

**FOSHAN PEGUFORM AUTOMOTIVE
PLASTICS TECHNOLOGY 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.ZA12054

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

Opinion

We have audited the accompanying financial statements of Foshan Peguform Automotive Plastics Technology Limited Company (hereafter referred to as “the Company”), which rise the balance sheet as at 31 December 2019, the income statement and cashflow 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 24, 2019

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

THE BALANCE SHEET OF THE COMPANY
FOR THE YEAR ENDED 2019

Unit: RMB

Assets	Closing balance	Opening balance
Current Assets		
Cash and cash at bank	5,639,845.79	9,924,828.35
Notes receivable	6,390,000.00	6,210,000.00
Accounts receivable	69,458,856.63	55,447,437.28
Prepayments	7,908,945.81	26,511,100.31
Other receivables	567,869.21	484,385.39
Inventories	42,481,095.84	37,821,205.31
Other current assets		669,886.70
Total Current Assets	132,446,613.28	137,068,843.34
Non-current Assets		
Fixed assets	76,515,750.50	75,612,385.90
Construction in progress	3,514,187.30	5,987,518.85
Intangible assets	7,548,053.93	7,698,575.37
Long-term deferred expenses	26,603,562.75	4,305,765.27
Other non-current assets		78,656.00
Total Non-current Assets	114,181,554.48	93,682,901.39
Total Assets	246,628,167.76	230,751,744.73

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

Person in charge of the enterprise:

Person in charge of accounting function:

Person in charge of accounting department:

THE BALANCE SHEET OF THE COMPANY
FOR THE YEAR ENDED 2019

Unit: RMB

Liabilities and Owner's Equity	Closing balance	Opening balance
Current Liabilities		
Accounts payable	73,063,517.20	49,231,693.03
Receipts in advance	6,749,520.05	2,650.00
Accrued payroll	3,105,959.05	2,428,558.18
Welfare benefits payable		
Taxes payable	3,510,749.41	3,447,880.64
Other payables	92,442,085.78	154,052,252.81
Total Current Liabilities	178,871,831.49	209,163,034.66
Provision	986,830.80	355,040.83
Total Non-current Liabilities	986,830.80	355,040.83
Total Liabilities	179,858,662.29	209,518,075.49
Owner's Equity		
Paid-in capital	60,000,000.00	28,000,000.00
Capital surplus	7,320,609.00	4,578,000.00
Surplus reserve		
Undistributed profits	-551,103.53	-11,344,330.76
Total owner's Equity	66,769,505.47	21,233,669.24
Total Liabilities and Owner's Equity	246,628,167.76	230,751,744.73

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

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Person in charge of accounting function:

Person in charge of accounting department:

THE INCOME STATEMENT OF THE COMPANY
FINANCIAL YEAR 2019

Unit: RMB

ITEMS	Closing balance	Opening balance
Revenue from operations	245,555,857.60	140,319,450.91
Less: Cost of operations	180,719,589.86	103,479,280.37
Taxes and surcharges	1,000,203.74	701,505.50
Selling and distribution expenses	8,268,142.91	5,448,243.23
Administrative expenses	35,064,145.56	23,327,123.59
Financial expenses	10,016,131.51	-5,026.99
Investment income (“-” for losses)		
Operating profit (“-” for losses)	10,487,644.02	7,368,325.21
Add: Non-operating income	1,180,627.48	93,209.00
Less: Non-operating expense	49,978.32	48,354.71
Total profit (“-” for losses)	11,618,293.18	7,413,179.50
Less: Income tax	825,065.95	3,210,595.88
Net profit (“-” for losses)	10,793,227.23	4,202,583.62
Add: Undistributed profits at beginning of year	-11,344,330.76	-15,546,914.38
Distributable profits (“-” for losses)	-551,103.53	-11,344,330.76
Less: Appropriation for Staff and Workers' Bonus and Welfare Fund		
Appropriation for Reserve Fund		
Appropriation for Enterprise Expansion Fund		
Profit distribution to equity owners		
Distributable profits (“-” for losses)		
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 (“-” for losses)	-551,103.53	-11,344,330.76
Supplementary information		
1. Gain on disposal of business units or investments		
2. Losses arising from natural disasters		
3. Increase/(decrease) in total profit as a result of changes in accounting policies		
4. Increase/(decrease) in total profit as a result of changes in accounting estimates		
5. Losses from debt restructuring		
6. Other		

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

Person in charge of the 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	271,868,505.98	117,090,358.58
Cash received from other operating activities	1,819,998.01	138,481.27
Sub-total of cash inflows from operating activities	273,688,503.99	117,228,839.85
Cash paid for goods purchased and services received	153,454,489.92	97,022,474.59
Cash paid to and on behalf of employees	31,891,838.19	20,652,314.64
Cash paid for taxes and surcharges	6,495,225.97	2,904,929.71
Other cash paid for operating activities	22,509,759.53	13,746,541.12
Sub-total of cash outflows from operating activities	214,351,313.61	134,326,260.06
Net cash flows from operating activities	59,337,190.38	-17,097,420.21
II. Cash flows from investing activities:		
Cash received from sale of fixed assets, intangible assets and other long-term assets	276,180.34	
Sub-total of cash inflows from investment activities	276,180.34	
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	24,387,022.52	52,633,430.23
Sub-total of cash outflows from investing activities	24,387,022.52	52,633,430.23
Net cash flows from investing activities	-24,110,842.18	-52,633,430.23
III. Cash flows from financing activities		
Cash receipts from investment	34,742,609.00	
Cash receipts from borrowings		77,164,787.94
Sub-total of cash inflows from financing activities	34,742,609.00	77,164,787.94
Cash paid to repay the debt	64,263,162.86	
Cash paid to repay the dividend, profit, or interest	9,998,200.97	
Sub-total of cash outflows from financing activities	74,261,363.83	
Net cash flows from financing activities	-39,518,754.83	77,164,787.94
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-4,292,406.63	7,433,937.50
Add: Opening balance of cash and cash equivalents	9,500,595.71	2,066,658.21
VI. Closing balance of cash and cash equivalents	5,208,189.08	9,500,595.71

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

Person in charge of the 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	Amount for the prior
Reconciliation of Net Profit/(Loss) to Cash Flows from Operating Activities		
Net Profit	10,793,227.23	4,202,583.62
Add: Impairment of Assets		
Depreciation of Fixed Assets	8,793,308.18	5,386,600.37
Amortization of Intangible Assets	407,672.49	375,579.77
Amortization of Long-term Prepaid Expense	5,483,165.47	1,076,441.32
Disposal of Fixed Assets, Intangible Assets and Others		
Losses on Disposal of Fixed Assets	43,966.87	
Finance Expenses	9,998,200.97	
Investment Loss		
Decrease in Inventories	-5,210,032.38	-23,076,229.38
Decrease/(increase) in Operating Receivables	4,989,713.96	-54,737,035.50
Increase/(decrease) in Operating Payables	24,037,967.59	49,674,639.59
Net Cash Flow from Operating Activities	59,337,190.38	-17,097,420.21
Changes of cash and cash equivalents		
Cash at the end of the period	5,208,189.08	9,500,595.71
Less: cash at the beginning of the period	9,500,595.71	2,066,658.21
Net increase in cash and cash equivalents	-4,292,406.63	7,433,937.50

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

Person in charge of the enterprise:

Person in charge of accounting function:

Person in charge of accounting department:

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

I. BASIC INFORMATION OF THE COMPANY

Foshan Peguform Automotive Plastics Technology Limited Company (hereafter referred to as “the Company”), was invested by Changchun Peguform Automotive Plastics Technology Co., Ltd in October 2012. The registration number of the company is 440600000029315, and the registered address is Workshop A, NO. 17 East Qianjin Road, Guanyao, Shishan Town, Nanhai District, Foshan City. As of December 31,2019, the registered capital is RMB 60,000,000. The Company’s approved scope of business operations includes the production and sale of automotive spare parts and providing related after-sale service, manufacture of equipment for plastic processing. (Projects subject to approval in accordance with the law may be operated only after approval by relevant departments.) At present, the company is under operating.

II. BASIS OF PREPARATION

1. Basis of preparation for financial statements

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’ Republic of China.

2. Going concern

The Company is able to continue to operate as a going concern for the next 12 months since the end of the reporting period, and there are no significant events affecting its ability to continue as a going concern.

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. Operating cycle

The business year is 12 months.

4. Functional currency

The Company adopts CNY as the functional currency.

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. 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.

7. Inventories

i. Categories of inventories

Inventories include raw materials, work in progress, finished goods, turnover materials, goods in transit and moulds, 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.

8. Fixed assets

i. Recognition criteria for fixed assets

Fixed assets are tangible assets that are used in production or held for operation purposes,

which have useful lives of more than one year and have relatively high unit price.

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

ii. Depreciation of each category of fixed assets

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

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

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings and constructions	20 years	3%	4.5% or 4.9%
Machinery and equipment	10 years	3%	9% or 9.7%
Motor vehicles	4 years	3%	24.3%
Electronic equipment	3 to 5 years	3%	18% or 32.3%

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

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

9. 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.

10. Intangible assets

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

i. Use right of land

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

ii. Software

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

11. Long-term deferred expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent accounting periods with the amortization period more than one year. The company's long-term deferred expenses including decoration fees and pending amortization of mold costs.

iii. Amortization method

Long-term deferred expenses are amortized evenly over the beneficial period.

The cost of the mould shall be amortized in proportion to the actual sales volume and the expected sales volume when the relevant products are sold, and the cost of the mould shall be amortized in one time when the relevant products are end of production.

iv. Amortization period

Expenditures for improvement of fixed assets rented by operating lease shall be amortized according to the expected useful life.

The cost of the mould shall be amortized in the life cycle of the relevant product.

12. 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 reversed. The increased carrying amount of the assets should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior year.

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. Revenue recognition

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

Interest income is recognized on a time proportion basis taking into account deposit balances

and effective yield.

Subsidy income is recognized when received.

15. Leases

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

16. 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.

17. 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. Major tax categories and tax rates

Tax types	Basis of tax assessment	Tax rates
Value added tax (VAT)	Output VAT is calculated and paid on taxable revenue from sale of goods and provision of services, and VAT is paid at the net amounts after deducting input VAT for the current period.	13%, 6%
Corporate income tax	Corporate income tax is calculated and paid on taxable profits.	15%

Note: According to No. 39, 2019 Finance and Tax Document, on April 1, 2019, a taxpayer engages in taxable sales of VAT or imports goods, the tax rate of 16% and 13% are adjusted to

13% and 9%, respectively. When taxpayers purchase agricultural products, tax rate is adjusted from 10% to 9%. When taxpayers purchase agricultural products for production or entrusted processing of goods with a tax rate of 13%, the input tax shall be calculated at a deduction rate of 10%.

2. Preferential taxation policies

The Company qualified as a High and New Technology Enterprise (“NHTE”). On 2 December 2019, the Company obtained a High and New Technology Enterprise Qualification Certificate. No. GR201944001703, jointly issued by Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, and Guangdong Provincial Tax Service, State Taxation Administration. The qualification certificate is valid for three years (from 2019 to 2021). Therefore, the Company enjoys the preferential tax rate of 15% for Year 2019.

V. NOTES TO THE MAIN ITEMS OF FINANCIAL STATEMENTS

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

3. Cash and cash at bank

Items	Closing Balance	Opening Balance
Cash in hand	16,919.60	2,346.36
Cash at bank	5,622,926.19	9,922,481.99
Total	5,639,845.79	9,924,828.35

Cash under restriction:

Items	Closing Balance	Opening Balance
Cash deposit for electric charge	431,656.71	424,232.64

4. Notes Receivable

Categories	Closing Balance	Opening Balance
Bank acceptance note	6,390,000.00	6,210,000.00

5. Accounts Receivable and Provision For Bad Debts

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Aging	Closing Balance				Opening Balance			
	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion
Within 1 year	69,458,856.63	100.00%		0.00%	55,447,437.28	100.00%		0.00%

6. Prepayments

	Closing Balance	Opening Balance
Prepayments	7,908,945.81	26,511,100.31

7. Other Receivables

Aging	Closing Balance				Opening Balance			
	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion	Amount	Percentage of Closing Balance	Provision For Bad Debts	Proportion
Within 1 year	567,869.21	100.00%		0.00%	484,385.39	100.00%		0.00%

8. 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	7,040,273.60	20,863.54	7,019,410.06	12,769,709.24	20,863.54	12,748,845.70
Work in progress	7,995,181.51		7,995,181.51	3,971,128.80		3,971,128.80
Finished goods	9,783,139.34		9,783,139.34	8,276,368.02		8,276,368.02

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

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
Turnover materials	958,744.90		958,744.90	824,455.03		824,455.03
Goods in transit						
Moulds	16,724,620.03		16,724,620.03	12,000,407.76		12,000,407.76
Total	42,501,959.38	20,863.54	42,481,095.84	37,842,068.85	20,863.54	37,821,205.31

9. Other Current Assets

Items	Closing Balance	Opening Balance
Deductible Input tax of VAT		669,886.70

10. Fixed Assets

i. Original Costs of Fixed Assets

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and Constructions	34,471,386.54	300,072.05		34,771,458.59
Machinery and Equipment	60,356,651.92	9,231,040.80	88,455.85	69,499,236.87
Motor vehicles	908,121.36		124,337.93	783,783.43
Electronic equipment	1,566,288.12	328,839.41	7,923.07	1,887,204.46
Total	97,302,447.94	9,859,952.26	220,716.85	106,941,683.35

ii. Accumulated Depreciation

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and	6,268,292.95	1,675,503.12		7,943,796.07

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Categories	Opening Balance	Addition	Deduction	Closing Balance
Constructions				
Machinery and Equipment	13,815,097.19	6,795,020.73	37,775.97	20,572,341.95
Motor vehicles	553,837.04	81,302.90	10,050.65	625,089.29
Electronic equipment	1,052,834.86	239,556.06	7,685.38	1,284,705.54
Total	21,690,062.04	8,791,382.81	55,512.00	30,425,932.85

iii. Net Book Value

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and Constructions	28,203,093.59	300,072.05	1,675,503.12	26,827,662.52
Machinery and Equipment	46,541,554.73	9,231,040.80	6,845,700.61	48,926,894.92
Motor vehicles	354,284.32		195,590.18	158,694.14
Electronic equipment	513,453.26	328,839.41	239,793.75	602,498.92
Total	75,612,385.90	9,859,952.26	8,956,587.66	76,515,750.50

iv. Book Value

Categories	Opening Balance	Addition	Deduction	Closing Balance
Buildings and Constructions	28,203,093.59	300,072.05	1,675,503.12	26,827,662.52
Machinery and Equipment	46,541,554.73	9,231,040.80	6,845,700.61	48,926,894.92
Motor vehicles	354,284.32		195,590.18	158,694.14
Electronic equipment	513,453.26	328,839.41	239,793.75	602,498.92
Total	75,612,385.90	9,859,952.26	8,956,587.66	76,515,750.50

11. Construction in progress

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Items	Opening Balance	Addition	Deduction		Closing Balance
			Transferred to Fixed Assets	Other Deduction	
Construction in progress	5,987,518.85	3,391,423.00	5,864,754.55		3,514,187.30

12. Intangible Assets

Items	Opening Balance	Addition	Deduction	Closing Balance
Total of Original Costs	9,343,975.33	257,151.05		9,601,126.38
Use right of land	6,739,475.00			6,739,475.00
Software	2,604,500.33	257,151.05		2,861,651.38
Total of Accumulated Amortization	1,645,399.96	407,672.49		2,053,072.45
Use right of land	808,737.04	134,789.50		943,526.54
Software	836,662.92	272,882.99		1,109,545.91
Total of Net book Value	7,698,575.37	257,151.05	407,672.49	7,548,053.93
Use right of land	5,930,737.96		134,789.50	5,795,948.46
Software	1,767,837.41	257,151.05	272,882.99	1,752,105.47

13. Long-term deferred expenses

Items	Opening Balance	Addition	Amortization	Other Deduction	Closing Balance
Deferred expenses of mould cost	4,305,765.27	27,780,962.95	5,483,165.47		26,603,562.75

14. Other non-current assets

Items	Closing Balance	Opening Balance
Other non-current assets		78,656.00

15. Accounts Payable

Items	Closing Balance	Opening Balance
Accounts Payable	73,063,517.20	49,231,693.03

16. Receipts In Advance

Items	Closing Balance	Opening Balance
Receipts in advance	6,749,520.05	2,650.00

17. Accrued Payroll

Items	Opening Balance	Addition	Deduction	Closing Balance
Payroll	2,428,558.18	32,437,197.39	31,759,796.52	3,105,959.05

18. Welfare Benefits Payable

Items	Opening Balance	Addition	Deduction	Closing Balance
Pension		2,004,383.34	2,004,383.34	
Housing fund		1,889,938.49	1,889,938.49	
Medical care		683,048.22	683,048.22	
Employment injury insurance		40,209.12	40,209.12	
Maternity insurance		173,221.31	173,221.31	
Unemployment insurance		67,732.29	67,732.29	
Staff and workers bonus and welfare fund		196,580.07	196,580.07	
Trade Union Fund and Staff Education Fund		1,071,336.38	1,071,336.38	
Total		6,126,449.22	6,126,449.22	

19. Tax Payable

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Items	Closing Balance	Opening Balance
VAT Payable	1,210,039.31	
City maintenance and construction tax payable	94,902.50	
Enterprise income tax payable	2,098,962.28	3,206,924.18
Individual income tax payable	23,939.59	155,981.26
Education surcharge	67,787.46	
Others	15,118.27	84,975.20
Total	3,510,749.41	3,447,880.64

20. Other Payables

Items	Closing Balance	Opening Balance
Other payables	92,442,085.78	154,052,252.81

21. Provision

Items	Closing Balance	Opening Balance
Warranty of products	986,830.80	355,040.83

22. Paid-in Capital

Names	Opening Balance	Addition	Deduction	Closing Balance	Percentage of shares
Changchun Peguform Automotive Plastics Technology Co., Ltd.	28,000,000.00	32,000,000.00		60,000,000.00	100.00%

23. Capital Surplus

Items	Opening Balance	Addition	Deduction	Closing Balance
Other capital surplus	4,578,000.00	2,742,609.00		7,320,609.00

24. Undistributed Profits

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Items	Amount	Percentage
Opening Balance	-11,344,330.76	
Add: Net profit of 2018	10,793,227.23	
Closing Balance	-551,103.53	

25. Revenue And Cost Of Operations

Items	2019		2018	
	Revenue	Cost of Revenue	Revenue	Cost of Revenue
Main operations	245,555,857.60	180,719,589.86	140,319,450.91	103,479,280.37

26. Taxes and surcharges

Items	2019	2018
City maintenance and construction tax payable	350,740.42	107,672.38
Property Tax	273,475.20	273,597.18
Education Surcharge	250,528.84	76,908.85
Stamp tax	67,101.72	184,969.82
Others	58,357.56	58,357.27
Total	1,000,203.74	701,505.50

27. Selling And Distribution Expenses

Items	2019	2018
Total of Selling And Distribution Expenses	8,268,142.91	5,448,243.23
Including: Vehicle and shipping fee	5,847,455.22	4,148,315.75
After-sales service charge	777,972.80	355,890.83
Lease fee	635,258.55	189,796.43
Salaries and welfare fee	584,550.47	241,927.03
Business entertainment	365,950.00	488,989.67

28. Administrative Expenses

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Items	2019	2018
Total of Administrative Expenses	35,064,145.56	23,327,123.59
Including: Research and development fee	18,654,553.94	12,632,784.57
Salaries and welfare fee	8,792,720.89	5,822,307.27
Office allowance	1,424,811.15	802,735.76
Maintenance fee	858,748.08	306,073.24
Agency fee	647,952.32	125,580.04
Utilities	527,431.64	261,640.02
Depreciation	499,349.59	463,554.28
Amortization of intangible assets	407,672.49	375,579.77

29. Financial Expenses

Items	2019	2018
Interest Expense	9,998,200.97	
Less: Interest income	24,752.84	29,507.10
Exchange Gains		
Others	42,683.38	24,480.11
Total	10,016,131.51	-5,026.99

30. Non-operating Income

Categories	2019	2018
Profits gained from the disposal of non-current assets	5,025.33	
Government grants	1,175,300.51	22,100.00
Others	301.64	71,109.00
Total	1,180,627.48	93,209.00

31. Non-operating Expense

Categories	2019	2018
Loss caused by the disposal of non-current assets	48,992.20	
Penalty overdue fine	986.12	

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Categories	2019	2018
Compensation		44,901.13
Others		3,453.58
Total	49,978.32	48,354.71

32. Income Tax

	2019	2018
Income tax expense	825,065.95	3,210,595.88

33. Assets Under Restriction

Items	Amount	Notes
Other cash deposit	431,656.71	Cash deposit for electric charge

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

i. Parent Company

(Unit: RMB '000)

Name	Registered Address	Business	Registered Capital	Shareholding Proportion (%)	Voting Proportion (%)
Changchun Peguform Automotive Plastics Technology Co., Ltd.	399, Xiangfan Road, Changchun Economic Development Zone	Production and sales of automotive parts	83,000.00	100	100

ii. Other Related Parties

Name	Relationship
Changshu Automotive Trim Co., Ltd	Minority shareholder of parent company
Changyuan Technology (Tianjin) Co., Ltd.	Owned by minority shareholder of parent company
Wuhu Changchun Automotive Interiors Co., Ltd.	Owned by minority shareholder of parent company
Chengdu Antolin Automotive Interiors Co., Ltd	Joint venture of minority shareholders of parent company
Shangrao Changchun Automotive Interiors Co., Ltd.	Owned by minority shareholder of parent company
Tianjin Changchun Automotive Interiors Co., Ltd.	Owned by minority shareholder of parent company

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Name	Relationship
Foshan Changchun Automotive Interiors Co., Ltd.	Owned by minority shareholder of parent company
CHRUI Technology (Tianjin) Co., Ltd	Owned by minority shareholder of parent company
Shenyang Peguform Automotive Plastics Technology Co., Ltd.	Controlled by the same parent company
Tianjin Peguform Automotive Plastics Technology Co., Ltd.	Controlled by the same parent company

2. Related Party Transactions

i. Purchase

Name	Nature of transaction	2019	2018
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Purchase goods	3,748,150.20	1,161,738.25
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Purchase equipments		1,384,066.82
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Interests paid	9,385,757.41	
Changshu Automotive Trim Co., Ltd	Purchase goods		1,995,440.00
Tianjin Peguform Automotive Plastics Technology Co., Ltd.	Purchase goods	211,710.20	
Changyuan Technology (Tianjin) Co., Ltd.	Purchase equipments	945,000.00	116,000.00
Foshan Changchun Automotive Interiors Co., Ltd.	Purchase goods	2,108,899.80	

ii. Sales

Name	Nature of transaction	2019	2018
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Sales of moulds	8,138,000.00	14,185,800.00
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Sales of goods	139,416.68	6,700,000.00
Changchun Peguform Automotive Plastics Technology Co., Ltd.	Sales of equipments	14,914,128.00	
Changshu Automotive Trim Co., Ltd	Sales of equipments	3,100,000.00	1,367,521.37
Wuhu Changchun Automotive Interiors Co., Ltd.	Sales of equipments	6,773,016.35	5,910,000.00

FOSHAN PEGUFORM AUTOMOTIVE PLASTICS TECHNOLOGY CO., LTD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2019

Name	Nature of transaction	2019	2018
Chengdu Antolin Automotive Interiors Co., Ltd	Sales of equipments		3,900,000.00
Tianjin Changchun Automotive Interiors Co., Ltd.		42,629.87	
Tianjin Peguform Automotive Plastics Technology Co., Ltd.	Sales of equipments	1,970,000.00	
Shenyang Peguform Automotive Plastics Technology Co., Ltd.	Sales of equipments	170,000.00	
Shangrao Changchun Automotive Interiors Co., Ltd.	Sales of equipments	88,495.58	

iii. Accounts Receivable and Accounts Payable with related parties

Item	Related Party	Closing Balance	Opening Balance
Accounts receivable			
	Changshu Automotive Trim Co., Ltd	1,600,395.67	773,729.93
	Changchun Peguform Automotive Plastics Technology Co., Ltd.	8,464,329.32	8,971,600.00
	Wuhu Changchun Automotive Interiors Co., Ltd.	5,473,888.79	3,264,037.60
	Chengdu Antolin Automotive Interiors Co., Ltd	452,400.00	2,784,000.00
	Shangrao Changchun Automotive Interiors Co., Ltd.	40,000.00	
	Shenyang Peguform Automotive Plastics Technology Co., Ltd.	19,210.00	
	Tianjin Peguform Automotive Plastics Technology Co., Ltd.	222,610.00	
Advanced payment			
	Changchun Peguform Automotive Plastics Technology Co., Ltd.	7,586,820.00	
Accounts payable			
	Changyuan Technology (Tianjin) Co., Ltd.	520,630.10	13,456.00
	Changshu Automotive Trim Co., Ltd		1,995,440.00
	Foshan Changchun Automotive Interiors Co., Ltd.	734,540.68	
	CHRUI Technology (Tianjin) Co., Ltd	70,342.50	
	Tianjin Peguform Automotive Plastics Technology Co., Ltd.	81,251.52	
Other payables			
	Changchun Peguform Automotive Plastics Technology Co., Ltd.	69,505,025.97	131,858,288.84

VII. GUARANTEES AND CONTIGENTCIES

1. Material Commitment

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

2. Material Contingencies

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

VIII. POST BALANCE SHEET EVENTS

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

IX. OTHER SIGNIFICANT EVENT

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

**FOSHAN PEGUFORM AUTOMOTIVE
PLASTICS TECHNOLOGY CO., LTD
April 24, 2020**