

**Shanghai SMRC Automotive Interiors Tech  
Consulting Co., Ltd.**

**Audited Financial Statements**

**Year ended 31 December 2019**

**Important Notice**

The attached financial statements have been translated from the statutory financial statements prepared in accordance with generally accepted accounting principles applicable to foreign investment enterprises established in the People's Republic of China. In the event of any differences in interpreting the financial statements, the Chinese version shall prevail.

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## **AUDITOR'S REPORT**

Ernst & Young Hua Ming (2020) Shen Zi No. 61273825\_B01  
Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd

To Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

### **(I) Opinion**

We have audited the financial statements of Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd (the "Company"), which comprise the balance sheet as at 31 December 2019, and the income 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 2019, and of its financial performance and its 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 Accounting Standards 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.

## **AUDITOR'S REPORT (continued)**

Ernst & Young Hua Ming (2020) Shen Zi No. 61273825\_B01  
Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **(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.

## **AUDITOR'S REPORT (continued)**

Ernst & Young Hua Ming (2020) Shen Zi No. 61273825\_B01  
Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd

### **(V) Auditor's responsibilities for the audit of the financial statements (continued)**

- (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.

Lu Di

Ernst & Young Hua Ming LLP Shanghai Branch

Chinese Certified Public Accountant

Mao Wen Jia

Shanghai, the People's Republic of China

Chinese Certified Public Accountant

30 April 2020

**Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.**  
**BALANCE SHEET**  
**31 December 2019**

**Expressed in Renminbi Yuan**

<b><u>ASSETS</u></b>	<b><u>Note V</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current assets:</b>			
Currency funds	1	1,258,997.51	632,009.30
Accounts receivable	2	519,008.91	1,188,060.57
Other receivables	3	49,948.44	93,948.44
Other current assets	4	<u>18,617.15</u>	<u>45,426.39</u>
<b>Total current assets</b>		<u>1,846,572.01</u>	<u>1,959,444.70</u>
<b>Non-current assets:</b>			
Fixed assets	5	36,442.00	1,319.19
Long-term prepayments	6	<u>-</u>	<u>215.15</u>
<b>Total non-current assets</b>		<u>36,442.00</u>	<u>1,534.34</u>
<b>TOTAL ASSETS</b>		<u>1,883,014.01</u>	<u>1,960,979.04</u>
 <b><u>LIABILITIES AND OWNERS' EQUITY</u></b>			
<b>Current liabilities:</b>			
Payroll payable	7	269,818.32	341,732.84
Taxes payable	8	43,109.32	116,293.74
Other current liabilities	9	<u>155,227.23</u>	<u>263,235.52</u>
<b>Total current liabilities</b>		<u>468,154.87</u>	<u>721,262.10</u>
<b>Total liabilities</b>		<u>468,154.87</u>	<u>721,262.10</u>
<b>Owners' equity:</b>			
Paid-in capital	10	972,210.00	972,210.00
Surplus reserves	11	44,264.91	26,750.69
Accumulated profits	12	<u>398,384.23</u>	<u>240,756.25</u>
<b>Total owners' equity</b>		<u>1,414,859.14</u>	<u>1,239,716.94</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<u>1,883,014.01</u>	<u>1,960,979.04</u>

The financial statements have been signed by:

Legal Representative:

Chief Financial Representative:

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

**Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.****INCOME STATEMENT****Year Ended 31 December 2019****Expressed in Renminbi Yuan**

	<u>Note V</u>	<u>2019</u>	<u>2018</u>
<b>Revenue</b>	13	5,131,089.97	6,158,444.36
Less: Tax and surcharges		13,642.62	17,457.09
General and administrative expenses		4,964,424.86	5,965,535.43
Financial expenses	14	(26,310.94)	(196,532.40)
Including: Interest income		3,675.38	3,000.23
Add: Other income	15	<u>16,148.39</u>	<u>30,255.96</u>
<b>Operating income</b>		<u>195,481.82</u>	<u>402,240.20</u>
<b>Total income</b>		195,481.82	402,240.20
Less: Income tax	17	<u>20,339.62</u>	<u>34,548.46</u>
<b>Net income</b>		<u>175,142.20</u>	<u>367,691.74</u>
Profit for the year from continuing operations		<u>175,142.20</u>	<u>367,691.74</u>
<b>Total comprehensive income</b>		<u>175,142.20</u>	<u>367,691.74</u>

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

**Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.**

**STATEMENT OF CHANGES IN EQUITY**

**Year Ended 31 December 2019**

**Expressed in Renminbi Yuan**

**2019**

	<b>Paid-in capital</b>	<b>Surplus reserves</b>	<b>Accumulated profits</b>	<b>Total equity</b>
I. Balance at end of prior year and beginning of year	<u>972,210.00</u>	<u>26,750.69</u>	<u>240,756.25</u>	<u>1,239,716.94</u>
II. Changes for the year				
1. Total comprehensive income	-	-	175,142.20	175,142.20
2. Appropriation of profit				
(1) Extract surplus reserves	<u>-</u>	<u>17,514.22</u>	<u>(17,514.22)</u>	<u>-</u>
III. Balance at end of year	<u>972,210.00</u>	<u>44,264.91</u>	<u>398,384.23</u>	<u>1,414,859.14</u>

**2018**

	<b>Paid-in capital</b>	<b>Surplus reserves</b>	<b>Accumulated profits</b>	<b>Total equity</b>
I. Balance at end of prior year and beginning of year	972,210.00	-	(100,184.80)	872,025.20
II. Changes for the year				
1. Total comprehensive income	-	-	367,691.74	367,691.74
2. Appropriation of profit				
(1) Extract surplus reserves	<u>-</u>	<u>26,750.69</u>	<u>(26,750.69)</u>	<u>-</u>
III. Balance at end of year	<u>972,210.00</u>	<u>26,750.69</u>	<u>240,756.25</u>	<u>1,239,716.94</u>

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

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.  
**STATEMENT OF CASH FLOWS**  
Year Ended 31 December 2019

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM/ (USED IN)</b>			
<b>OPERATING ACTIVITIES</b>			
Cash received relating to rendering services		6,135,172.58	5,925,011.75
Refunds of taxes		16,148.39	30,255.96
Cash received relating to other operating activities		<u>3,675.38</u>	<u>3,000.23</u>
<b>Subtotal of cash inflows from operating activities</b>		<u>6,154,996.35</u>	<u>5,958,267.94</u>
Cash paid for goods and services		56,682.07	53,289.02
Cash paid to and on behalf of employees		3,420,409.56	3,919,922.85
Cash paid for all types of taxes		358,349.98	306,707.16
Cash paid relating to other operating activities		<u>1,652,811.63</u>	<u>2,001,501.24</u>
<b>Subtotal of cash outflows from operating activities</b>		<u>5,488,253.24</u>	<u>6,281,420.27</u>
<b>Net cash flows from / (used in) operating activities</b>	18	<u>666,743.11</u>	<u>(323,152.33)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Cash payments to acquire fixed assets		<u>39,754.90</u>	-
<b>Subtotal of cash outflows from investing activities</b>		<u>(39,754.90)</u>	-
<b>Net cash flows used in investing activities</b>		<u>(39,754.90)</u>	-
<b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		626,988.21	(323,152.33)
Add: Cash and cash equivalents at beginning of the year		<u>632,009.30</u>	<u>955,161.63</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	19	<u><u>1,258,997.51</u></u>	<u><u>632,009.30</u></u>

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

**I. Company information**

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd. (originally named Shanghai Reydel Automotive Technology Co., Ltd., the "Company") is a wholly foreign-owned enterprise established in Shanghai in the Republic of China ("PRC"). The company is established on 21 October 2015, and obtained a business license (No. 91310115MA1H71P39W), with operating term of 30 years.

The Company's principal activities are automotive related technology consulting, quality management consulting, environment technology consulting, business information consulting (except for financial information), enterprise management consulting, commercial information consulting, investment consulting, marketing strategy consulting. (projects which are approved, carry out business activities under approval of related departments.)

The Company's parent company is Reydel Automotive B.V., which is established in Netherlands and was renamed as SMRC Automotive Holdings Netherlands B.V. in September 2018. The ultimate holding company is Motherson Sumi Systems Limited, a company incorporated in India.

**II. Preparation basis of the financial statements**

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises-Basic Standard, specific standards and the application guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (the "MOF") (collectively referred to as "ASBEs").

The financial statements are presented on a going concern basis.

Except for certain financial instruments, the accounts have been prepared on an accrual basis using the historical cost as the basis of measurement. The accounts have been prepared on an accrual basis using the historical cost as the basis of measurement. Subsequently, if the assets are impaired, impairment provisions are made in accordance with the relevant provisions.

**Statement of compliance with Accounting Standards for Business Enterprises**

The financial statements present fairly and fully the financial position of the Company as at 31 December 2019 and the financial results and the cash flows for the year ended 31 December 2019 in accordance with Accounting Standards for Business Enterprises.

### III. Significant accounting policies and estimates

The financial information presented in the 2019 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 a calendar year, i.e., from 1 January to 31 December of each year

#### 2. Functional currency

The Company's functional 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 Company'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.

#### 4. Foreign currency transactions and foreign currency translation

The Company translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

**III. Significant accounting policies and estimates (continued)**

**5. Financial instruments**

Recognition and derecognition

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

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 balance sheet) 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 financial 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) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. The trade date is the date that the Company committed to purchase or sell a financial asset.

Classification and measurement of financial instruments

*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.

**III. Significant accounting policies and estimates (continued)**

**5. Financial instruments (continued)**

Classification and measurement of financial instruments (continued)

*Loans and receivables (continued)*

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 groups of financial assets with similar credit risk characteristics [or individually]. 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 group 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.

**6. Fixed assets**

A fixed asset shall be recognized only when the economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the book value of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in the income statement in the period in which they are incurred.

**III. Significant accounting policies and estimates (continued)**

**6. Fixed assets (continued)**

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

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

	<u>Estimated useful life</u>	<u>Estimated residual ratio</u>	<u>Annual depreciation rate</u>
Electronic equipment	3 years	0%	33.3%

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied and adjusts as appropriate at least at the end of each year.

**7. Long-term prepayments**

Long-term prepayments are amortised over the periods from which the Company derives benefits, on a straight-line basis, as follows:

Leasehold improvement	3 years
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**8. Impairment of assets**

The Company determines the impairment of assets, other than the impairment of financial assets, using the following methods:

The Company assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Company estimates the recoverable amount of the asset and perform impairment tests.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Company estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset Company to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

**III. Significant accounting policies and estimates (continued)**

**8. Impairment of assets (continued)**

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognized in profit or loss for the current period.

Once the above impairment loss is recognized, it cannot be reversed in subsequent periods.

**9. Employee benefits**

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Company in exchange for services rendered by employees. During the accounting period that the employees render service to the Company, the employee benefits payable is recognized as a liability.

Post-employment benefits (defined contribution plan)

The employees of the Company participate in pension insurance which is managed by local government. The relevant expenditure is recognized, when incurred, in the costs of relevant assets or the profit and loss for the current period.

**10. Revenue recognition**

Revenue is recognized only when it is probable that the associated economic benefits will flow to the Company, its amount can be measured reliably, and all of the following conditions are satisfied.

Revenue from the rendering of services

Revenue arises from rendering of services to related parties, which is recognized in accordance with relevant contracts or agreements.

Interest income

It is determined according to the length of time for which the Company's currency fund is used by others and the effective interest rate.

**11. Income tax**

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss, or recognised directly in equity if it relates to a transaction or event which is recognised directly in equity.

**III. Significant accounting policies and estimates (continued)**

**11. Income tax**

Current tax liabilities or assets arising from the current and prior periods at the amount expected to be paid by the Company or returned by the tax authority calculated according to related tax laws.

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the taxable 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 transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, 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 Company 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.

**III. Significant accounting policies and estimates (continued)**

**12. Leases**

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

As lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

**13. Change in presentation of financial statements**

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai [2019] No.6), in the balance sheet, the amount previously presented in “notes receivable and accounts receivable” shall be presented separately in “notes receivable” and “accounts receivable”. The changes in accounting policies have had no impact on the net profit and equity in the financial statements.

**IV. Tax**

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

- |                                   |  |
|-----------------------------------|--|
| Value added tax (VAT)             | - Output VAT is calculated at 6% on revenue according to the relevant requirements of tax laws and paid after deducting input VAT on purchases.                                    |
| Corporate income tax              | - The Company meets the requirements of small low-profit enterprises this year. Its income is reduced by 50% to taxable income, and enterprise income tax is paid at 20% tax rate. |
| Withholding individual income tax | - According to the relevant tax laws and regulations, the Company has obligations to withholding IIT for their employees' salary income.   |

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended 31 December 2019

Expressed in Renminbi Yuan

V. Notes to key items of financial statements

1. Currency funds

	2019	2018
Cash at Bank	<u>1,258,997.51</u>	<u>632,009.30</u>

As at 31 December 2019, there is no restricted cash in bank (31 December 2018: nil).

2. Accounts receivable

The aging analysis of accounts receivable is as follows:

	2019	2018
Within 1 year	<u>519,008.91</u>	<u>1,188,060.57</u>

Management is of the opinion that no bad debt provision is necessary as at the balance sheet date.

3. Other receivables

The aging analysis of other receivables is as follows:

	2019	2018
2 to 3 years	-	93,948.44
Over 3 years	<u>49,948.44</u>	<u>-</u>
	<u>49,948.44</u>	<u>93,948.44</u>

As at 31 December 2019, the Company considered that other receivables were the guarantee and deposit. Management is of the opinion that no bad debt provision is necessary as at the balance sheet date.

4. Other current assets

	2019	2018
Prepaid expenses	<u>18,617.15</u>	<u>45,426.39</u>

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended 31 December 2019

Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

5. Fixed assets

2019

	Electronic devices
Original cost	
Opening balance	85,602.60
Purchases	<u>39,754.90</u>
Closing balance	<u>125,357.50</u>
Less: Accumulated depreciation	
Opening balance	84,283.41
Charge for the year	<u>4,632.09</u>
Closing balance	<u>88,915.50</u>
Carrying value	
Closing balance	<u>36,442.00</u>
Opening balance	<u>1,319.19</u>

2018

	Electronic devices
Original cost	
Opening and closing balance	<u>85,602.60</u>
Less: Accumulated depreciation	
Opening balance	55,749.21
Charge for the year	<u>28,534.20</u>
Closing balance	<u>84,283.41</u>
Carrying value	
Closing balance	<u>1,319.19</u>
Opening balance	<u>29,853.39</u>

As at 31 December 2019, the company has no temporarily idle or ready to dispose fixed assets.

Management is of the opinion that no impairment is necessary as at the balance sheet date.

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended 31 December 2019

Expressed in Renminbi Yuan

V. Notes to key items of financial statements (continued)

6. Long-term prepayments

	2019	2018
Leasehold improvement	<u>-</u>	<u>215.15</u>

7. Payroll payable

	2019 Payable	2019 End balance	2018 Payable	2018 End balance
Salary, bonus allowance and subsidy	2,744,920.59	247,694.32	3,267,784.31	288,544.18
Social insurance	183,404.88	-	143,198.38	14,406.54
Including:				
Medical insurance	162,405.90	-	126,398.04	12,780.32
Industrial injury insurance	3,902.48	-	3,772.52	302.86
Maternity insurance	17,096.50	-	13,027.82	1,323.36
Housing fund	<u>118,558.00</u>	<u>22,124.00</u>	<u>106,152.00</u>	<u>10,826.00</u>
	<u>3,046,883.47</u>	<u>269,818.32</u>	<u>3,517,134.69</u>	<u>313,776.72</u>
Defined contribution plans	301,611.57	-	277,002.94	27,956.12
Including:				
Basic pension	293,063.16	-	269,837.82	27,240.16
Unemployment insurance	<u>8,548.41</u>	<u>-</u>	<u>7,165.12</u>	<u>715.96</u>
	<u>3,348,495.04</u>	<u>269,818.32</u>	<u>3,794,137.63</u>	<u>341,732.84</u>

8. Taxes payable

	2019	2018
Withholding of individual income tax	16,665.30	55,960.86
Value added tax	16,028.75	24,200.28
Income tax	8,851.72	34,548.46
Education surcharge	1,302.96	1,267.31
Urban construction and maintenance tax	<u>260.59</u>	<u>316.83</u>
	<u>43,109.32</u>	<u>116,293.74</u>

9. Other current liabilities

	2019	2018
Accrued expense	<u>155,227.23</u>	<u>263,235.52</u>

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended 31 December 2019

Expressed in Renminbi Yuan

V. Notes to key items of financial statements (continued)

10. Paid-in capital

The registered and paid-in capital of the Company is USD150,000.00, equivalent RMB972,210.00.

	2019 & 2018		
	USD	Translated into RMB	%
SMRC Automotive Holdings Netherlands B.V.	<u>150,000.00</u>	<u>972,210.00</u>	<u>100</u>

11. Surplus reserves

2019

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	<u>26,750.69</u>	<u>17,514.22</u>	<u>-</u>	<u>44,264.91</u>

2018

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	<u>-</u>	<u>26,750.69</u>	<u>-</u>	<u>26,750.69</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.

12. Accumulated profits

	2019	2018
Balance at end of the prior year	240,756.25	(100,184.80)
Net profit	175,142.20	367,691.74
Less: Appropriation to surplus reserves	<u>17,514.22</u>	<u>26,750.69</u>
Balance at end of the current year	<u>398,384.23</u>	<u>240,756.25</u>

13. Revenue

	2019	2018
Revenue from principal operations	<u>5,131,089.97</u>	<u>6,158,444.36</u>

The revenue is listed as follows:

	2019	2018
Rendering of services	<u>5,131,089.97</u>	<u>6,158,444.36</u>

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended 31 December 2019

Expressed in Renminbi Yuan

V. Notes to key items of financial statements (continued)

14. Financial expenses

	2019	2018
Interest income	(3,675.38)	(3,000.23)
Exchange income	(27,165.56)	(197,630.17)
Others	<u>4,530.00</u>	<u>4,098.00</u>
	<u>(26,310.94)</u>	<u>(196,532.40)</u>

15. Other income

	2019	2018
IIT return	<u>16,148.39</u>	<u>30,255.96</u>

16. Expense classified by nature

The Company's administrative expense classified by nature are as follows:

	2019	2018
Salaries and wages	3,348,495.04	3,794,137.63
Business trip expenses	627,891.29	811,655.76
Rental	489,435.25	542,032.14
External service charge	260,716.54	487,356.34
Others	<u>237,886.74</u>	<u>330,353.56</u>
	<u>4,964,424.86</u>	<u>5,965,535.43</u>

17. Income tax

	2019	2018
Current income tax	<u>20,339.62</u>	<u>34,548.46</u>

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended 31 December 2019

Expressed in Renminbi Yuan

V. Notes to key items of financial statements (continued)

17. Income tax (continued)

The relationship between the income tax expense and the total income is listed as follows:

	2019	2018
Total income	195,481.82	402,240.20
Income tax expense at the statutory tax rate	19,548.18	40,224.02
Expenses not deductible for tax	377.80	413.64
Tax filing difference	413.64	-
Using the deductible loss of the previous years	-	(6,089.20)
Tax charge at the Company's effective tax rate	<u>20,339.62</u>	<u>34,548.46</u>

18. Cash flows from operating activities

Cash flows from operating activities calculated by adjusting the net income:

	2019	2018
Net income	175,142.20	367,691.74
Add: Depreciation of fixed assets	4,632.09	28,534.20
Amortization of long-term prepayments	215.15	2,581.32
Increase in operating receivables (Decrease)/increase in operating payables	739,860.90	(801,495.84)
	<u>(253,107.23)</u>	<u>79,536.25</u>
Net cash flows from / (used in) operating activities	<u>666,743.11</u>	<u>(323,152.33)</u>

19. Cash and cash equivalents

	2019	2018
Cash	1,258,997.51	632,009.30
Including: Deposits on demand	<u>1,258,997.51</u>	<u>632,009.30</u>
Ending balance of cash and cash equivalents	<u>1,258,997.51</u>	<u>632,009.30</u>

**VI. Financial instruments and related risks****1. Financial instruments by category**

Carrying amounts of each category of financial instruments at the balance sheet date are as follows:

## Financial assets

	2019	2018
Loans and receivables		
Currency funds	1,258,997.51	632,009.30
Accounts receivable	519,008.91	1,188,060.57
Other receivables	<u>49,948.44</u>	<u>93,948.44</u>
	<u>1,827,954.86</u>	<u>1,914,018.31</u>

## Financial liabilities

	2019	2018
Other financial liabilities		
Other current liabilities	<u>155,227.23</u>	<u>263,235.52</u>

**2. Risks of financial instruments**

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk, which is summarized below.

**Credit risk**

The Company trades only with recognised and creditworthy related parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit risk is monitored by customers or counterparties, the Company has significant concentrated credit risk, as 100% of accounts receivables are from SMRC Automotive Holdings Netherlands B.V.

The maximum exposure to credit risk of the Company's financial assets is equal to the carrying amounts.

As at 31 December 2019, accounts receivable were neither past due nor impaired. Since the Company trades only with recognised and creditworthy related parties, there is no requirement for collateral.

**VI. Analysis on financial instruments and related risks (continued)**

**2. Risks of financial instruments (continued)**

**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 table below summarises the maturity profile of the Company's financial liabilities as at the balance sheet date, based on the undiscounted contractual cash flows:

2019	Within 1 year
Other current liabilities	<u>155,227.23</u>
2018	Within 1 year
Other current liabilities	<u>263,235.52</u>

**Market risk**

Foreign exchange risk

Foreign currency risk is the risk that the fair values and future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

At 31 December 2019, if the exchange rate of RMB/USD had weakened/strengthened by 5%, with all other variables held constant, the Company's net profit would have been decreased/increased by RMB19,490.45 (2018: RMB44,535.75) as a result of changes in the fair value of monetary assets and liabilities.

**VII. Fair value**

**Fair value of financial instruments**

The fair value of financial assets is the amount at which cash, account receivables and other receivables. The fair value of financial liability is the amount at which other current liability. As at the balance sheet date, there are no significant differences between their fair values and their corresponding book values of the financial assets and liabilities of the company.

Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended 31 December 2019

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**VIII. Related party relationships and transactions**

**1. Parent**

Name of Investor	Place of Incorporation	Business	Equity interest held	Devoting right	Registered capital
SMRC Automotive Holdings Netherlands B.V.	Netherland	Financial holding	100%	100%	USD150,000.00

The Company's ultimate holding company is Motherson Sumi Systems Limited.

**2. Major transactions between the Company and its related parties**

Sales of services

	2019	2018
SMRC Automotive Holdings Netherlands B.V.	<u>5,131,089.97</u>	<u>6,158,444.36</u>

**3. Amounts due from related parties**

Accounts receivables

	2019	2018
SMRC Automotive Holdings Netherlands B.V.	<u>519,008.91</u>	<u>1,188,060.57</u>

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

**Shanghai SMRC Automotive Interiors Tech Consulting Co., Ltd.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Year Ended 31 December 2019**

**Expressed in Renminbi Yuan**

**IX. Lease**

As the lessee

Significant operating leases: According to the lease contracts signed with the lessors, the minimum leases payments under non-cancellable leases are as follows:

	2019	2018
Less than 1 year, inclusive	213,113.28	518,199.82
1 to 2 years, inclusive	106,556.64	213,113.28
2 to 3 years, inclusive	<u>-</u>	<u>106,556.64</u>
	<u>319,669.92</u>	<u>837,869.74</u>

**X. Events after the balance sheet date**

As at the date of approval of the financial statements, the Company has no post balance sheet date events that require supplemental disclosure.

Since the outbreak of the new coronavirus (COVID-19) broke out nationwide in January 2020, the prevention and control of the COVID-19 is continuing nationwide. The COVID-19 epidemic will have a certain degree of impact on the Company's production and operation, and the degree of impact will depend on the situation, duration of the epidemic prevention and control, and the implementation of various regulatory policies. The Company will continue to closely monitor the development of the COVID-19 epidemic, assess and actively respond to its impact on the company's financial position and operating results.

**XI. Comparative amounts**

As further explained in Note III.13 to the financial statements, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment.

**XII. Approval of the financial statements**

The financial statements have been authorized for issuance by the management on 30 April 2020.