

SMR Automotive Yancheng Co., Ltd.
Audited Financial Statements
31 December 2018

SMR Automotive Yancheng Co., Ltd.

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AUDITOR'S REPORT

Ernst & Young Hua Ming (20X9) Shen Zi No. 61372682_E01
SMR Automotive Yancheng Co., Ltd.

To the board of directors of SMR Automotive Yancheng Co., Ltd.

(I) Opinion

We have audited the financial statements of SMR Automotive Yancheng Co., Ltd. (the "Company"), which comprise the balance sheet as at 31 December 2018, and the income and profit appropriation statement, the statement of changes in equity and the statement 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 financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Accounting System for Business Enterprises.

(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 Accounting System for Business Enterprises, 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.

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AUDITOR'S REPORT

Ernst & Young Hua Ming (20X9) Shen Zi No. 61372682_E01
SMR Automotive Yancheng 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.

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AUDITOR'S REPORT

Ernst & Young Hua Ming (20X9) Shen Zi No. 61372682_E01
SMR Automotive Yancheng Co., Ltd.

(IV) Auditor's responsibilities for the audit of the financial statements (continued)

- (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.

Ernst & Young Hua Ming LLP
Dalian Branch

Chinese Certified Public Accountant:
Carol Zhou

Chinese Certified Public Accountant:
Lou Lou Liu

Dalian, the People's Republic of China

7 May 2019

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SMR Automotive Yancheng Co., Ltd.
BALANCE SHEET
31 December 2018
(Expressed in Renminbi Yuan)

ASSETS	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash		10,583,652.40	6,299,662.25
Notes receivable	4	2,140,000.00	19,100,000.00
Accounts receivable	5	38,029,778.68	24,522,507.70
Other receivables	6	4,214,529.03	1,970,680.61
Advances to suppliers		243,854.17	101,909.41
Inventories	7	17,634,242.04	8,602,828.18
Prepaid expenses		1,042,635.63	994,496.06
Other current assets	8	6,200,925.59	3,943,256.87
Total current assets		80,089,617.54	65,535,341.08
Fixed assets:			
Cost	9	133,255,587.44	97,337,654.28
Less: Accumulated depreciation	9	33,796,652.43	22,417,219.75
Fixed assets, net	9	99,458,935.01	74,920,434.53
Construction in progress	10	5,911,777.19	8,330,071.63
Total fixed assets		105,370,712.20	83,250,506.16
Intangible assets	11	5,415,640.79	5,064,987.30
Long-term prepayments		-	95,000.00
Total non-current assets		110,786,352.99	88,410,493.46
TOTAL ASSETS		190,875,970.53	153,945,834.54

The notes on pages 11 to 27 form an integral part of these financial statements.

SMR Automotive Yancheng Co., Ltd.
BALANCE SHEET (continued)
31 December 2018
(Expressed in Renminbi Yuan)

LIABILITIES AND OWNERS' EQUITY	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Current liabilities:			
Short-term loans	12	19,699,098.47	19,897,650.25
Accounts payable		42,675,887.20	36,052,437.63
Accrued payroll		1,713,452.95	1,393,342.53
Taxes payable	13	198,799.94	899,012.59
Interest payable		470,956.91	120,576.92
Other payables		11,473,651.23	8,512,794.95
Accrued expenses		3,994,622.85	1,578,166.79
Total current liabilities		<u>80,226,469.55</u>	<u>68,453,981.66</u>
Non-current liabilities:			
Long-term borrowings	14	<u>40,497,912.83</u>	<u>7,240,441.35</u>
Total non-current liabilities		<u>40,497,912.83</u>	<u>7,240,441.35</u>
Total liabilities		<u>120,724,382.38</u>	<u>75,694,423.01</u>
Owners' equity:			
Paid-in capital	15	44,173,465.92	44,173,465.92
Capital surplus	16	723,025.00	723,025.00
Surplus reserves		9,791,299.50	9,791,299.50
Retained earnings		<u>15,463,797.73</u>	<u>23,563,621.11</u>
Total owners' equity		<u>70,151,588.15</u>	<u>78,251,411.53</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u><u>190,875,970.53</u></u>	<u><u>153,945,834.54</u></u>

The financial statements on pages 4 to 27 have been signed by:

 General Manager:

 Financial Controller:

The notes on pages 11 to 27 form an integral part of these financial statements.

SMR Automotive Yancheng Co., Ltd.
INCOME AND PROFIT APPROPRIATION STATEMENT
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Revenue from principal operations	17	111,216,039.13	103,033,765.22
Less: Cost of sales		109,913,507.45	93,275,068.10
Taxes and surcharges		432,744.10	510,057.59
Profit from principal operations		869,787.58	9,248,639.53
Add: Profit from other operations	18	350,718.69	976,550.81
Less: Operating expenses		418,403.42	286,281.25
General and administrative expenses		5,949,505.92	5,012,181.32
Financial expenses	19	2,311,516.45	618,102.49
Operating profit		(7,458,919.52)	4,308,625.28
Add: Non-operating income		287,630.53	165,504.07
Less: Non-operating expenses		910,331.86	56,459.55
Total profit		(8,081,620.85)	4,417,669.80
Less: Income tax	20	18,202.53	1,600,984.46
Net profit		(8,099,823.38)	2,816,685.34
Add: Retained earnings at beginning of year		23,563,621.11	54,955,314.24
Distributable profit		15,463,797.73	57,771,999.58
Less: Cash dividends	21	-	6,885,193.00
Appropriation to reserve fund	21	-	27,323,185.47
Retained earnings at end of year		15,463,797.73	23,563,621.11

The notes on pages 11 to 27 form an integral part of these financial statements.

SMR Automotive Yancheng Co., Ltd.
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sale of goods or rendering of services	146,281,186.93	180,105,425.26
Refunds of taxes	239,517.37	260,206.75
Cash received relating to other financing activities	226,294.82	109,141.57
Sub-total of cash inflows	<u>146,746,999.12</u>	<u>180,474,773.58</u>
Cash paid for goods and services	122,280,009.79	127,581,956.84
Cash paid to and on behalf of employees	14,689,570.31	11,788,634.70
Cash paid for all types of taxes	1,233,647.68	6,055,729.55
Cash paid relating to other financing activities	3,521,547.25	3,804,670.38
Sub-total of cash outflows	<u>141,724,775.03</u>	<u>149,230,991.47</u>
Net cash flows from operating activities (1)	<u>5,022,224.09</u>	<u>31,243,782.11</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	104,244.35	149,572.65
Sub-total of cash inflows	<u>104,244.35</u>	<u>149,572.65</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	32,211,758.63	46,492,976.32
Sub-total of cash outflows	<u>32,211,758.63</u>	<u>46,492,976.32</u>
Net cash flows from investing activities	<u>(32,107,514.28)</u>	<u>(46,343,403.67)</u>

The notes on pages 11 to 27 form an integral part of these financial statements.

SMR Automotive Yancheng Co., Ltd.
STATEMENT OF CASH FLOWS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	62,301,111.99	39,138,091.60
Cash received relating to other financing activities	—	630,000.00
Sub-total of cash inflows	<u>62,301,111.99</u>	<u>39,768,091.60</u>
Cash repayments of borrowings	29,242,192.29	12,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	1,689,639.36	7,305,246.53
Cash paid relating to other financing activities	—	2,732,318.55
Sub-total of cash outflows	<u>30,931,831.65</u>	<u>22,037,565.08</u>
Net cash flows from financing activities	<u>31,369,280.34</u>	<u>17,730,526.52</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (2)	<u><u>4,283,990.15</u></u>	<u><u>2,630,904.96</u></u>

The notes on pages 11 to 27 form an integral part of these financial statements.

SMR Automotive Yancheng Co., Ltd.
STATEMENT OF CASH FLOW (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

Supplementary information to statement of cash flows	<u>2018</u>	<u>2017</u>
(1) Reconciliation of net profit to cash flows from operating activities		
Net profit	(8,099,823.38)	2,816,685.34
Add: Depreciation of fixed assets	12,171,482.74	5,689,220.50
Amortisation of intangible assets	225,832.98	207,128.74
Amortisation of long-term prepayments	95,000.00	60,000.00
Gains on disposal of fixed assets, intangible assets and other long-term assets	773,705.60	(87,472.34)
Financial expenses	1,939,319.93	195,474.33
Investment losses/(gains) Decrease/(increase) in operating receivables	(9,031,413.86)	1,986,571.01
Decrease/(increase) in operating payables	(1,190,732.88)	30,951,291.22
Increase in prepaid expenses	(48,139.57)	(471,793.96)
Increase in accrued expenses	2,416,456.06	394,369.26
Net cash flows from operating activities	<u>5,022,224.09</u>	<u>31,243,782.11</u>
(2) Net increase in cash and cash equivalents		
Cash and cash equivalents at end of year	10,583,652.40	6,299,662.25
Less: Cash and cash equivalents at beginning of year	<u>6,299,662.25</u>	<u>3,668,757.29</u>
Net increase in cash and cash equivalents	<u>4,283,990.15</u>	<u>2,630,904.96</u>

The notes on pages 11 to 27 form an integral part of these financial statements.

SMR Automotive Yancheng Co., Ltd.
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
PAID-IN CAPITAL:			
At beginning of year	15	44, 173, 465. 92	19, 582, 599. 00
Increase		-	24, 590, 866. 92
		<u>44, 173, 465. 92</u>	<u>44, 173, 465. 92</u>
At 31 December 2018		<u>44, 173, 465. 92</u>	<u>44, 173, 465. 92</u>
CAPITAL SURPLUS:			
At beginning of year		723, 025. 00	93, 025. 00
Increase		-	630, 000. 00
		<u>723, 025. 00</u>	<u>723, 025. 00</u>
At 31 December 2018		<u>723, 025. 00</u>	<u>723, 025. 00</u>
SURPLUS RESERVES:			
At beginning and end of 31 December 2018		<u>9, 791, 299. 50</u>	<u>9, 791, 299. 50</u>
Including: Reserve fund		<u>9, 791, 299. 50</u>	<u>9, 791, 299. 50</u>
RETAINED EARNINGS:			
At beginning of year		23, 563, 621. 11	54, 955, 314. 24
Add: Net profit for the year		(8, 099, 823. 38)	2, 816, 685. 34
Less: Cash dividends approved		-	6, 885, 193. 00
Appropriation to reserve fund		-	27, 323, 185. 47
		<u>15, 463, 797. 73</u>	<u>23, 563, 621. 11</u>
At 31 December 2018		<u>15, 463, 797. 73</u>	<u>23, 563, 621. 11</u>

The notes on pages 11 to 27 form an integral part of these financial statements.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

1. Corporate information

SMR Automotive Yancheng Co., Ltd. (“the Company”) was registered in Jiangsu Province, People’s Republic of China on 14 November 2002 with an operating term of 30 years. The company’s registered address is No.7 Jinshajiang road, economic and technological development zone, Yancheng, Jiangsu Province.

Its principal activity is the production and sales of automotive lighting system and optical mirror system.

The parent company of the company and the ultimate parent company are respectively the SMR Automotive Holding Hong Kong Limited in Hong Kong, China and Samvardhana Motherson International Limited in India.

2. Going-concern assumption

The financial statements have been prepared under the going concern basis as the investor of the Company has undertaken to provide continuing financial support to enable the Company to meet its liabilities as and when they fall due. Therefore, the Company will have sufficient funds to meet its daily working capital requirements for the foreseeable future, and will not encounter going concern problems due to inadequate working capital.

3. Significant accounting policies and estimates

The financial statements have been prepared based on the following accounting policies and estimates, which are 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”).

Accounting system

The Company adopts the Accounting System for Business Enterprises.

Accounting year

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

Reporting currency

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

Basis of accounting and measurement basis

The Company’s accounts have been prepared on an accrual basis using the historical cost as the basis of measurement. Assets are recorded at cost when they are acquired. Subsequently, if the assets are impaired, impairment provisions are made in accordance with the Accounting System for Business Enterprises.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

3. Significant accounting policies and estimates (continued)

Foreign currency transactions

Transactions in currencies other than the reporting currency are translated into the reporting currency at the spot exchange rate on the date of transaction

Monetary assets and liabilities denominated in foreign currencies are restated into the reporting currency using the year-end benchmark exchange rate. The exchange gains or losses are dealt with in the income statement for the year

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value

Bad debts

Accounts receivable meeting the following criteria are recognised as bad debts:

- the debtor is deceased or has been declared bankrupt and the debts remain uncollectible after considering the assets of the bankrupt or the estate of the deceased debtor;
- debts that are long overdue where there is also evidence indicating that the debts are uncollectible or the possibility of collection is remote.

Provisions are respectively made to account for bad debt losses on accounts receivable and other receivables. A specific provision refers to an amount that is provided based on management's assessment of the recoverability of an individual receivable.

Inventories

Inventories, which include raw materials, semi-finished goods and finished goods, are stated at cost when purchased. The cost of inventories issued is determined on the weighted average basis.

Inventories are valued at the lower of cost and net realizable value at the balance sheet date. The difference between the cost and the lower net realizable value is stated as a provision. 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 sale. The net realizable value is determined based on contract prices.

The provision for finished goods and raw materials are determined on an individual item basis.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

3. Significant accounting policies and estimates (continued)

Fixed assets

Fixed assets are tangible assets with high unit costs held by the Company for use in production of goods, supply of services, rental or for administrative purposes, and are expected to be used for more than one year.

Fixed assets are recorded at cost when acquired. Depreciation is calculated using the straight-line method. The respective estimated useful lives and estimated residual values of fixed assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value (%)</u>	<u>Annual depreciation rate</u>
Buildings	20 years	10%	4.50%
Machinery	5 years	1%	19.80%
Modelling	5 years	1%	19.80%
Office furniture	5 years	1%	19.80%
Vehicles	4 years	1%	24.75%
Electronic equipment	3 years	1%	33.00%

At the end of the accounting period, fixed assets are carried at the lower of book value and recoverable amount. A provision for impairment of fixed assets is made for any difference between the book value and the lower recoverable amount. The recoverable amount of the fixed assets is the greater of the net selling price and the value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Gains or losses arising from the disposal, damage, obsolescence or physical counting of fixed assets are accounted for as non-operating expenses or income in the current year.

Construction in progress

Construction in progress includes all costs incurred during the preparation period before commencement of construction and until the asset is ready for its intended use. These costs include direct materials, direct labour, equipment for installation, construction and installation charges, management fees, gain or loss on trial run production and borrowing costs which are qualified for capitalisation. Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

At the end of the year, construction in progress is examined on an individual project basis and impairment provisions are made against those projects which have been suspended for a long period of time and the construction of which is not expected to resume within three years, or for any project under construction but considered obsolete in terms of its technology and functionality and where there exists significant uncertainty as to whether it will bring future economic benefits to the Company.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

3. Significant accounting policies and estimates (continued)

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. The cost of borrowings designated for acquisition or construction of fixed assets are capitalised when the capital expenditures have been incurred, and the acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced. The capitalised interest for the borrowing costs for each accounting period is computed based on the accumulated weighted average expenditure incurred for the acquisition or construction up to the end of the period and the related weighted average interest rate to the extent of actual borrowing costs incurred during the period. The capitalisation of borrowing costs is suspended during the period in which the acquisition or construction of a fixed asset is abnormally interrupted for a period of more than three months. Borrowing costs during this period are treated as an expense until the acquisition or construction is resumed. The capitalisation of borrowing costs ceases when the fixed asset being acquired or constructed is substantially ready for its intended use and borrowing costs incurred thereafter are recorded as finance costs in the period in which they are incurred. Other borrowing costs are charged to the income statement as finance costs as and when incurred.

Intangible assets

Intangible assets are recorded at actual cost on acquisition. The cost of an intangible asset is amortised using the straight-line method starting from the month in which the asset is acquired and over the shortest period of the estimated useful life, the beneficial period as stipulated by the contracts or the effective period stipulated by laws. Each category of intangible assets is amortised evenly over the following periods:

Computer Software	4 years
Land use rights	50 years

At the end of the accounting period, intangible assets are carried at the lower of book value and recoverable amounts. If the recoverable amount is lower than the book value, a provision for impairment on intangible assets is made for the difference.

Revenue recognition

- the significant risks and rewards in relation to ownership of the goods have been transferred to the buyer;
- the Company maintains neither continuing managerial involvement nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and

- the relevant amounts of revenue and costs can be measured reliably.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
(Expressed in Renminbi Yuan)

3. Significant accounting policies and estimates (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

Income tax

Income tax is accounted for using the tax payable method, whereby the income tax provision is calculated based on the applicable income tax rate and the accounting results for the year after adjusting for items which are non-assessable or disallowed in accordance with the relevant tax laws.

Related parties

Parties are considered to be related if one party has the ability to control, or jointly control another party, or exercise significant influence over the other party in making financial and operating decisions. If two or more parties are subject to control from the same party, they are also regarded as related parties.

4. Notes receivable

On the balance sheet date, all notes receivable are banker's acceptance and no notes receivable have been mortgaged or endorsed.

At 31 December 2018, notes receivable that have been discounted was RMB 10,700,000.00 (31 December 2017: RMB6,800,000.00). The directors of the company are of the opinion that no provision for impairment is necessary in respect of notes receivables.

5. Accounts receivable

On the balance sheet date, the age of accounts receivable are all within one year. The directors of the company are of the opinion that no provision for impairment is necessary in respect of accounts receivable.

At 31 December 2018, the total amount of pledged accounts receivable is RMB 19,699,098.47 (31 December 2017: RMB17,735,781.75). Refer to note 12.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2017
(Expressed in Renminbi Yuan)

6. Other receivables

The ageing analysis is as below:

	2018		2017	
	Balance	%	Balance	%
Within 1 year	3,841,729.03	91%	1,960,580.61	100%
1-2 years	364,600.00	9%	-	-
2-3 years	-	-	6,500.00	-
Over 3 years	8,200.00	-	3,600.00	-
	4,214,529.03	100%	1,970,680.61	100%

Other receivables aged over 1 year are mainly deposits.

On the balance sheet date, the directors of the company are of the opinion that no provision for impairment is necessary in respect of other receivables.

7. Inventories

	2018	2017
Raw materials	6,651,369.66	5,075,645.83
Work in progress	8,831,960.70	1,864,259.54
Finished goods	2,150,911.68	1,662,922.81
	17,634,242.04	8,602,828.18

On the balance sheet date, the company has no ownership restricted inventories.

On the balance sheet date, the directors of the company are of the opinion that no provision for impairment is necessary in respect of inventories.

8 Other current asset

	2018	2017
Pending deduct VAT on purchase	6,200,925.59	3,943,256.87

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
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9. Fixed assets

	Buildings	Machinery	Modelling	Electronic equipment Decoration and Office furniture	Total
Cost:					
Opening balance	30,435,207.60	32,210,864.63	30,978,699.91	3,712,882.14	97,337,654.28
Transferred from construction in progress	398,759.31	24,701,591.36	11,833,359.21	654,223.29	37,587,933.17
Disposals	-	-	(1,670,000.01)	-	(1,670,000.01)
Closing balance	<u>30,833,966.91</u>	<u>56,912,455.99</u>	<u>41,142,059.11</u>	<u>4,367,105.43</u>	<u>133,255,587.44</u>
Accumulated depreciation:					
Opening balance	2,444,414.04	5,372,391.70	13,526,301.46	1,074,112.55	22,417,219.75
Charge for the year	1,524,820.77	5,685,073.68	4,189,504.47	772,083.82	12,171,482.74
Written back on disposal	-	-	(792,050.06)	-	(792,050.06)
Closing balance	<u>3,969,234.81</u>	<u>11,057,465.38</u>	<u>16,923,755.87</u>	<u>1,846,196.37</u>	<u>33,796,652.43</u>
Net book value:					
31 December 2018	<u>26,864,732.10</u>	<u>45,854,990.61</u>	<u>24,218,303.24</u>	<u>2,520,909.06</u>	<u>99,458,935.01</u>
31 December 2017	<u>27,990,793.56</u>	<u>26,838,472.93</u>	<u>17,452,398.45</u>	<u>2,638,769.59</u>	<u>74,920,434.53</u>
The carrying value includes Fully depreciated but Still in use (gross)	-	1,378,497.11	6,328,139.90	309,075.92	8,015,712.93

On the balance sheet date, the company has no ownership restricted fixed assets.

On the balance sheet date, the directors of the company are of the opinion that no provision for impairment is necessary in respect of fixed assets.

10. Construction in progress

	2018
Opening balance	8,330,071.63
Additions	35,746,125.20
Transfer to fixed assets	(37,587,933.17)
Transfer to intangible assets	<u>(576,486.47)</u>
Closing balance	<u>5,911,777.19</u>

On the balance sheet date, the directors of the company are of the opinion that no provision for impairment is necessary in respect of construction in progress.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
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(Expressed in Renminbi Yuan)

11. Intangible assets

	Computer Software	Land in use	Total
Opening balance	296,871.82	4,768,115.48	5,064,987.30
Transfer from construction in progress	576,486.47	–	576,486.47
Amortisation	<u>(121,230.78)</u>	<u>(104,602.20)</u>	<u>(225,832.98)</u>
Closing balance	<u>752,127.51</u>	<u>4,663,513.28</u>	<u>5,415,640.79</u>
Cost on acquisition	<u>997,895.25</u>	<u>5,228,907.72</u>	<u>6,226,802.97</u>

On the balance sheet date, the directors of the company are of the option that no provision for impairment is necessary in respect of intangible assets.

12. Short-term loans

	2018	2017
Pledge and guarantee loan	<u>19,699,098.47</u>	<u>19,897,650.25</u>

On 31 October 2017, the Company entered into a credit loan contract with Industrial Bank of Korea, with highest quota of Rmb 20,000,000.00, term from 31 October 2017 to 31 October 2018 and annual interest at 5%. The company signed a supplementary agreement with Industrial Bank (China) Co., Ltd. on October 31, 2018 to extend the original revolving loan contract until October 31, 2019. On Dec. 31, 2018, the company has made a withdrawal of RMB 19,699,098.47. Accounts receivable amounting to RMB 19,699,098.47 are pledged.

13. Taxes payable

	2018	2017
Corporate income tax	–	500,044.99
Withholding of corporate tax	33,754.01	193,942.24
Withholding of value added tax	8,303.18	111,663.66
Value added tax	43,407.95	–
Other	<u>113,334.80</u>	<u>93,361.70</u>
	<u>198,799.94</u>	<u>899,012.59</u>

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
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13. Taxes payable (continued)

The major categories of taxes applicable to the Company and the respective tax rates are as follows:

- | | | |
|------------------------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Corporate income tax | - | In accordance with the relevant tax laws in the PRC, the Company is subject to a corporate income tax rate of 25% on its taxable income |
| (2) Withholding of corporate taxes | - | the Company is required to withhold corporate income tax and value added tax in respect of the technological development fee, trademark fee and system maintenance fee paid to the foreign related parties. |
| (3) Value added tax | - | In accordance with the relevant tax laws in the PRC, the VAT rate for export sales is 0% and for domestic sales is 17%. On May 1, 2018, write-off tax is calculated at 16% tax rate and VAT is calculated at the difference after deducting the allowable amount of input tax in the current period. The Company is required to remit the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases. |
| (4) Withholding of individual income tax | - | In accordance with the relevant tax laws in the PRC, the Company is required to withhold individual income tax on salaries paid to its employees. |

14. Long-term borrowings

	2018	2017
Guaranteed load	<u>40,497,912.83</u>	<u>7,240,441.35</u>

On 23 October 2017, the Company entered into a credit loan contract with Industrial Bank of Korea, with highest quota of Rmb 80,000,000.00, term from 23 October 2017 to 23 October 2020 and annual interest at 5%. The loan is guaranteed by SMR Automotive Modules Korea Ltd.. At 31 December 2018, the company has withdrawn RMB 40,497,912.83.

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
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15. Paid-in capital

Registered:

	2018		2017	
	Us dollars	%	Us dollars	%
SMR Automotive Holding Hong Kong Limited	<u>6,720,000.00</u>	<u>100%</u>	<u>6,720,000.00</u>	<u>100%</u>

Paid in:

	2018		2017	
	Us dollars	Rmb equivalent	Us dollars	Rmb equivalent
SMR Automotive Holding Hong Kong Limited	<u>6,720,000.00</u>	<u>44,173,465.92</u>	<u>6,720,000.00</u>	<u>44,173,465.92</u>

16. Capital Reserve

	2018	2017
Opening balance	723,025.00	93,025.00
Addition	–	630,000.00
Including: government grants received	–	630,000.00
Closing balance	<u>723,025.00</u>	<u>723,025.00</u>

17. Revenue from principal operation

	2018	2017
Sale of goods	<u>111,216,039.13</u>	<u>103,033,765.22</u>

18. Profit from other operation

	2018	2017
Other operating revenue	11,921,388.27	19,707,752.31
Less: other operating cost	<u>11,570,669.58</u>	<u>18,731,201.50</u>
	<u>350,718.69</u>	<u>976,550.81</u>

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
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19. Financial expenses

	2018	2017
Interest expense	2,040,019.35	540,630.45
Less: interest income	8,878.61	31,109.83
Less: capitalisd interest	100,699.42	345,156.12
Discounted interest expense	139,695.84	283,092.73
Exchange loss	181,547.96	128,466.39
Service charge	59,831.33	42,178.87
	<u>2,311,516.45</u>	<u>618,102.49</u>

20. Income tax

		2018	2017
Income tax for the year	(1)	-	1,504,011.79
Other	(2)	<u>18,202.53</u>	<u>96,972.67</u>
		<u>18,202.53</u>	<u>1,600,984.46</u>

(1) Further to the disclosure in Note 11(1), the applicable income tax rate is 25%. The income tax is determined based on the adjusted taxable income of the year.

(2) The Company has paid additional corporate income tax in accordance with the clearance on taxation for the year ended 31 December 2016. Since the amount is immaterial, it is charged to the income statement for the current year.

21. Distributed profit

	2018	2017
Cash dividends	-	6,885,193.00
Appropriation to reserve fund	-	<u>27,323,185.47</u>
	<u>-</u>	<u>34,208,378.47</u>

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
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22. Related party relationships and transactions

Details of the Company's investor, which has a controlling interest in the Company, are as follows:

<u>Name of investor</u>	<u>Place of incorporation</u>	<u>Equity interest held and its changes during the year</u>
SMR Automotive Holding Hong Kong Limited	Hong Kong	100%

The principal related parties with which the Company had transactions during the year are as follows:

<u>Name</u>	<u>Relationship</u>
Motherson Auto Ltd.	Entity under common control of the ultimate holding company
SMR Hyosang Automotive Ltd.	Entity under common control of the ultimate holding company
SMR Automotive Modules Korea Ltd.	Entity under common control of the ultimate holding company
SMR patents S.A.R.L	Entity under common control of the ultimate holding company
MothersonSumi Infotech & Designs Ltd.	Entity under common control of the ultimate holding company
SMR Automotive Mirror Tech Hungary	Entity under common control of the ultimate holding company
SMR India Automotive	Entity under common control of the ultimate holding company
SMR Automotive Mirror Stuttgart	Entity under common control of the ultimate holding company
SMR Langfang	Entity under common control of the ultimate holding company
Chongqing SMR Huaxiang Automotive Products Co, Ltd.	Entity under common control of the ultimate holding company
Ningbo SMR Huangxiang Automotive Mirrors Co. Limited	Entity under common control of the ultimate holding company
SMR Enterprise Management (Shanghai) Co., Ltd.	Entity under common control of the ultimate holding company

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
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22. Related party relationships and transactions (continued)

Significant transactions between the Company and its related parties during the year are as follows:

(1) Sales and purchases

	2018	2017
<u>Sales of goods</u>		
SMR Langfang	24,225,660.34	26,393,884.65
Chongqing SMR Huaxiang Automotive Products Co, Ltd.	2,329,124.88	52,386.02
SMR Automotive Modules Korea Ltd.	1,943,716.16	-
SMR Hyosang Automotive Ltd.	494,450.00	-
SMR Automotive Mirror Tech Hungary	16,067.90	-
SMR India Automotive Ningbo SMR Huangxiang Automotive Mirrors Co. Limited	14,841.00 13,198.14	- -
	<u>29,023,860.28</u>	<u>26,446,270.67</u>
<u>Purchases of raw materials</u>		
SMR Automotive Modules Korea Ltd.	12,037,978.19	13,101,261.35
SMR Hyosang Automotive Ltd.	15,566,811.71	11,822,560.12
SMR Langfang	2,807,506.77	-
	<u>30,412,296.67</u>	<u>24,923,821.47</u>

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018
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22. Related party relationships and transactions (continued)

Significant transactions between the Company and its related parties during the year are as follows (continued):

	2018	2017
(2) Acceptance of services		
<u>Technological Development fee</u>		
SMR Automotive Modules Korea Ltd.	3,919,337.98	2,125,909.85
SMR Langfang.	-	168,530.37
	<u>3,919,337.98</u>	<u>2,294,440.22</u>
<u>Equipment Testing Service fee</u>		
SMR Automotive Modules Korea Ltd.	<u>26,331.96</u>	-
(3) Financing		
SMR Langfang		
- Borrowing	-	12,000,000.00
- Repaying	-	12,000,000.00
- Interest expense	-	67,916.67
(4) Other		
<u>Sales of fixed asset</u>		
SMR Langfang	<u>848,824.64</u>	-
<u>Purchase of fixed asset</u>		
SMR Automotive Modules Korea Ltd.	2,491,136.77	-
SMR Hyosang Automotive Ltd.	1,593,861.00	4,498,610.19
	<u>4,084,997.77</u>	<u>4,498,610.19</u>
<u>MIND service fee</u>		
MothersonSumi Infotech & Designs Ltd.	<u>894,862.72</u>	<u>826,259.60</u>
<u>Consultancy fee</u>		
SMR Enterprise Management (Shanghai) Co., Ltd.	<u>93,405.18</u>	-

SMR Automotive Yancheng Co., Ltd.
NOTES TO FINANCIAL STATEMENTS (continued)
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22. Related party relationships and transactions (continued)

Significant transactions between the Company and its related parties during the year are as follows (continued):

(5) Amounts due from/to related parties

	2018	2017
<u>Accounts receivable</u>		
SMR Langfang	848, 824. 64	5, 724, 394. 72
Chongqing SMR Huaxiang Automotive Products Co, Ltd.	1, 436, 978. 06	32, 132. 78
SMR Automotive Modules Korea Ltd.	1, 100, 578. 45	-
SMR Hyosang Automotive Ltd.	398, 750. 00	-
SMR Automotive Mirror Tech Hungary	16, 067. 90	-
SMR India Automotive	14, 841. 00	-
Ningbo SMR Huaxiang Automotive Mirrors Co. Limited	13, 198. 14	-
	<u>3, 829, 238. 19</u>	<u>5, 756, 527. 50</u>
<u>Other receivables</u>		
SMR Langfang	2, 807, 506. 77	-
Motherson Auto Ltd.	-	1, 406, 185. 49
	<u>2, 807, 506. 77</u>	<u>1, 406, 185. 49</u>
<u>Accounts payable</u>		
SMR Automotive Modules Korea Ltd.	9, 825, 001. 01	6, 355, 323. 77
SMR Hyosang Automotive Ltd.	11, 148, 138. 80	5, 849, 820. 79
	<u>20, 973, 139. 81</u>	<u>12, 205, 144. 56</u>
<u>Other payables</u>		
SMR patents S.A.R.L	172, 617. 92	202, 328. 87
MothersonSumi Infotech & Designs Ltd.		
SMR Enterprise Management (Shanghai) Co., Ltd.	37, 769. 44	25, 226. 26
SMR Automotive Mirror Stuttgart	66, 686. 74	-
	60, 927. 39	-
	<u>338, 001. 49</u>	<u>227, 555. 13</u>
<u>Accrued expense</u>		
SMR Automotive Modules Korea Ltd.	3, 090, 492. 00	1, 402, 212. 18

Amounts due from/to related parties are interest free, unsecured and have no fixed terms of repayment.

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23. Operating lease commitments

The non-cancellable minimum lease payments for each of the next three years subsequent to the balance sheet date and the aggregate minimum lease payments thereafter are as follows:

	2018	2017
The 1st year	4, 736, 913. 44	1, 912, 293. 57
The 2nd year	4, 106, 444. 00	2, 046, 620. 86
The 3rd year	3, 574, 916. 65	1, 416, 151. 42
In aggregate after the 3rd year	<u>792, 713. 31</u>	<u>884, 630. 00</u>
	<u>13, 210, 987. 40</u>	<u>6, 259, 695. 85</u>

24. Approval of the financial statements

The financial statements have been authorised for issuance by the board of directors on 7 May 2019.