

Report of the Directors and Audited Financial Statements

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

31 March 2020



**CERTIFIED TRUE COPY**

A handwritten signature in black ink, consisting of a series of loops and curves, is written over a horizontal blue line.

**ERNST & YOUNG**

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

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SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

Principal activity

The Company's principal activity has not changed during the year and consisted of investment holding.

Results and dividends

The Company's loss for the year ended 31 March 2020 and its financial position at that date are set out in the financial statements on page 5 to 23.

The directors do not recommend the payment of any dividend in respect of the year.

Directors

The directors of the Company during the year were:

Vivek Chaand Sehgal  
Laksh Vaaman Sehgal

There being no provision in the Company's Articles of Association for the retirement of directors by rotation, both existing directors will continue in office for the ensuing year.

Directors' interests

At no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements, or contracts of significance to the business of the Company to which any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

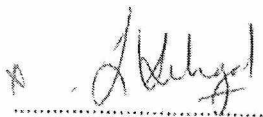
Events after the reporting period

Details of the Company's significant events after the reporting period are set out in note 17 to the financial statements.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Laksh Vaaman Sehgal  
Director

Hong Kong  
5 June 2020



Pricewaterhouse  
Coopers & Lybrand  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環添美道1號  
中環大廈22樓

Tel 電話: +852 2846 9898  
Fax 傳真: +852 2868 4432  
ey.com

## **Independent auditor's report**

### **To the member of SMR Automotive Holding Hong Kong Limited**

(Incorporated in Hong Kong with limited liability)

#### **Opinion**

We have audited the financial statements of SMR Automotive Holding Hong Kong Limited (the "Company") set out on pages 5 to 23, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. 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 HKICPA's *Code of Ethics for Professional 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.

#### **Information other than the financial statements and auditor's report thereon**

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## **Independent auditor's report (continued)**

### **To the member of SMR Automotive Holding Hong Kong Limited**

(Incorporated in Hong Kong with limited liability)

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

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA that are relevant to these financial statements and the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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 directors of the Company are 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 directors of the Company either intend to liquidate the Company or to cease operations or have 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**Independent auditor's report** (continued)

**To the member of SMR Automotive Holding Hong Kong Limited**  
(Incorporated in Hong Kong with limited liability)

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

- Conclude on the appropriateness of the directors' 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.
- 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 board of directors of the Company 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.



Certified Public Accountants  
Hong Kong  
5 June 2020

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Notes	2020 EUR	2019 EUR
REVENUE	4	-	-
Operating expenses	5	( 18,526)	( 16,613)
Finance cost	6	<u>( 1,437)</u>	<u>( 608)</u>
LOSS BEFORE TAX		( 19,963)	( 17,221)
Income tax expense	8	<u>-</u>	<u>-</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>( 19,963)</u></u>	<u><u>( 17,221)</u></u>

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2020

	Notes	2020 EUR	2019 EUR
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	9	<u>5,708,001</u>	<u>5,708,001</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<u>12,703</u>	<u>15,370</u>
<b>CURRENT LIABILITIES</b>			
Accruals		<u>16,774</u>	<u>10,915</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>( 4,071)</u>	<u>4,455</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,703,930</u>	<u>5,712,456</u>
<b>NON-CURRENT LIABILITIES</b>			
Loan from the immediate holding company	10	<u>32,045</u>	<u>20,608</u>
<b>Net assets</b>		<u>5,671,885</u>	<u>5,691,848</u>
<b>EQUITY</b>			
Share capital	11	<u>2,300,400</u>	<u>2,300,400</u>
Retained profits		<u>3,371,485</u>	<u>3,391,448</u>
<b>Total equity</b>		<u>5,671,885</u>	<u>5,691,848</u>



Vivek Chaand Sehgal  
Director



Laksh Vaaman Sehgal  
Director

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Share capital EUR	Retained profits EUR	Total EUR
At 1 April 2018	2,300,400	3,408,669	5,709,069
Loss and total comprehensive loss for the year	<u>-</u>	<u>( 17,221)</u>	<u>( 17,221)</u>
At 31 March 2019 and 1 April 2019	2,300,400	3,391,448	5,691,848
Loss and total comprehensive loss for the year	<u>-</u>	<u>( 19,963)</u>	<u>( 19,963)</u>
At 31 March 2020	<u><u>2,300,400</u></u>	<u><u>3,371,485</u></u>	<u><u>5,671,885</u></u>

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	2020 EUR	2019 EUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	( 19,963)	( 17,221)
Adjustment for finance cost	<u>1,437</u>	<u>608</u>
	( 18,526)	( 16,613)
Increase/(decrease) in accruals	<u>5,859</u>	<u>( 3,576)</u>
Cash used in operations and net cash flows used in operating activities	<u>( 12,667)</u>	<u>( 20,189)</u>
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>		
Loan from the immediate holding company	<u>10,000</u>	<u>20,000</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 2,667)</b>	<b>( 189)</b>
Cash and cash equivalents at beginning of year	<u>15,370</u>	<u>15,559</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>12,703</u></u>	<u><u>15,370</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances	<u><u>12,703</u></u>	<u><u>15,370</u></u>

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2020

1. CORPORATE INFORMATION

SMR Automotive Holding Hong Kong Limited is a limited liability company incorporated in Hong Kong. Its registered office is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the year, the Company was involved in investment holding.

The Company is a wholly-owned subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited, a company incorporated in Jersey. In the opinion of the directors, the Company's ultimate parent company is Motherson Sumi Systems Limited, a company incorporated in India.

2.1 BASIS OF PREPARATION

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance that are relevant to the preparation of company level financial statements by an intermediate parent company.

As the Company is a holding company that is a wholly-owned subsidiary of another body corporate, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance, and is therefore not required to prepare consolidated financial statements.

Given the above, these financial statements are not prepared for the purposes of compliance with HKFRS 10 "Consolidated Financial Statements", so far as the preparation of consolidated financial statements of the Company and its subsidiaries (together, the "Group") is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the Group of which the Company is the parent. Furthermore, as these financial statements are prepared in respect of the Company only, HKFRS 12 "Disclosure of Interests in Other Entities" does not apply to the financial statements.

These financial statements have been prepared under the historical cost convention and are presented in Euro ("EUR").

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 16	<i>Leases</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and
<i>2015-2017 Cycle</i>	HKAS 23

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 March 2020, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.



31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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 statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the 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) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

*General approach* (continued)

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

*Simplified approach*

For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period 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.



31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Revenue recognition

*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

These financial statements are presented in EUR, which is the Company's functional currency. The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. Foreign currency transactions recorded by the Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were measured.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.



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NOTES TO FINANCIAL STATEMENTS

31 March 2020

4. REVENUE

The Company did not generate any revenue during the year.

5. OPERATING EXPENSES

The Company's loss for the year is arrived at after charging/(crediting):

	2020 EUR	2019 EUR
Auditor's remuneration	9,329	9,591
Foreign exchange differences, net	( 58)	( 55)
Legal and professional fees	8,857	6,415
Others	<u>398</u>	<u>662</u>
	<u>18,526</u>	<u>16,613</u>

6. FINANCE COST

	2020 EUR	2019 EUR
Interest on a loan from the immediate holding company	<u>1,437</u>	<u>608</u>

7. DIRECTORS' REMUNERATION

No directors received any fees or emoluments in respect of their services rendered to the Company for the year (2019: Nil).

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NOTES TO FINANCIAL STATEMENTS

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8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2019: Nil).

A reconciliation of the tax charge/(credit) applicable to loss before tax using the Hong Kong statutory tax rate to the tax charge at the effective tax rate is as follows:

	2020 EUR	2019 EUR
Loss before tax	( 19,963)	( 17,221)
Tax at the Hong Kong statutory tax rate of 16.5% (2019: 16.5%)	( 3,294)	( 2,841)
Expense not deductible for tax	3,294	2,841
Tax charge at the Company's effective tax rate	-	-

There was no significant unprovided deferred tax charge in respect of the year and as at the end of the reporting period (2019: Nil).

9. INVESTMENTS IN SUBSIDIARIES

	2020 EUR	2019 EUR
Investments, at cost	5,708,001	5,708,001

Particulars of the subsidiaries as at the end of reporting period are as follows:

Name	Place of incorporation and operations	Percentage of ownership directly attributable to the Company		Principal activity
		2020	2019	
SMR Automotive Yancheng Co. Ltd. ("SMR Yancheng")	The People's Republic of China (the "PRC")	100%	100%	Manufacturing of automotive components
SMR Automotive (Beijing) Co. Ltd.	PRC	100%	100%	Manufacturing of automotive components

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NOTES TO FINANCIAL STATEMENTS

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10. LOAN FROM THE IMMEDIATE HOLDING COMPANY

The loan from the immediate holding company as at 31 March 2020 is unsecured, bears interest at 5.5% per annum, and is repayable on 10 September 2020.

11. SHARE CAPITAL

	2020 EUR	2019 EUR
Issued and fully paid:		
1 ordinary share (1 Hong Kong dollar each)	-	-
2,300,400 ordinary shares (EUR 1 each)	<u>2,300,400</u>	<u>2,300,400</u>

12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Loan from the immediate holding company EUR
At 31 March 2019 and 1 April 2019	20,608
Changes from financing cash flows	10,000
Interest expense	<u>1,437</u>
At 31 March 2020	<u><u>32,045</u></u>

13. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Company did not have any significant related party transactions during the year (2019: Nil).

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14. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise cash and cash equivalents which are categorised as financial assets at amortised cost as at 31 March 2020. The carrying amounts of these financial assets are the amounts shown on the statement of financial position.

The financial liabilities of the Company comprise accruals and a loan from the immediate holding company which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position.

15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Company's financial assets and liabilities approximate to their fair values at the end of the reporting period.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below.

*Credit risk*

The carrying amount of cash and cash equivalents represents the Company's maximum exposure to credit risk in relation to financial assets. The Company's bank balances are deposited with creditworthy banks with no recent history of default.

*Liquidity risk*

In the management of liquidity risk, the Company monitors and maintains level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

Except for a loan from the immediate holding company, which is repayable on 10 September 2020, the Company's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, either are repayable on demand or are repayable within three months subsequent to the end of each reporting period.

*Capital management*

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to its shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

SMR AUTOMOTIVE HOLDING HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2020

17. EVENTS AFTER THE REPORTING PERIOD

There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the company financial.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 June 2020.