,199,279.95	201,172,616.59

Cash under restriction:

CHANGCHUN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD  
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Items	Closing Balance	Opening Balance
Cash deposit as collateral for bank acceptance note	21,597,780.00	15,695,280.00

**2. Notes Receivable**

Categories	Closing Balance	Opening Balance
Bank acceptance note	106,443,500.00	114,547,400.00
Total	106,443,500.00	114,547,400.00

**3. Accounts Receivable and Provision For Bad Debts**

Aging	Closing Balance				Opening Balance			
	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion
Within 1 year	335,646,869.19	100.00%			363,707,527.26	100.00%		
Total	335,646,869.19	100.00%			363,707,527.26	100.00%		

**4. Prepayments**

	Closing Balance	Opening Balance
Prepayments	102,871,866.52	107,104,297.82

**5. Other Receivables**

Aging	Closing Balance				Opening Balance			
	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion
Within 1 year	127,578,310.34	99.88%			28,991,583.35	51.31%		
1~2 years	27,294,110.39	0.07%			3,326,093.30	5.89%		
2-3 years	3,326,093.30				12,094,581.14	21.41%		
Above 3 years	5,868,576.46	0.05%			12,087,767.87	21.39%		
Total	164,067,090.49	100.00%			56,500,025.66	100.00%		

## 6. Inventories

Items	Closing Balance			Opening Balance		
	Amount	Provision for declines in the value of inventories	Net Amount	Amount	Provision for declines in the value of inventories	Net Amount
Raw materials	39,767,095.70	5,154,431.76	34,612,663.94	25,610,175.70	5,154,431.76	20,455,743.94
Work in progress	7,158,501.43	236,070.81	6,922,430.62	4,029,745.78	236,070.81	3,793,674.97
Finished goods	8,271,448.18	162,003.77	8,109,444.41	6,109,262.93	162,003.77	5,947,259.16
Low cost consumables	10,403,593.72		10,403,593.72	8,753,592.06		8,753,592.06
Moulds	84,558,657.19		84,558,657.19	13,396,991.35		13,396,991.35
Goods in transit	437,960.98		437,960.98	391,693.51		391,693.51
Goods shipped in transit	12,849,792.28		12,849,792.28	11,323,077.14		11,323,077.14
Total	163,447,049.48	5,552,506.34	157,894,543.14	69,614,538.47	5,552,506.34	64,062,032.13

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7. Long-term Equity Investment

Name	Percentage of sharesheld	Opening Balance	Movements of 2018				Closing Balance		
			Subtotal of 2018	Investment costs	Equities recognized	Dividends	Original Investment Cost	Total of Changes	Closing Balance
Foshan Peguform Automotive Plastics Technology Co., Ltd	100.00%	17,031,085.62	4,202,583.62		4,202,583.62		20,000,000.00	1,233,669.24	21,233,669.24
Shenyang Peguform Automotive parts Co.,Ltd.	100.00%	3,000,000.00	17,002,042.00	17,000,000.00	2,042.00		20,000,000.00	2,042.00	20,002,042.00
Tianjin Peguform Automotive parts Co.,Ltd.	100.00%		30,000,000.00	30,000,000.00			30,000,000.00		30,000,000.00
Total		20,031,085.62	51,204,625.62	47,000,000.00	4,204,625.62		70,000,000.00	1,235,711.24	71,235,711.24



8. Fixed Assets

i. Original Costs of Fixed Assets

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and Constructions	103,019,340.99	3,573,673.82		106,593,014.81
Machinery and Equipment	238,922,564.78	67,953,626.78	12,676,859.31	294,199,332.25
Motor vehicles	3,907,779.75	504,900.00		4,412,679.75
Electronic equipment	8,452,571.41	5,781,475.25	319,407.75	13,914,638.91
Total	354,302,256.93	77,813,675.85	12,996,267.06	419,119,665.72

ii. Accumulated Depreciation

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and Constructions	31,105,130.71	5,509,486.79		36,614,617.50
Machinery and Equipment	153,985,031.60	18,690,813.51	9,347,049.84	163,328,795.27
Motor vehicles	3,374,557.97	187,512.10		3,562,070.07
Electronic equipment	4,442,577.65	913,838.28	306,911.66	5,049,504.27
Total	192,907,297.93	25,301,650.68	9,653,961.50	208,554,987.11

iii. Movements of Provision for Declines in the value of Fixed Assets

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and Constructions				
Machinery and Equipment	2,670,451.36	-40,082.61	1,637,812.67	992,556.08
Motor vehicles				
Electronic equipment	77,587.28			77,587.28
Total	2,748,038.64	-40,082.61	1,637,812.67	1,070,143.36

iv. Net Book Value

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and Constructions	71,914,210.28	3,573,673.82	5,509,486.79	69,978,397.31
Machinery and Equipment	82,267,081.82	67,953,626.78	20,342,727.70	129,877,980.90
Motor vehicles	533,221.78	504,900.00	187,512.10	850,609.68
Electronic equipment	3,932,406.48	5,781,475.25	926,334.37	8,787,547.36
Total	158,646,920.36	77,813,675.85	26,966,060.96	209,494,535.25

9. Construction in progress

Items	Opening Balance	Addition	Deduction		Closing Balance
			Transferred to Fixed Assets	Other Deduction	
Construction in progress	22,349,099.11	30,631,872.78	38,668,189.10		14,312,782.79
Total	22,349,099.11	30,631,872.78	38,668,189.10		14,312,782.79

10. Intangible Assets

Items	Opening Balance	Addition	Deduction	Closing Balance
Total of Original Costs	30,578,458.24	638,069.60		31,216,527.84
Use right of land	20,190,214.00			20,190,214.00
Computer software	9,470,000.34	638,069.60		10,108,069.94
Proprietary technologies	918,243.90			918,243.90
Total of Accumulated Amortization	7,882,973.65	1,261,884.67		9,144,858.32
Use right of land	2,994,881.92	403,804.28		3,398,686.20
Computer software	3,969,847.83	858,080.39		4,827,928.22

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Items	Opening Balance	Addition	Deduction	Closing Balance
Proprietary technologies	918,243.90			918,243.90
Total of Net book Value	22,695,484.59	638,069.60	1,261,884.67	22,071,669.52
Use right of land	17,195,332.08		403,804.28	16,791,527.80
Computer software	5,500,152.51	638,069.60	858,080.39	5,280,141.72
Proprietary technologies				

11. Other non-current assets

Items	Closing Balance	Opening Balance
Other non-current assets	17,495,392.02	

12. Notes Payable

Items	Closing Balance	Opening Balance
Bank Acceptance Notes	69,442,100.00	52,317,600.00
Total	69,442,100.00	52,317,600.00

13. Accounts Payable

Items	Closing Balance	Opening Balance
Accounts Payable	251,837,707.34	284,611,101.00

14. Receipts In Advance

Items	Closing Balance	Opening Balance
Receipts in advance	72,181.88	25,082.13

15. Accrued Payroll

Items	Opening Balance	Addition	Deduction	Closing Balance
Payroll	9,792,430.11	92,709,713.43	91,593,973.66	10,908,169.88

**16. Welfare Benefits Payable**

Items	Opening Balance	Addition	Deduction	Closing Balance
Pension	1,120,635.36	14,252,319.14	14,523,867.74	849,086.76
Housing fund	579,292.00	7,461,383.00	8,040,675.00	
Medical care	262,881.25	4,871,133.79	4,946,372.13	187,642.91
Employment injury insurance	63,743.07	329,987.03	316,503.49	77,226.61
Maternity insurance	87,587.14	468,759.59	476,260.41	80,086.32
Unemployment insurance	149,537.47	505,636.28	515,233.34	139,940.41
Staff and workers bonus and welfare fund	12,426,229.14	1,954,784.33		14,381,013.47
Total	14,689,905.43	29,844,003.16	28,818,912.11	15,714,996.48

**17. Tax Payable**

Items	Closing Balance	Opening Balance
VAT Payable	5,296,461.04	1,893,735.32
City maintenance and construction tax payable	393,860.65	76,942.13
Enterprise income tax payable	10,521,560.20	8,057,329.91
Individual income tax payable	1,831,997.50	1,982,163.60
Stamps	69,584.20	69,335.50
Education surcharge	281,329.03	54,958.67
Others	1,613,410.88	1,256,424.95
Total	20,008,203.50	13,390,890.08

**18. Dividend payable**

Names	Closing Balance	Opening Balance
SMP Deutschland GmbH		47,500,950.00
Total		47,500,950.00



**19. Other Payables**

Items	Closing Balance	Opening Balance
Other payables	178,479,807.67	115,742,106.09

**20. Paid-in Capital**

Names	Opening Balance	Addition	Deduction	Closing Balance	Percentage of shares
Changshu Automotive Trim Co., Ltd.	41,499,200.00			41,499,200.00	49.999%
SMP Deutschland GmbH	41,500,800.00			41,500,800.00	50.001%
Total	83,000,000.00			83,000,000.00	100.00%

**21. Capital Surplus**

Items	Opening Balance	Addition	Deduction	Closing Balance
Capital Premium	195,831.00			195,831.00
Non-cash assets donation received	1,216,811.00			1,216,811.00
Exchange difference relating to foreign currency capital contribution	-399,477.87			-399,477.87
Other capital surplus	2,350,000.00			2,350,000.00
Total	3,363,164.13			3,363,164.13

**22. Surplus Reserve**

Items	Opening Balance	Addition	Deduction	Closing Balance
Reserve Fund	12,426,229.14	1,954,784.33		14,381,013.47
Enterprise Expansion Fund	12,426,229.14	1,954,784.33		14,381,013.47
Total	24,852,458.28	3,909,568.66		28,762,026.94

In accordance with the PRC's "Law on Joint Ventures Using Chinese and Foreign Investment" and the Company's Articles of Association, appropriations from net profit should be made to the Reserve Fund, the Staff and Worker's Bonus and Welfare Fund and the Enterprise Expansion Fund, after offsetting accumulated losses from prior years, and before profit distributions to the investors.

**23. Undistributed Profits**

Items	Amount	Percentage
Opening Balance	481,530,801.89	
Add: Net profit of 2018	195,478,433.39	
Deduction:		
Appropriation to Worker's Bonus and Welfare Fund	1,954,784.33	1% of net profit of 2018
Appropriation to Reserve Fund	1,954,784.33	1% of net profit of 2018
Appropriation to Enterprise Expansion Fund	1,954,784.33	1% of net profit of 2018
Profit distribution to equity owners	100,000,000.00	
Closing Balance	571,144,882.29	

**24. Revenue And Cost Of Operations**

Items	2018		2017	
	Revenue	Cost of Revenue	Revenue	Cost of Revenue
Main operations	1,596,143,849.31	1,221,923,763.57	1,454,817,177.63	1,083,412,062.86
Other operations	70,291,215.02	62,168,164.08	124,132,723.22	106,207,002.59

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Items	2018		2017	
	Revenue	Cost of Revenue	Revenue	Cost of Revenue
Total	1,666,435,064.33	1,284,091,927.65	1,578,949,900.85	1,189,619,065.45

**25. Taxes and surcharges**

Items	2018	2017
City maintenance and construction tax payable	4,417,648.60	4,938,326.29
Property Tax	1,055,991.10	947,850.60
Education Surcharge	3,155,463.26	3,527,375.91
Others	1,206,248.50	1,113,878.90
Total	9,835,351.46	10,527,431.70

**26. Selling And Distribution Expenses**

Items	2018	2017
Total of Selling And Distribution Expenses	14,143,615.64	11,869,621.46
Including: Vehicle and shipping fees	9,313,175.41	7,993,945.46
Salaries and welfare fee	2,178,316.05	2,019,956.14
Entertainment fees	1,263,159.73	1,243,846.10

**27. Administrative Expenses**

Items	2018	2017
Total of Administrative Expenses	132,290,455.96	107,010,950.37
Including: Research and development fee	64,994,229.49	39,146,096.84
Salaries and welfare fee	36,765,395.10	28,327,159.43
Maintenance fee	10,338,032.41	9,730,048.11

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**28. Finance Expense-Net**

Items	2018	2017
Interest Expense	30,619.41	
Less: Interest income	2,927,218.68	1,499,072.95
Exchange Gains	1,057.39	-1,381.93
Others	397,138.04	220,349.76
Total	-2,498,403.84	-1,280,105.12

**29. Investment (Loss)/Income**

Categories	2018	2017
Share of results of subsidiaries and associates	4,204,625.62	-4,552,873.38
Total	4,204,625.62	-4,552,873.38

**30. Non-operating Income**

Categories	2018	2017
Gains from disposal of non-current assets	645,509.30	68,295.26
Including: Gains from disposal of fixed assets	645,509.30	68,295.26
Government grants	823,974.62	8,510,000.00
Penalty income	12,100.00	5,055.80
Other	50,100.00	-6,547.43
Total	1,531,683.92	8,576,803.63

**31. Non-operating Expense**

Categories	2018	2017
Loss from disposal of non-current assets	151,361.49	36,222.27
Including: Loss from disposal of fixed assets	151,361.49	36,222.27
Penalties	23,332.00	41,231.40
Others		32,567.80
Total	174,693.49	110,021.47



**32. Income Tax**

	2018	2017
Income tax expense	38,655,300.12	48,595,953.48
Total	38,655,300.12	48,595,953.48

**33. Assets Under Restriction**

Items	Amount	Notes
Other cash deposit	21,597,780.00	Cash deposit as collateral for bank acceptance note

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

**1. Related parties that control the Company or are controlled by the Company**

**i. Parent Company**

Name	Country	Business	Shareholding Proportion (%)	Voting Proportion (%)
SMP Deutschland GmbH	German	Production and sales of automotive parts	50.001	50.001

**ii. Subsidiaries**

(Unit: RMB '000)

Name	Registered Address	Business	Capital	Shareholding Proportion (%)	Voting Proportion (%)
Foshan Peguform Automotive Plastics Technology Co., Ltd	Foshan, Guangdong Province	Production and sales of automotive parts	28,000	100	100
Shenyang Peguform Automotive parts Co.,Ltd.	Shenyang, Liaoning Province	Production and sales of automotive parts	20,000	100	100
Tianjin Peguform Automotive parts Co.,Ltd.	Tianjin	Production and sales of automotive parts	30,000	100	100

iii. Other Related Parties

Name	Relationship
Changchun Automotive Trims Co. Ltd	Controlled by minority shareholder
Changshu Automotive Trim Co., Ltd	Minority shareholder
Changyuan Technology (Tianjin) Co., Ltd.	Controlled by minority shareholder
Changchun Antolin Automotive Interiors Co., Ltd	Joint venture of minority shareholders

2. Related Party Transactions

i. Purchase

Name	Nature of transaction	2018	2017
Changchun Automotive Trims Co. Ltd	Purchase goods	160,137,023.10	157,806,477.94
Changchun Automotive Trims Co. Ltd	Accept service	1,358,665.79	920,480.00
Changshu Automotive Trim Co., Ltd	Purchase goods	7,500.61	22,651.28
Changshu Automotive Trim Co., Ltd	Accept service	174,052.99	457,108.80
Changchun Antolin Automotive Interiors Co., Ltd	Purchase goods	14,692.16	
Foshan Peguform Automotive Plastics Technology Co., Ltd	Purchase goods	6,700,000.00	
Foshan Peguform Automotive Plastics Technology Co., Ltd	Purchase equipments	14,185,800.00	2,300,000.00

ii. Sales

Name	Nature of transaction	2018	2017
Changchun Automotive Trims Co. Ltd	Sales of goods	8,536,259.65	6,879,207.11
Changshu Automotive Trim Co., Ltd	Sales of goods	275,375.01	483,224.97
Foshan Peguform Automotive Plastics Technology Co., Ltd	Sales of goods	1,161,738.25	
Foshan Peguform Automotive Plastics Technology Co., Ltd	Sales of equipments	1,384,066.82	
Shenyang Peguform Automotive parts Co., Ltd.	Sales of goods	219,835.91	

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Name	Nature of transaction	2018	2017
Tianjin Peguform Automotive parts Co.,Ltd.	Sales of equipments	814,573.88	

iii. Lease As Lessee

Leaser	Categories	Rental Fee in 2018	Rental Fee in 2017
Changchun Automotive Trims Co. Ltd	Building and constructions	1,901,736.69	1,627,900.08

iv. Accounts Receivable From And Payable To Related Parties

Item	Related Party	Closing Balance	Opening Balance
Accounts in advance			
	Changyuan Technology (Tianjin) Co., Ltd.	88,740.00	
Accounts receivable			
	Changshu Automotive Trim Co., Ltd	174,340.00	437,221.82
Other receivables			
	Foshan Peguform Automotive Plastics Technology Co., Ltd	131,858,288.84	54,693,500.90
	Tianjin Peguform Automotive parts Co.,Ltd.	29,937,333.60	
	Shenyang Peguform Automotive parts Co.,Ltd.	255,009.64	
Accounts payable			
	Changshu Automotive Trim Co., Ltd	137,919.30	3,891.18
	Changchun Automotive Trims Co. Ltd	29,498,786.56	21,701,666.23
	Foshan Peguform Automotive Plastics Technology Co., Ltd	8,971,600.00	
Other payables			
	Changshu Automotive Trim Co., Ltd	186,379.56	37,869.88
	Changchun Automotive Trims Co. Ltd	209,954.60	843,773.12

VII. GUARANTEES AND CONTIGENTCIES

1. Material Commitment

As of December 31, 2018, the Company had no material commitment to be disclosed.

2. Material Contingencies

As of December 31, 2018, the Company had no material contingencies to be disclosed.

**VIII. POST BALANCE SHEET EVENTS**

As of March 29, 2019, the Company had no material post balance sheet events to be disclosed.

**IX. OTHER SIGNIFICANT EVENT**

As of December 31, 2018, the Company had no other significant events to be disclosed.

**CHANGCHUN PEGUFORM AUTOMOTIVE  
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**March 29, 2019**