

**TIANJIN SMP AUTOMOTIVE
COMPONENT CO., LTD.**

**FINANCIAL STATEMENTS AND
REPORT OF THE AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

[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[2020]No.

To the Board of Directors of Tianjin SMP Automotive Component Company Limited,

Opinion

We have audited the accompanying financial statements of Tianjin SMP Automotive Component Company Limited (hereafter referred to as “the Company”), which rise the balance sheet as at 31 December 2019, 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, 2019, 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
April 24th, 2020

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 2019

Unit: RMB

Assets	Closing balance	Opening balance
Current Assets		
Cash and cash at bank	3,320,146.59	689,170.90
Notes receivable		
Accounts receivable	32,742,524.46	
Prepayments	8,387,269.84	16,868,539.33
Interest receivable		
Dividends receivable		
Other receivables	215,861.98	178,112.41
Inventories	12,468,584.79	496,000.00
Non-current assets maturing within one year		
Other current assets	9,600,257.50	4,675,266.74
Total Current Assets	66,734,645.16	22,907,089.38
Non-current Assets		
Long-term receivables		
Long-term equity investments		
Fixed assets	66,969,681.65	33,843,531.50
Construction in progress	4,259,876.00	11,967,214.63
Disposal of fixed assets		
Intangible assets	1,221,508.02	
long-term prepaid expenses	1,291,739.90	5,557,202.56
Other non-current assets		343,351.60
Total Non-current Assets	73,742,805.57	51,711,300.29
Total Assets	140,477,450.73	74,618,389.67

The accompanying 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 2019
(CONTINUED)

Unit: RMB

Liabilities and Owner's Equity	Closing balance	Opening balance
Current Liabilities		
Short-term borrowings		
Notes payable		
Accounts payable	58,089,291.96	13,058,591.97
Receipts in advance	99,450.00	
Accrued payroll	865,719.40	373,800.99
Welfare benefits payable		
Taxes payable	28,704.27	17,576.38
Interest payable		
Dividend payable		
Other payables	64,358,199.19	31,168,420.33
Non-current liabilities maturing within one year		
Other current liabilities		
Total Current Liabilities	123,441,364.82	44,618,389.67
Total Liabilities	123,441,364.82	44,618,389.67
Owner's Equity		
Paid-in capital	30,000,000.00	30,000,000.00
Capital surplus		
Surplus reserve		
Undistributed profits	-12,963,914.09	
Total owner's Equity	17,036,085.91	30,000,000.00
Total Liabilities and Owner's Equity	140,477,450.73	74,618,389.67

The accompanying 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 INCOME STATEMENT OF THE COMPANY
FINANCIAL YEAR 2019

Unit: RMB

ITEMS	Closing balance	Opening balance
Revenue from operations	141,195,320.60	
Less: Cost of operations	125,640,824.45	
Taxes and surcharges	88,674.70	
Selling and distribution expenses	1,652,980.89	
Administrative expenses	24,048,292.31	
Including: R&D expenses	6,666,090.56	
Financial expenses	2,728,826.09	
Investment income (“-” for losses)		
Operating profit (“-” for losses)	-12,964,277.84	
Add: Non-operating income	363.75	
Less: Non-operating expense		
Total profit (“-” for losses)	-12,963,914.09	
Less: Income tax		
Net profit (“-” for losses)	-12,963,914.09	
Add: Undistributed profits at beginning of year		
Distributable profits	-12,963,914.09	
Less: Appropriation for Staff and Workers' Bonus and Welfare Fund		
Appropriation for Reserve Fund		
Appropriation for Enterprise Expansion Fund		
Profit distribution to equity owners		
Undistributed profits	-12,963,914.09	
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	-12,963,914.09	
4. Increase/(decrease) in total profit as a result of changes in accounting estimates		
5. Losses from debt restructuring		
6. Other		

The accompanying 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 2019

Unit: RMB

ITEMS	Amount for the current period	Amount for the prior period
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	116,545,259.73	
Cash receipts of tax refunds		
Cash received from other operating activities	119,076.07	5,601.36
Sub-total of cash inflows from operating activities	116,664,335.80	5,601.36
Cash paid for goods purchased and services received	112,078,567.75	20,096,179.07
Cash paid to and on behalf of employees	10,005,945.09	1,267,751.67
Cash paid for taxes and surcharges	96,112.10	18,804.40
Other cash paid for operating activities	12,800,449.24	
Sub-total of cash outflows from operating activities	134,981,074.18	21,382,735.14
Net cash flows from operating activities	-18,316,738.38	-21,377,133.78
II. Cash flows from investing activities:		
Cash receipts from disposal and redemption of investments		
Cash receipts from returns on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash receipts from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investment activities		
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	18,052,285.93	36,933,695.32
Cash paid for investments		
Net cash payments for acquisitions of subsidiaries and other business units		
Other cash payments relating to investing activities		
Sub-total of cash outflows from investing activities	18,052,285.93	36,933,695.32
Net cash flows from investing activities	-18,052,285.93	-36,933,695.32
III. Cash flows from financing activities:		
Cash receipts from investments		30,000,000.00
Cash receipts from borrowings	74,500,000.00	29,000,000.00
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities		
Sub-total of cash inflows from financing activities	74,500,000.00	59,000,000.00
Cash repayments of borrowings	35,500,000.00	
Cash paid for distribution of dividends and profits or payment of interest		
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	35,500,000.00	
Net cash flows from financing activities	39,000,000.00	59,000,000.00
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	2,630,975.69	689,170.90
Add: Opening balance of cash and cash equivalents	689,170.90	
VI. Closing balance of cash and cash equivalents	3,320,146.59	689,170.90

The accompanying 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 2019

Unit: RMB

ITEMS	Amount for the current period	Amount for the prior period
Reconciliation of Net Profit/(Loss) to Cash Flows from Operating Activities		
Net Profit	-12,963,914.09	
Add: Impairment of Assets		
Depreciation of Fixed Assets	4,774,817.92	26,142.78
Amortization of Intangible Assets	135,723.11	
Amortization of Long-term Prepaid Expense	568,365.60	
Disposal of Fixed Assets, Intangible Assets and Others		
Losses on Disposal of Fixed Assets	-363.75	
Finance Expenses	2,727,312.50	
Investment Loss		
Decrease in Inventories	-11,972,584.79	-496,000.00
Decrease/(increase) in Operating Receivables	-33,219,832.46	-21,721,918.48
Increase/(decrease) in Operating Payables	31,633,737.58	814,641.92
Net Cash Flow from Operating Activities	-18,316,738.38	-21,377,133.78
Changes of cash and cash equivalents		
Cash at the end of the period	3,320,146.59	689,170.90
Less: cash at the beginning of the period	689,170.90	
Net increase in cash and cash equivalents	2,630,975.69	689,170.90

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:

**TIANJIN SMP AUTOMOTIVE
COMPONENT CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS**

I. BASIC INFORMATION OF THE COMPANY

Tianjin SMP Automotive Component Company Limited (hereafter referred to as “the Company”) is set up by Changchun Peguform Automotive Plastics Technology Limited Company in March 2018. The registration number is 91120118MA06AD846W. On December 31st, 2019, the registered capital is RMB 30,000,000.

The Company’s approved scope of business operations includes the production and sale of auto parts, internal and external accessories, tooling manufacturing. For the year ended 31 December 2019, the Company is in operation.

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 POLICES

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. 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
Machinery and equipment	9 to 10 years	3%	9.7% to 10.78%
Motor vehicles	10 years	3%	9.7%
Electronic equipment	3 to 5 years	3%	19.4% to 32.33%

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.

10. 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.

11. 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 an 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 reserved. 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.

12. 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.

13. 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.

14. 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 are expensed on a straight-line basis over the period of the leases.

15. 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.

16. 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. 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 16% and 13%.

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.

2. Enterprise income tax

The Company's enterprise income tax is levied based on taxable income. The applicable tax rate is 25%.

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 at bank	3,320,146.59	689,170.90

2. Accounts receivable

Aging	Closing Balance			Opening Balance		
	Amount	Percentage	Provision For Bad Debts	Amount	Percentage	Provision For Bad Debts
In credit period	32,643,922.92	99.70%				
Within 1 year after credit period expires	98,601.54	0.30%				
Total	32,742,524.46	100.00%				

3. Prepayments

Aging	Closing Balance	Opening Balance
Within 1 year	8,387,269.84	16,868,539.33

4. Other Receivables

Aging	Closing Balance			Opening Balance		
	Amount	Percentage	Provision For Bad Debts	Amount	Percentage	Provision For Bad Debts
In credit period	215,861.98	100.00%		178,112.41	100.00%	

5. 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	4,303,498.72		4,303,498.72			
Work in process	1,116,877.50		1,116,877.50			
Finished goods	3,928,375.58		3,928,375.58			
Turnover materials	46,432.99		46,432.99			
Project toolings	3,073,400.00		3,073,400.00	496,000.00		496,000.00
Total	12,468,584.79		12,468,584.79	496,000.00		496,000.00

6. Other current assets

Items	Closing balance	Opening balance
Deductible input VAT	9,600,257.50	4,675,266.74

7. Fixed Assets

i. Original Costs of Fixed Assets

Categories	Opening Balance	Addition	Deduction	Closing Balance
Machinery and Equipment	33,185,747.13	35,796,091.91	45,000.00	68,936,839.04
Motor vehicles	376,000.00	98,000.00		474,000.00
Electronic equipment	307,927.15	2,051,512.41		2,359,439.56
Total	33,869,674.28	37,945,604.32	45,000.00	71,770,278.60

ii. Accumulated Depreciation

Categories	Opening Balance	Addition	Deduction	Closing Balance
Machinery and Equipment	14,105.00	4,524,529.62	363.75	4,538,270.87
Motor vehicles		39,010.17		39,010.17
Electronic equipment	12,037.78	211,278.13		223,315.91
Total	26,142.78	4,774,817.92	363.75	4,800,596.95

iii. Net Book Value

Categories	Opening Balance	Addition	Deduction	Closing Balance
Machinery and Equipment	33,171,642.13	335,796,091.91	4,569,165.87	64,398,568.17
Motor vehicles	376,000.00	98,000.00	39,010.17	434,989.83
Electronic equipment	295,889.37	2,051,512.41	211,278.13	2,136,123.65
Total	33,843,531.50	37,945,604.32	4,819,454.17	66,969,681.65

8. Construction in progress

Items	Opening Balance	Addition	Deduction		Closing Balance
			Transferred to Fixed Assets	Other Deduction	
Construction in progress	11,967,214.63	9,644,841.41	16,226,055.04	1,126,125.00	4,259,876.00

9. long-term prepaid expenses

TIANJIN SMP AUTOMOTIVE COMPONENT CO., LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Items	Opening Balance	Addition	Deduction	Closing Balance
long-term prepaid expenses	5,557,202.56	1,860,105.50	6,125,568.16	1,291,739.90

10. Other non-current assets

Items	Closing Balance	Opening Balance
Other non-current assets		343,351.60

11. Receipts in advance

Items	Closing Balance	Opening Balance
Receipts in advance	99,450.00	

12. Accounts Payable

Items	Closing Balance	Opening Balance
Accounts Payable	58,089,291.96	13,058,591.97

13. Accrued Payroll

Items	Opening Balance	Addition	Deduction	Closing Balance
Payroll	373,800.99	7,691,936.92	7,200,018.51	865,719.40

14. Welfare Benefits Payable

Items	Opening Balance	Addition	Deduction	Closing Balance
Pension		724,256.34	724,256.34	
Housing fund		532,147.00	532,147.00	
Medical care		462,262.82	462,262.82	
Employment injury insurance		39,259.80	39,259.80	
Maternity insurance		21,810.06	21,810.06	
Unemployment insurance		21,811.14	21,811.14	
Welfare benefits		590,943.58	590,943.58	

TIANJIN SMP AUTOMOTIVE COMPONENT CO., LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Items	Opening Balance	Addition	Deduction	Closing Balance
Trade union funds and staff training expense		324,000.84	324,000.84	
Others		108,000.29	108,000.29	
Total		2,824,491.87	2,824,491.87	

15. Tax Payable

Items	Closing Balance	Opening Balance
Individual income tax payable	19,178.47	613.18
Stamps	9,525.80	16,963.20
Total	28,704.27	17,576.38

16. Other Payables

Items	Closing Balance	Opening Balance
Other payables	64,358,199.19	31,168,420.33

17. Paid-in Capital

Names	Opening Balance	Addition	Deduction	Closing Balance	Percentage of shares
Changchun Peguform Automotive Plastics Technology Limited Company	30,000,000.00			30,000,000.00	100.00%

18. Undistributed profits

Items	Year 2019	Year 2018
Undistributed profit at the beginning of the year		
Plus: net profit attributable to owners of the parent company in current period	-12,963,914.09	
Undistributed profit as at the end of the year	-12,963,914.09	

19. Operating income and operating costs

Items	Year 2019		Year 2018	
	Income	Cost	Income	Cost
Primary business	141,195,320.60	125,640,824.45		

20. Taxes and surcharges

Items	Year 2019	Year 2018
Stamp tax	88,674.70	

21. Selling and distribution expenses

Items	Year 2019	Year 2018
Selling and distribution expenses	1,652,980.89	

22. General and administrative expenses

Items	Year 2019	Year 2018
General and administrative expenses	24,048,292.31	
Including: R&D expenses	6,666,090.56	

23. Financial expenses

Items	Year 2019	Year 2018
Interest expense	2,727,312.50	
Less: interest income	7,929.80	
Others	9,443.39	
Total	2,728,826.09	

24. Non-operating income

Items	Year 2019	Year 2018
Total gains on disposal of non-current assets	363.75	

Items	Year 2019	Year 2018
Including: Gains from disposal of fixed assets	363.75	

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

i. Parent Company

Name	Registered location	Business	Shareholding Proportion (%)	Voting Proportion (%)
Changchun Peguform Automotive Plastics Technology Limited Company	Changchun, China	Production and sales of automotive parts	100.00	100.00

ii. Other Related Parties

Name	Relationship
Foshan Peguform Automotive Plastics Technology Co., Ltd.	Controlled by the minority shareholder of parent company
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Controlled by the minority shareholder of parent company
Tianjin Changchun Automotive Parts Co., Ltd.	Joint venture of the minority shareholder of parent company
Tianjin Antolin Automotive Interiors Co., Ltd.	Joint venture of the minority shareholder of parent company
Changchun Automobile Technology (Tianjin) Co. Ltd.	Joint venture of the minority shareholder of parent company
Changyuan Technology (Tianjin) Co., Ltd.	Joint venture of the minority shareholder of parent company
Changrui Technology (Tianjin) Co., Ltd.	Joint venture of the minority shareholder of parent company

2. Related Party Transactions

i. Sales

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Name	Nature of transaction	2019	2018
Foshan Peguform Automotive Plastics Technology Co., Ltd	Sales of goods	211,710.20	
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Sales of goods	21,497,377.42	
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Sales of equipments	45,000.00	

ii. Purchase

Name	Nature of transaction	2019	2018
Foshan Peguform Automotive Plastics Technology Co., Ltd	Purchase toolings	1,970,000.00	
Tianjin Changchun Automotive Parts Co., Ltd	Accept service	70,175.00	74,037.00
Tianjin Antolin Automotive Interiors Co., Ltd.	Accept service	173,433.06	194,521.11
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Purchase materials	8,775,393.66	
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Purchase equipments	6,387,906.28	5,167,463.88
Changchun Automobile Technology (Tianjin) Co. Ltd.	Purchase materials	13,753,342.27	13,862.44
Changchun Automobile Technology (Tianjin) Co. Ltd.	Purchase equipments	3,000,000.00	
Changyuan Technology (Tianjin) Co., Ltd.	Purchase equipments	85,000.00	
Changyuan Technology (Tianjin) Co., Ltd.	Purchase toolings	135,000.00	
Changrui Technology (Tianjin) Co., Ltd.	Purchase toolings	11,400.00	

iii. Lease As Lessee

Leaser	Categories	Rental Fee in 2019	Rental Fee in 2018
Changchun Automobile Technology (Tianjin) Co. Ltd.	Building and constructions	8,335,328.66	
Tianjin Antolin Automotive Interiors Co., Ltd.	Building and constructions	627,822.00	941,733.00

3. Related Party Lending

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Debtee	Capital	Interest Rate of Year	Beginning	Ending	Interest of 2019
Changchun Peguform Automotive Plastics Technology Co., Ltd.	74,500,000.00	3.75%	2019/1/1	2019/12/31	2,727,312.50

4. Accounts Receivable and Accounts Payable With Related Parties

Item	Related Party	Closing Balance	Opening Balance
Prepayments			
	Changyuan Technology (Tianjin) Co., Ltd.	21,696.00	29,580.00
Accounts receivable			
	Foshan Peguform Automotive Plastics Technology Co., Ltd.	81,251.52	
Accounts payable			
	Changchun Automobile Technology (Tianjin) Co. Ltd.	3,888,659.32	13,862.44
	Tianjin Changchun Automotive Parts Co., Ltd.		16,066.42
	Tianjin Antolin Automotive Interiors Co., Ltd.	228,108.66	318,042.00
	Foshan Peguform Automotive Plastics Technology Co., Ltd.	222,610.00	
Other payables			
	Tianjin Changchun Automotive Parts Co., Ltd.		18,130.24
	Changchun Peguform Automotive Plastics Technology Co., Ltd.	57,517,200.34	29,937,333.60

VII. GUARANTEES AND CONTINGENCIES

1. Material Commitment

As of December 31st, 2019, the Company had no material commitment to be disclosed.

2. Material Contingencies

As of December 31st, 2019, the Company had no material contingencies to be disclosed.

VIII. POST BALANCE SHEET EVENTS

As of April 24th, 2020, the Company had no material post balance sheet events to be disclosed.

IX. OTHER SIGNIFICANT EVENT

As of December 31st, 2019, the Company had no other significant events to be disclosed.

**TIANJIN SMP AUTOMOTIVE
COMPONENT CO., LTD.**

April 24th, 2020