

Sundram Fasteners (Zhejiang) Limited
CHINA

ANNUAL REPORT

**for the year ended
December 31, 2017**

[English Translation for Reference Only]

Report of the Auditors

ZHONGLIANXING 2Shen Zi (2018) No.48

To the Board of Directors of
Sundram Fasteners (Zhejiang) Limited:

We have audited the accompanying financial statements of Sundram Fasteners (Zhejiang) Limited ("the Company"), which comprise the balance sheet as of December 31, 2017, the income statement, the cash flow statement, owner's equity increase-decrease change sheet and the related notes of the year 2017.

1. Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises and the "Accounting Systems for Business Enterprises". This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies.

2. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards for Certified Public Accountants. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes assessing the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Opinion

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and "Accounting Systems for Business Enterprises".

Zhejiang ZhonglianXing CPAs Co., Ltd.

February 28, 2018

BALANCE SHEET**AS AT DECEMBER 31, 2017**

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

	Notes	December 31,2016	December 31,2017
ASSETS			
Current assets			
Cash at bank and in hand	12	17,058,184.00	15,135,041.97
Notes receivable	12	459,297.82	1,274,617.33
Accounts receivable		46,842,475.94	62,262,459.29
Other receivables		21,525.00	8,000.00
Prepayment to suppliers	12	2,185,993.55	14,375,615.1
Inventories		33,751,733.7	43,673,213.23
Prepaid expenses		61,556.61	-
Total current assets		<u>100,380,766.62</u>	<u>136,728,946.92</u>
Fixed assets			
Fixed assets – cost	13	128,638,150.67	132,164,160.25
Less: Accumulated depreciation	13	74,412,301.67	79,175,189.89
Fixed assets – net book value	13	54,225,849.00	52,988,970.36
Construction in progress	14	11,542,678.05	55,318,847.49
Intangible assets	14	12,323,039.29	11,975,028.96
Long-term prepaid expenses	14	772,139.22	621,478.46
TOTAL ASSETS		<u>179,244,472.18</u>	<u>257,633,272.19</u>
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term loans	15	-	-
Notes payable		-	-
Accounts payable	15	32,270,649.19	54,948,846.40
Advances from customers		246,309.32	89,533.81
Accrued payroll	15	2,359,264.14	3,201,905.07
Taxes and dues payable	16	1,805,055.17	3,242,302.99
Other payables		1,212,601.68	2,426,354.20
Other Current liabilities		-	-
Total current liabilities		<u>37,893,879.50</u>	<u>63,908,942.47</u>
Long-term loans	17	-	13,188,882.28
Total liabilities		<u>37,893,879.50</u>	<u>77,097,824.75</u>
Owners' equity			
Paid-in capital (USD20,790,000.00)	17	126,713,813.77	153,320,864.63
Capital reserve	17	-	33,898.44
Surplus reserve	17	1,460,280.00	2,192,344.57
Undistributed profit	18	13,176,498.91	24,988,339.80
Total owners' equity		<u>141,350,592.68</u>	<u>180,535,447.44</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>179,244,472.18</u>	<u>257,633,272.19</u>

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

Legal representative:

Person in charge of accounting
function:Person in charge of
accounting department:

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

ITEM	Notes	2016	2017
1. Total Revenues from operations		132,528,982.72	194,959,001.89
Including: Revenues from main operations	18	130,848,195.40	192,616,832.72
Revenues from other operations	18-19	1,680,787.32	2,342,169.17
2. Total Cost of operations		123,873,131.43	176,606,703.28
Including: Cost of main operations	18	108,473,743.89	150,885,542.47
Cost of other operations	18-19	1,959,315.35	3,980,655.79
Tax and levies on operations		625,467.76	553,537.95
Selling and distribution expenses	19	4,747,762.83	6,495,521.92
General and administrative expenses	19	8,276,519.58	14,477,896.35
Including: entertainment expenses		157,292.6	324,574.69
research and development expenses		-	2,814,763.23
Finance expenses – net	20	(209,677.98)	213,548.80
Add: Investment income		-	-
3. Operating Profit		8,655,851.29	18,352,298.61
Add: Non-operating income	20	1,562,495.28	369,018.72
Including: Subsidy income		1,545,783.94	342,333.16
gains on disposal of non-current assets		-	-
gains from debt restructuring		-	-
Less: Non-operating expenses	20	84,721.07	58,737.88
Including: losses on disposal of non-current assets		-	-
losses from debt restructuring		-	-
4. Total Profit		<u>10,133,625.50</u>	<u>18,662,579.45</u>
Less: Income taxes		2,812,979.84	4,790,827.54
5. Net Profit		<u>7,320,645.66</u>	<u>13,871,751.91</u>

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

Legal representative:

Person in charge of accounting
function:

Person in charge of
accounting department:

CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

	2016	2017
1. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	140,556,411.69	207,566,095.47
Refund of tax and levy	161,582.35	-
Cash received relating to other operating activities	1,822,156.07	1,569,782.61
Sub-total of cash inflows	142,540,150.11	209,135,878.08
Cash paid for goods and services	96,752,725.04	156,330,949.44
Cash paid to and on behalf of employees	1,871,7036.92	26,221,625.53
Payments of taxes and levies	8,637,950.86	8,138,690.80
Cash paid relating to other operating activities	6,779,970.38	8,230,029.62
Sub-total of cash outflows	130,887,683.2	199,011,295.39
Net cash flows from operating activities	11,652,466.91	10,124,582.69
2. Cash flows from investing activities		
Net cash received from disposal of fixed assets intangible	1,122.33	22,030.86
Cash paid to acquire fixed assets and other long-term assets	24,523,637.06	50,245,644.43
Net cash flows from investing activities	-24,522,514.73	-50,223,613.57
3. Cash flows from financing activities		
Cash received from capital contributions	26,235,868.5	26,640,949.30
Cash received from borrowings	9,000,000.00	13,084,250.00
Sub-total of cash inflows	35,235,868.5	39,725,199.30
Cash payments of amounts borrowed	9,000,000.00	-
Allocate profits and Cash payments for interest expenses	713,380.04	1,327,846.45
Other cash receipts relating to financing activities		
Sub-total of cash outflows	9,713,380.04	1,327,846.45
Net cash flows from financing activities	25,522,488.46	38,397,352.85
4. Effect of foreign exchange rate changes on cash and cash equivalents	303,055.72	-221,464.00
5. Net increase in cash and cash equivalents	12,955,496.36	-1,923,142.03
Add: beginning balance of cash and cash equivalents	4,102,687.64	17,058,184.00
6. Ending balance of cash and cash equivalents	17,058,184.00	15,135,041.97

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

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

OWNER'S EQUITY INCREASE-DECREASE CHANGE SHEET FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017 (All amounts in Rmb Yuan unless otherwise stated) (English Translation for Reference Only)

ITEM	ROW	2016	2017	ITEM	ROW	2016	2017
I . PAID-IN CAPITAL (CAPITAL STOCK)	1			III. STATUTORY AND OTHER SURPLUS RESERVE	31		
Beginning Balance	2	100,477,945.27	126,713,813.77	Beginning balance	32	1,213,512.14	1,460,280.00
Current period increase	3	26,235,868.50	26,607,050.86	Current period increase	33	246,767.86	732,064.57
Including: Transferred in from capital surplus reserve	4			Including: Transferred in from net profit	34	246,767.86	732,064.57
Transferred in from surplus reserve	5			Including: Statutory surplus reserve	35	-	-
Transferred in from profit distribution	6			Other surplus reserve	36	-	-
Capital increase (capital stock)	7	26,235,868.50	26,607,050.86	Reserve fund	37	246,767.86	732,064.57
	8			Enterprise development fund	38	-	-
	9			Transferred in from statutory welfare reserve	39	-	-
Current period decrease	10			Current period decrease	40	-	-
	11			Including: Recovery of loss	41	-	-
	12			Transferred to capital (capital stock)	42		
	13			Allocating cash dividends or profit	43		
	14			Allocating stock dividends	44		
Ending Balance	15	126,713,813.77	153,320,864.63	Ending Balance	45	1,460,280.00	2,192,344.57
II . CAPITAL SURPLUS	16			Including: statutory surplus reserve	46	-	-
Beginning balance	17	-	-	Reserve fund	47	1,460,280.00	2,192,344.57
Current period increase	18	-	33,898.44	Enterprise development fund	48	-	-
Including: Premium on capital (capital stock)	19	-	33,898.44	IV. STATUTORY WELFARE RESERVE	49		
Receive non-cash denote reserve	20			Beginning balance	50		
Receive cash denote reserve	21			Current period increase	51		
Equity investment reserve	22			Including: Transferred in from net profit	52		
Transferred in by appropriation	23			Current period decrease	53		
Foreign currency capital translation	24	-	-	Including: Expenditure for collective welfare	54		
Other capital surplus	25			Ending balance	55		
	26			V . UNDISTRIBUTED PROFIT	56		
Current period decrease	27			Undistributed profit at the beginning of year	57	6,722,621.11	13,176,498.91
Including: transferred to capital (capital stock)	28	-	-	Net profit of current year (net loss presented with "-")	58	7,320,645.66	13,871,751.91
Ending balance	29			Profit appropriation in current year (including surplus reserve used for recovery of loss)	59	866,767.86	2,059,911.02
	30	-	33,898.44	Undistributed profit at the end of year (unrecovered loss presented with "-")	60	13,176,498.91	24,988,339.80

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017**

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

1 COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES

Sundram Fasteners (Zhejiang) Limited ("the Company") is a wholly foreign owned enterprise incorporated in Zhejiang province of the People's Republic of China ("the PRC") on March 19, 2003 by Sundram Fasteners Limited. The Company has an approved operating period of 50 years. The registered capital is USD 5,000,000.

It was planned to increase USD 8 million on June 12, 2007, according to the Board of Directors' approval and the modified company regulation. The newly-added registered capital would be contributed by Indian Sundram Fasteners Limited in USD and the registered capital will amount to 13 million after the increase. The paid-in capital is USD 13,000,000, including USD 9,076,000 money transfer and USD 3,924,000 from debt for equity swap. The Haiyan Zhonglianxing CPA Limited has verified USD 13,000,000, Paid-in Capital and issued the Capital Verification Report on April 8, 2009.

According to the share purchase agreement on March 15, 2016, Sundram International Limited bought 100% shares of Sundram Fasteners (Zhejiang) Limited originally held by Sundram Fasteners Limited in India paid by equity, which has been approved by the document YanShangWuWaizi [2016] No.16 issued by Haiyan commercial bureau on March 31, 2016.

Based on the shareholders' decision on April 30, 2016 and the revised company articles of Association, the company's registered capital has been increased by 7.68 million US dollars to 20.68 million US dollars. As of August 29, 2016, The paid-in capital is USD 16,924,239, and has been verified by Zhejiang Zhonglianxing CPA Limited with a Capital Verification Report No.(2016)21 issued on November 15, 2016.

Based on the shareholders' decision on March 22, 2017 and the revised company articles of Association, the company's registered capital has been increased by USD 110,000, to 20.79 million US dollars. As of April 14, 2017, The paid-in capital is USD 20,790,000, and has been verified by Zhejiang Zhonglianxing CPA Limited with a Capital Verification Report No.(2017)503 issued on April 25, 2017.

Based on the shareholders' decision on August 16, 2017 and the revised company articles of Association, the company's registered capital has been increased by USD 5,000,000, to 25.79 million US dollars.

The Company's approved scope of business operations includes design, research and development, production and sales of high-tensile automobile fasteners and spare parts. The Company commenced its commercial operations in May 2004. In the period from January 1, 2017 to December 31, 2017, the principal activities of the Company were production and sale of high-tensile automobile fasteners and other automobile spare parts.

2 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 Ministry of Finance of the People's Republic of China.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017**

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

3 PRINCIPAL ACCOUNTING POLICIES

(a) Accounting period

The Company's accounting year starts on January 1 and ends on December 31.

(b) Recording currency

The recording currency of the Company is the Renminbi (Rmb).

(c) Basis of accounting and measurement bases

The Company follows the accrual basis of accounting. Assets are initially recorded at actual costs and subsequently adjusted for impairment, if any.

(d) Foreign currency translation

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 take place. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Rmb at the stipulated exchange rates at the balance sheet date. Exchange differences arising from these translations are expensed.

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash refers to all cash in hand and call deposits. Cash equivalents refer to short-term and high-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, restricted bank balances, including time deposits with maturity in excess of three months, and foreign currency deposits that have been placed as collateral with banks, are not included as cash and cash equivalents.

(f) Receivables and provision for bad debts

Accounts receivable

Accounts receivable comprises related-party receivables and receivables from non-related parties ("third-party receivables"). Accounts receivable are presented at actual amounts net of provision for bad debts.

The Company makes provision for bad debts based on an assessment of the recoverability of accounts receivable. Specific provisions are applied to related-party receivables and third-party receivables where events or changes in circumstances indicate that the balances may not be collectible.

Other receivables

The Company analyses the recoverability of other receivables and applies specific provision as necessary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

3 PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories include raw materials, work in progress, finished goods, semi-finished goods, Goods on instalment, low cost consumables and packaging materials, and are presented at the lower of cost and net realizable value. The cost for raw materials sent out is calculated by weighted average method. The cost of the semi-finished goods and finished goods is calculated by standard costing first, and the differences between the standard cost and actual cost are located to transferred inventories and untransferred inventories at the end of the year. The cost of raw materials includes the purchase cost and taxes such as tariff.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs necessary to conclude the sale.

(h) Fixed assets and depreciation

Fixed assets include buildings, machinery and equipment used in production or rendering of services, held for rental to others, or held for management purposes, which have useful lives of more than one year.

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

Fixed assets are depreciated using the straight-line method to write off the cost of the assets to their estimated residual values over their estimated 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 – Cost	25 years	10%	3.6%
Machinery and equipment	10 years	10%	9%
Office and electronic equipment	5 years	10%	18%
Motor vehicles	5 years	10%	18%

When fixed assets are sold, transferred, disposed of or destroyed, gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets, reduced by related taxes and expenses, and are included in non-operating income / 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 the straight-line method over the remaining useful lives of the fixed assets. Capitalized expenditures arising from the renovation of fixed assets are depreciated over the expected beneficial period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

3 PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Intangible assets

Intangible assets include Land use rights and Softwares, Land use rights which are amortized on the straight-line basis over approved periods, approved useful lives is 50 years. Softwares are amortized evenly for 10 years.

(j) Long-term prepaid expenses

Long-term prepaid expenses include costs for garden plants, Renovation costs and measuring tools with low value but long-term usage etc, which are amortized on the straight-line basis over three or five years and are presented at cost net of accumulated amortization.

(k) Impairment of assets

In addition to the recognition of provisions for impairment loss on short-term investments, receivables and inventories, which have been described in their respective accounting policies, individual assets for which there are indications that the carrying values are higher than their recoverable amounts, arising from the occurrence of events or 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 an 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 future 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 for an impairment provision record in a prior period no longer exists or has decreased, the provision for impairment loss is reversed to the extent of the impairment loss previously recognized.

(l) Borrowings

Borrowings are initially recognized at the amount of the proceeds received. Ancillary costs incurred in connection with the borrowing arrangement are expensed as incurred.

(m) Profit distribution

Profits that are made in the current year are distributed according to the Company Constitution and the decision from the director board.

Before reaching the intended availability status, Borrowing costs incurred for the acquisition or production of assets eligible for capitalization. The cost of taking into account the asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017**

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

3 PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, which normally takes place upon delivery of goods.

Interest income is recognized on a time proportion basis taking into account deposit balances and the effective yield; subsidy income is recognized when received.

Rental income is recognized when the rental fee is received according to the lease contract.

(o) Operating leases

Payments made under operating leases are expensed on a straight-line basis over the period of the lease.

(p) Accounting for income taxes

The Company accounts for enterprise income taxes using the tax payable method. Tax expense is recognized based on current period taxable income and tax rates.

4 TAXATION

(a) Enterprise income taxes

The Company the applicable enterprise income tax rate is 25%.

Tax adjustment items, in accordance with tax regulations, are applied to revenue less cost and expenses, as well as gains and losses to arrive at taxable income.

(b) 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 17%. The Company has been approved to use the "exempt, credit, refund" method on goods exported with a tax refund rate 5% on fasteners and 15% on bearing housing and 17% on car assembly USES a brake bracket.

Input VAT on purchases of raw materials, fuel, transportation service, equipment, property and intangible assets and accepting modern service industry can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

5 CASH AT BANK AND IN HAND

	December 31, 2016		December 31, 2017	
	Original currency	Recording currency	Original currency	Recording currency
Cash in hand		28,477.04		41,388.80
Including: USD		-		-
Cash at bank		17,029,706.96		15,093,653.17
Including: USD	131,040.55	909,016.09	176,320.44	1,152,113.02
GBP	6.07	51.65	0.56	4.92
		17,058,184.00		15,135,041.97

6 NOTES RECEIVABLE

Item	December 31, 2016	December 31, 2017
bank acceptance	459,297.82	1,274,617.33
	459,297.82	1,274,617.33

7 ACCOUNTS RECEIVABLE AND PROVISION FOR BAD DEBTS

(1) The ageing analysis of receivable is as follows.

	December 31, 2016	December 31, 2017
Accounts receivable		
Less than 3 months	36,955,299.7	53,712,812.62
3 to 6 months	5,441,461.15	5,933,329.39
More than 6 months	5,487,505.61	5,151,936.39
Less: Specific provisions	1,041,790.52	2,535,619.11
	46,842,475.94	62,262,459.29

(2) The top 5 clients

Company name	balance at the end of the year
Wuxi Cummins Turbo Technologies Co., Ltd	13,439,529.01
Chassis Brakes International (Wuhan) Co., Ltd	7,259,324.59
Caterpillar Undercarriage (Xuzhou) Ltd.	6,546,466.26
Beijing Foton Cummins Engine Co., LTD	3,843,109.09
Caterpillar (Xuzhou) Co. Ltd	2,970,349.27

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017**

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

8 INVENTORIES

	December 31,2016	December 31,2017
Material at outside point	-	-
Self-manufactured goods	-	-
Goods in transit	5,575,071.97	9,236,455.09
Raw materials	9,581,541.04	9,802,869.73
Work in progress	15,736,310.14	21,515,372.21
Finished goods –at factory	2,858,810.55	3,118,516.20
Supplies for repetitive usage	-	-
Finished goods – at outside point	-	-
Less: Provision for loss on realization of inventories	-	-
	33,751,733.7	43,673,213.23

9 FIXED ASSETS

	Buildings	Machinery and equipment	Office and electronic equipment	Motor vehicles	Total
Cost					
Beginning balance	27,477,499.44	97,646,923.95	3,085,166.33	428,560.95	128,638,150.67
Current period additions	-	5,852,372.55	151,965.82	-	6,004,338.37
Current period decreases	-	62,3251.30	1,855,077.49	-	2,478,328.79
Ending balance	27,477,499.44	102,876,045.20	1,382,054.66	428,560.95	132,164,160.25
Accumulated depreciation					
Beginning balance	9,911,366.42	61,894,251.15	2,291,369.87	315,314.23	74,412,301.67
Current period depreciation	989,189.98	5,854,219.77	118,643.54	31,332.41	6,993,385.70
Current period decreases	-	560,926.16	1,669,571.32	-	2,230,497.48
Ending balance	10,900,556.4	67,187,544.76	740,442.09	346,646.64	79,175,189.89
Net book value					
Beginning balance	17,566,133.02	35,752,672.80	793,796.46	113,246.72	54,225,849.00
Ending balance	1,657,6943.04	35,688,500.44	641,612.57	81,914.31	52,988,970.36

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

10、CONSTRUCTION IN PROCESS

	Erection of the equipment	Foundry	Total
Beginning balance	11,165,628.35	377,049.70	11,542,678.05
Current period additions	27,671,602.87	21,407,023.55	49,078,626.42
Amount carried forward to fixed assets	5,302,456.98	-	5,302,456.98
Other decreases	-	-	-
Ending balance	33,534,774.24	21,784,073.25	55,318,847.49

11 INTANGIBLE ASSETS

	Land use rights NO1	Land use rights NO2	Software	Total
Original cost	3,748,680.00	9,079,271.80	908,439.63	13,736,391.43
Beginning balance	2,736,536.40	9,033,723.61	552,779.28	12,323,039.29
Current period additions	-	-	-	-
Current period amortization	74,973.60	182,192.76	90,843.97	348,010.32
Ending balance	2,661,562.80	8,851,530.85	461,935.31	11,975,028.96

12 LONG-TERM PREPAID EXPENSES

	Bearing housing storage	Emission rights	Emergency Pool	Total
Beginning balance	538,347.51	197,791.71	36,000.00	772,139.22
Current period additions	226,251.32	-	-	226,251.32
Current period amortization / write-off	290,412.12	50,499.96	36,000.00	376,912.08
Ending balance	474,186.71	147,291.75	-	621,478.46

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017**

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

13 SHORT-TERM LOANS

	December 31,2016	The current borrowing	The current reimburse ment	December 31,2017	Annual interest rate
secured loans	-	-	-	-	

14 ACCOUNTS PAYABLE

(1) The ageing analysis of receivable is as follows.

Accounts payable age	December 31, 2016	Ratio	December 31, 2017	Ratio
Less than 1 year	32,004,116.19	99.17%	54,703,913.4	99.55%
1 to 2 years	49,825.00	0.16%	-	-
2 to 3 years	-	0.00%	28,225.00	0.05%
More than 3 years	216,708.00	0.67%	216,708.00	0.40%
	32,270,649.19	100%	54,948,846.4	100%

(2) The top 5 suppliers

Company name	balance at the end of the year
CRRRC CHANGZHOU AUTO PARTS CO.,LTD .	8,216,277.88
POSCO SEAH STEEL WIRE (NANTONG) CO.,LTD	6,686,786.12
SUMEC	4,320,281.98
SHANGHAI TUO'AN SHIYE CO.,LTD.	3,830,525.65
KAO-MENG MACHINERY (TAICANG) CO.,LTD	3,687,504.33

15 ACCRUED PAYROLL

	accrued wages	welfare expenses	education and training	Total
Beginning balance	2,359,264.14	-	-	2,359,264.14
Amount happened in current period	20,959,066.41	2,801,004.24	135,634.71	23,895,705.36
Amount paid out in current preiod	20,116,425.48	2,801,004.24	135,634.71	23,053,064.43
Ending balance	3,201,905.07	-	-	3,201,905.07

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017
(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

16 PROFIT PAYABLE

	December 31,2016	The current distribution	The current payment	December 31,2017
Sundram International Limited	-	1,327,846.45	1,327,846.45	-
	-	1,327,846.45	1,327,846.45	-

17 TAXES AND DUES PAYABLE

Item	December 31, 2016	December 31, 2017
Corporate income tax	660,446.48	2,522,269.22
Value-added tax	85,298.89	376,621.88
Pending attestation VAT		-888,432.10
Personal income tax	-	-
Real estate tax	190,128.8	190,128.80
Land use tax	624,000.00	741,474.00
Stamp tax	3,722.90	5,346.60
Urban maintenance and construction tax	7,773.79	22,988.32
Educational Surtax	4,664.28	13,792.99
The local education surcharge	3,109.52	9,195.33
Employment security funds for disabled persons.	-	5,186.90
Housing provident fund	38,062.00	-
Social security fee	187,848.51	243,731.05
	1,805,055.17	3,242,302.99

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

18 Long-term loans

	December 31,2016	The current additions	The current reduced	December 31,2017	Annual interest rate
Principal	-	13,084,250.00	-	13,084,250.00	15% higher than
Including: CNY loan	-	13,084,250.00	-	13,084,250.00	benchmark interest rate
Interest	-	104,632.28	-	104,632.28	

- The long-term loan incurred in current year is provided by HSBC Shanghai branch, secured by 19579m2 land use right and above-ground buildings, and 6 sets of equipment as the Mortgage assets. And Sundram Fasteners Limited provides the guarantee. The term of this loan is 5 years, The maximum credit line is \$6 million, The loan currency is RMB.

19 PAID-IN CAPITAL

	December 31,2016	The current additions	The current reduced	December 31,2017
Sundram International Limited	126,713,813.77	26,607,050.85	-	153,320,864.63
(USD)	16,924,239.00	3,865,761.00	-	20,790,000.00

20 Capital reserve

	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Capital premium	-	33,898.44	-	33,898.44

21 Surplus reserve

	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Reserve fund	1,460,280.00	732,064.57	-	2,192,344.57

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

22 Undistributed profit

	December 31, 2015	December 31, 2016
Undistributed profit at beginning of the period	6,722,621.11	13,176,498.91
Add: increase in current period	7,320,645.66	13,939,251.91
Including: net profit of current period	7,320,645.66	13,939,251.91
Less: decrease in current period	866,767.86	2,059,911.02
Including: provision for reserve fund	246,767.86	732,064.57
Dividend payable to foreign shareholders	620,000.00	1,327,846.45
Undistributed profit at end of the period	13,176,498.91	25,055,839.80

In accordance with the "Law of the PRC on Enterprises Operated Exclusively with Foreign Capital" and the Company's Articles of Association, appropriations from net profit would be made to the Reserve Fund and the Staff and Workers' Bonus and Welfare Fund, after offsetting accumulated losses from prior years. and before profit distributions to the investors. Appropriation of Reserve Fund should not be less than 10% of profit after tax and it can cease to accrue when the accumulated appropriation exceeds 50% of the registered capital. The percentage to be appropriated to the Staff and Workers' Bonus and Welfare Fund is determined by the Board of Directors of the Company.

Upon approval from the Board of Directors, the Reserve Fund can be used to offset accumulated losses or to increase capital; the Staff and Workers' Bonus and Welfare Fund is available to fund payments of special bonuses to staff and for collective welfare benefits.

23 REVENUES AND OPERATION COSTS

	Revenues	operation costs
main operations	192,616,832.72	150,885,542.47
including:		
Fasteners	145,241,285.44	115,302,578.74
Bearing Housing	47,375,547.28	35,582,963.73

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

23 REVENUES AND OPERATION COSTS(continued)

other operations	2,342,169.17	3,980,655.79
including:		
Rental	506,022.84	-
Substandard goods	177,435.40	3,248,310.19
Tailings	1,461,036.73	493,252.15
Disposal on assets	22,030.86	239,093.45
Others	175,643.34	-

24 SELLING AND DISTRIBUTION EXPENSES

	2016	2017
	4,747,762.83	6,495,521.92
Including:		
Freight	664,035.34	949,193.60
Mail	3,627,897.00	5,168,248.00
Mailing fee	7,756.03	3,358.66
Storage fee	439,678.35	337,619.85
Handling charge	8,396.11	25,492.61

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2017
	8,276,519.58	14,477,896.35
Including:		
Pay cost	1,516,653.97	1,917,648.00
Welfare cost	1,590,231.51	2,520,577.94
Amortization of prepaid expenses	132,867.90	192,299.73
Amortization of long-term deferred expenses	50,499.96	50,499.96
Amortization of intangible assets	136,392.16	197,123.08
Tax and dues	847,573.13	892,265.46
Travelling fee	733,674.37	985,654.11
Entertainment fee	157,292.60	324,574.69
Office expenses	372,169.04	631,768.14
Communication fees	270,000.00	438,000.00
Expense for environment protection research and development expenses	384,909.68	550,949.77
Provision for bad debts	-	-
	1,041,790.52	2,814,763.23
		1,493,828.59

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017 (All amounts in Rmb Yuan unless otherwise stated) [English Translation for Reference Only]

26 FINANCE EXPENSES

	2016	2017
Interest expense	93,380.04	-
Finance charges	33,414.31	42,256.73
Less: interest income	-33,416.61	-50,171.93
Less: Exchange gains and losses, net	-303,055.72	221,464.00
	-209,677.98	213,548.80

27 Non-operating income

	2016	2017
	1,562,495.28	369,018.72
Including:		
Government subsidy	1,545,783.94	342,333.16
Compensation income	-	-
Others	16,711.34	26,685.56

28 Non-operating expenses

	2016	2017
	84,721.07	58,737.88
Including:		
Water resource special fund	84,721.07	-
Donation outlay	-	50,000.00
Other	-	8,737.88

29 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Related parties

Name of entity	Registered address	Principal business	Relationship with the Company	Type of enterprise
Sundram Fasteners Limited	Chennai, India	Direct equity investment	Actual controller	Foreign enterprise
SUNDRAM FASTENERS LIMITED AUTOLEC CHENNAI	Chennai, India	Chennai, Bearing housing produce and sales	controlled by the same controller	Foreign enterprise

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

(All amounts in Rmb Yuan unless otherwise stated)

[English Translation for Reference Only]

(1) Related parties(**continued**)

The shareholder of the company changed to Sundram International Limited registered in UK in March 2016. Sundram International Limited is a wholly owned subsidiary of Sundram Fasteners Limited. Sundram Fasteners Limited, incorporated in India, is the actual controller of the company.

(2) Related party transactions

(a) Pricing policies

The Company's pricing policies on products sold to related parties are based on market prices.

(b) Significant related party transactions

(i) Sales of goods

	2016	2017
Sundram Fasteners Limited	2,443,742.24	1,170,294.26
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	-

(ii) Purchase for materials and intangible assets

	2016	2017
Sundram Fasteners Limited	23,160.69	-
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	-

(c) Amounts receivable from and payable to related parties

Accounts receivable

	December 31, 2016	December 31,2017
Sundram Fasteners Limited	801,177.65	271,216.87
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	-

Accounts payable

	December 31, 2016	December 31,2017
Sundram Fasteners Limited	-	-
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	-

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Balance Sheet as at 31 December 2017

		As at		As at	
	Note	31 December 2017		31 December 2016	
		RMB	₹	RMB	₹
ASSETS					
Non-current assets					
Property, plant and equipment	5	47,284,171	464,330,561	48,219,605	472,069,946
Capital work-in-progress	5	55,318,847	543,231,082	11,542,678	113,002,818
Investment property	6	5,704,800	56,021,141	6,006,244	58,801,129
Other Intangible assets	7	461,936	4,536,211	552,780	5,411,717
Other non-current assets	10	13,475,785	132,332,205	12,542,399	122,790,089
		122,245,539	1,200,451,200	78,863,706	772,075,699
Current assets					
Inventories	11	43,673,213	428,870,954	33,751,734	330,429,473
<u>Financial assets:</u>					
- Trade receivables	12	62,262,459	611,417,350	46,842,475	458,587,839
- Cash and cash equivalents	13	15,135,042	148,626,112	17,058,184	166,999,621
- Other	8	1,282,617	12,595,302	480,823	4,707,256
Assets for current tax (net)	9	1,108,248	10,882,994	1,108,248	10,849,747
Other current assets	10	14,703,948	144,392,757	2,247,550	22,003,516
		138,165,527	1,356,785,469	101,489,014	993,577,452
Total assets		260,411,065	2,557,236,669	180,352,720	1,765,653,151
EQUITY AND LIABILITIES					
Equity					
Equity Share capital	14	153,320,865	1,505,610,891	126,713,814	1,240,528,237
Other equity		28,884,126	283,642,145	14,636,779	143,294,087
Total equity		182,204,991	1,789,253,036	141,350,593	1,383,822,324
Liabilities					
Non-current liabilities					
<u>Financial liabilities:</u>					
- Borrowings	15	13,084,250	128,487,335		
- Trade payables	17				
Dues to others		244,933	2,405,242	266,533	2,609,358
		13,329,183	130,892,577	266,533	2,609,358
Current liabilities					
<u>Financial liabilities:</u>					
- Borrowings	15	-	-	-	-
- Trade payables	17				
Dues to others		60,332,173	592,461,936	35,575,982	348,288,864
- Other financial liabilities	18	104,632	1,027,489	-	-
Other current liabilities	19	809,568	7,949,954	1,390,918	13,617,087
Current tax liabilities (net)	16	3,630,517	35,651,678	1,768,694	17,315,518
Total liabilities		64,876,890	637,091,057	38,735,594	379,221,469
Total equity and liabilities		260,411,065	2,557,236,669	180,352,720	1,765,653,151

Notes 1 to 31 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

TRANSLATED FINANCIAL STATEMENTS

Statement of Profit and Loss for the year ended 31 December 2017

	Note	Year ended 31 December 2017		Year ended 31 December 2016	
		RMB	₹	RMB	₹
Revenue from operations	20	194,761,328	1,877,499,198	132,051,002	1,335,035,634
Other income	22	594,834	5,734,199	2,046,205	20,687,131
Total Income		195,356,162	1,883,233,397	134,097,207	1,355,722,764
Expenses					
Cost of materials consumed	23	88,252,923	850,758,167	57,675,828	583,102,623
Changes in inventories of finished goods, stock-in-trade and work in progress	24	(6,000,391)	(57,843,766)	(2,722,998)	(27,529,512)
Employee benefits expense	25	26,214,121	252,704,124	19,935,711	201,550,037
Finance costs	26	42,257	407,355	126,794	1,281,891
Depreciation and amortization expense	27	7,084,230	68,291,974	7,152,993	72,316,766
Other expenses	28	61,160,712	589,589,274	41,795,253	422,550,008
Total expenses		176,753,852	1,703,907,128	123,963,581	1,253,271,812
Profit before tax		18,602,310	179,326,269	10,133,626	102,450,952
Tax expense					
a) Current tax	29	4,790,828	46,183,577	2,812,980	28,439,226
Profit for the year		13,811,482	133,142,692	7,320,646	74,011,726
Other comprehensive income	-				
i) Items that will be reclassified to profit or loss			4,391,249		(2,270,145)
Total comprehensive income for the year		13,811,482	137,533,941	7,320,646	71,741,581

(Comprising Profit and Other Comprehensive Income for the year)

Notes 1 to 31 form an integral part of these financial statements

This is the statement of profit and loss referred to in our report of even date

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Statements of Changes in Equity for the year ended 31 December 2017

A. Equity Share Capital

Particulars	RMB	₹
Balance at the 31 December 2015	100,477,945	1,023,870,262
Changes in equity share capital during the year (Including restatement of opening balance)	26,235,869	216,657,975
Balance at the 31 December 2016	126,713,814	1,240,528,237
Changes in equity share capital during the year (Including restatement of opening balance)	26,607,051	265,082,654
Balance at the 31 December 2017	153,320,865	1,505,610,891

B. Other Equity

Particulars	Reserves and Surplus				Accumulated other comprehensive income		Deemed Equity		Total	
	Retained Earnings		Capital Reserve		Foreign currency translation reserve					
	RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Balances at 31 December 2016	14,636,779	145,438,266	-	-	-	(2,144,179)			14,636,779	143,294,087
Foreign currency translation difference on opening balance		(1,705,093)								(1,705,093)
Profit for the year	13,811,482	133,142,692	-	-	-	-			13,811,482	133,142,692
Other comprehensive income	-	-	-	-	-	4,391,249				4,391,249
Transfer during the year	-	-	-	-	-	-	1,729,813	16,986,767	1,729,813	16,986,767
Capital Premium			33,898	332,883					33,898	332,883
Dividends	(1,327,846)	(12,800,440)	-	-	-	-			(1,327,846)	(12,800,440)
Balances at 31 December 2017	27,120,415	264,075,425	33,898	332,883	-	2,247,070	1,729,813	16,986,767	28,884,126	283,642,145

Particulars	Reserves and Surplus				Accumulated other comprehensive income		Total	
	Retained Earnings		Foreign currency translation reserve					
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Balances at 31 December 2016	7,936,133	80,743,227	-	125,966			7,936,133	80,869,193
Foreign currency translation difference on opening balance		(3,048,487)						(3,048,487)
Profit for the year	7,320,646	74,011,726	-	-			7,320,646	74,011,726
Other comprehensive income	-	-	-	(2,270,145)				(2,270,145)
Dividends	(620,000)	(6,268,200)	-	-			(620,000)	(6,268,200)
Balances at 31 December 2017	14,636,779	145,438,266	-	(2,144,179)			14,636,779	143,294,087

TRANSLATED FINANCIAL STATEMENTS

Cash Flow Statement for the year ended 31 December 2017

Particulars	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB	₹	RMB	₹
Cash flows from operating activities				
Profit before tax	18,602,310	179,326,269	10,133,626	102,450,959
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>				
Depreciation and amortization	7,084,230	68,291,974	7,152,993	72,316,760
Amortisation of leasehold property	257,166	2,479,084	120,522	1,218,475
Foreign exchange (gain)/loss	221,464	2,134,913	(355,260)	(3,591,676)
Finance guarantee expenses	60,269	580,994		
Interest expense (Net)	42,257	407,355	126,794	1,281,891
(Gain) / loss on sale of property and equipment	225,800	2,176,717	442,579	4,474,474
Operating profit before working capital changes	26,493,496	255,397,305	17,621,255	178,150,884
Adjustments for:				
(Decrease)/ increase in Trade payables	24,734,591	238,441,454	11,549,559	116,766,045
(Decrease)/ increase in other current liabilities	1,385,106	13,352,418	1,857,953	18,783,900
(Increase)/ decrease in trade receivables	(15,419,984)	(148,648,644)	(11,555,065)	(116,821,708)
Decrease/(Increase) in inventories	(9,921,479)	(95,643,053)	(3,867,842)	(39,103,879)
(Increase)/ decrease in other current assets	(12,779,199)	(123,191,484)	(2,332,733)	(23,583,926)
Cash from/ (used) in operating activities	14,492,530	139,708,004	13,273,127	134,191,314
Direct taxes paid, net	(4,790,828)	(46,183,577)	(2,812,980)	(28,439,226)
Net cash from/ (used) in operating activities	9,701,703	93,524,427	10,460,147	105,752,088
B. Cash flow from investing activities				
Purchase of assets (including capital work-in-progress and capital advances)	(49,780,508)	(479,884,095)	(23,376,672)	(236,338,156)
Proceeds from sale of fixed assets	22,031	212,377	27,687	279,919
Net cash from/ (used) in investing activities	(49,758,477)	(479,671,718)	(23,348,985)	(236,058,237)
C. Cash flow from financing activities				
Proceeds from Long-term borrowings	13,084,250	128,487,335	-	-
Proceeds from Short-term borrowings	-	-	-	-
Dividend and dividend taxes paid	(1,327,846)	(12,800,440)	(620,000)	(6,268,200)
Foreign exchange gain/(loss)	(221,464)	(2,134,913)	355,260	3,591,676
Proceeds from fresh issue of shares including securities premium	26,640,949	256,818,751	26,235,869	265,244,633
Interest paid to banks and others	(42,257)	(407,355)	(126,794)	(1,281,891)
Net cash generated from financing activities	38,133,632	369,963,379	25,844,334	261,286,218
D. Net cash flows during the year	(1,923,142)	(16,183,921)	12,955,497	130,980,070
E. Foreign Currency Translation Reserve Impact on cash flows		(2,189,588)		(5,786,836)
F. Cash and cash equivalents at the beginning	17,058,184	166,999,621	4,102,688	41,806,387
G. Cash and cash equivalents at the end	15,135,042	148,626,112	17,058,184	166,999,621
Cash and cash equivalents comprise of:				
Cash on hand	41,389	406,438	28,477	278,790
Balances with banks in current accounts	15,093,653	148,219,674	17,029,707	166,720,831
Cash and cash equivalents as per note 20	15,135,042	148,626,112	17,058,184	166,999,621

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017

1 Corporate Information

Sundram Fasteners (Zhejiang) Limited ("SFZL" or "the Company") was incorporated in People's Republic of China.

The registered office of the Company is situated at No 1 Sundram Road, Wuyuan Town, Haiyan County, Jiaxing City, Zhejiang Province, China 314 300.

SFZL is in the business of manufacture and sale of high-tensile automobile fasteners and engine components.

2 Basis of Preparation

The financial statements of the Company have been translated in accordance with Indian Accounting Standards (Ind AS) as prescribed by Ministry of Corporate Affairs under Companies (Indian Accounting Standards) Rules, 2015, provisions of the Companies Act 2013, to the extent notified, pronouncements of the Institute of Chartered Accountants of India.

The financial statements prepared in accordance with the Accounting Standards for Business Enterprises and Accounting System for Business Enterprises promulgated by the Central Government of the People's Republic of China and as audited by their auditors has been the basis of the translation and presentation.

Carrying value of Plant Property and Equipment, Investment Property under the Previous GAAP has been considered as the deemed cost for the purpose of transition to Ind AS.

3 Summary of accounting policies

3.1 Overall considerations

The financial statements have been prepared applying the significant accounting policies and measurement bases summarized below.

3.2 Foreign operations

In the Company's financial statements, all assets, liabilities and transactions in RMB are translated into INR. The functional currency (RMB) of the Company has remained unchanged during the reporting period.

Assets and liabilities have been translated into INR at the closing rate as at the reporting date. Income and expenses have been translated into INR at the average rate over the reporting period. Exchange differences are charged or credited to Other Comprehensive Income (OCI) and recognized in the currency translation reserve under equity.

3.3 Revenue

(i) Sale of products

Income of the Company is derived from sale of products and is net of any sales returns, rebates, discounts and trade discounts. Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership, which normally takes place upon delivery of goods to customers.

(ii) Rental Income

The Company also earns rental income from operating leases of its investment properties. Rental income is recognised in accordance with terms of lease.

(iii) Interest income

Interest income is recognized on a time proportion basis taking into account deposit balances and effective yield. Interest income is included in other income in the statement of profit and loss.

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

3.4 Property, plant and equipment

As there is no change in the functional currency as at the date of transition, the Company has elected to adopt the carrying value of Property, Plant and equipment under the Previous GAAP as the deemed cost for the purpose of transition to Ind AS. Capital work in progress, plant and equipment is stated at cost, net of accumulated depreciation.

(i) Buildings and other equipment

Buildings and other equipment (comprising plant, fittings and furniture, vehicles etc.) are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be of use for company's business purposes. Buildings and other equipment are subsequently measured at cost less accumulated depreciation.

Depreciation is recognized on a straight-line basis, over the useful life of the buildings and other equipments. In respect of these assets, the useful life is detailed below:

Description	Range of Useful lives in years
Buildings	25 years
Plant and equipment	10 years
Office equipment	5 years
Vehicles	5 years

3.5 Intangible assets

Intangible assets include Software which are amortized evenly for 10 years.

3.6 Leases

(a) Operating leases

All leases entered into are operating leases.

(b) Assets taken on lease

Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.7 Investment property

Investment properties are recognised initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation.

The Company has depreciated assets based on Straight line method.

3.8 Financial instruments

Recognition, initial measurement and derecognition

Financial assets (other than trade receivables) and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Trade receivables are recognised at their transaction value as the same do not contain significant financing component.

A payable is classified as 'trade payable' if it is in respect of the amount due on account of goods purchased in the normal course of business. They are recognised at their transaction value as the same do not contain significant financing component.

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

Classification and subsequent measurement of financial assets:

For the purpose of subsequent measurement, financial assets are classified and measured based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset at:

- Amortised cost
- Fair Value Through Other Comprehensive Income (FVTOCI) or
- Fair Value Through Profit or Loss (FVTPL)

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

3.9 Inventories

Inventories are valued at lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Cost is ascertained on weighted average basis.

(a) Raw materials

The cost of raw materials includes the purchase cost and taxes such as tariff.

(b) Work in process and Finished Goods

Work-in-process and finished goods include conversion costs in addition to the landed cost of raw materials.

(c) Stores and spares

Stores, spares and tools cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

3.10 Income taxes

Tax expense is recognized in the statement of profit or loss not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates in accordance with tax laws that have been enacted or substantively enacted by the end of the reporting period. The applicable enterprise income tax rate is 25%.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 3 months from the date of acquisition and that are readily convertible into known amounts of cash and which are subject to only an insignificant risk of changes in value.

3.12 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued and fully paid up.

Retained earnings includes all current and previous period retained profits.

All transactions with owners are recorded separately within equity.

Dividend paid to equity shareholders is deducted directly from equity component.

3.13 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is appropriately classified

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

for the effects of transactions of non-cash nature and any deferrals or accruals of past or future receipts or payments. In the cash flow statement, cash and cash equivalents includes cash in hand, cheques on hand, balances with banks in current accounts and other short- term highly liquid investments with original maturities of 3 months or less, as applicable.

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred under finance costs. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to interest costs.

3.15 Accounting for effect of change in foreign exchange rates

The Assets and Liabilities as at 31st December 2017 has been translated from Renminbi to Indian Rupees by applying the year end interbank exchange rate of RMB 1 = Rs. 9.82 (2016: RMB 1 = 9.79). The incomes and expenses for the year ended 31st December 2017 has been translated from Renminbi to Indian Rupees by applying Average interbank exchange rate RMB 1 = Rs. 9.64 (2016: RMB 1 = 10.11). Exchange differences arising out of the translation have been dealt with in accordance with Ind AS 21

SFZL's Functional Currency is Renminbi. But these financial statements are presented in Indian Rupees in order to facilitate the preparation of consolidated financial statements by Sundram Fasteners Limited, which is the ultimate holding company of SFZL.

4. Significant management judgment in applying accounting policies and estimation of uncertainty

While preparing the financial statements, management has made a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

4.1 Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

4.2 Estimation of uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

4.3 Useful lives of depreciable assets

Management has reviewed its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of assets including I.T assets.

4.4 Inventories

Management has carefully estimated the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes.

4.5 Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle.

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

5	(a) PROPERTY, PLANT AND EQUIPMENT	Tangible Assets									
		Buildings		Plant and Equipment		Office Equipments		Vehicles		Total	
		RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹
	Gross block										
	As at 1 January 2016	12,935,382	131,811,542	46,493,364	473,767,396	557,923	5,885,232	175,910	1,792,528	60,162,579	613,056,697
	Additions			2,284,615	22,366,385	470,107	4,602,346			2,754,722	26,968,731
	Disposal			(893,886)	(8,751,148)	(11,998)	(117,464)			(905,885)	(8,868,612)
	Other Adjustments		(5,174,153)		(18,597,346)		(223,169)		(70,364)	-	(24,065,032)
	- Transfer									-	-
	As at 31 December 2016	12,935,382	126,637,389	47,884,093	468,785,288	1,016,032	9,946,944	175,910	1,722,163	62,011,417	607,091,785
	Additions	-	-	5,852,373	57,470,298	151,966	1,492,304	-	-	6,004,338	58,962,603
	Disposal	-	-	(66,364)	(651,695)	(233,802)	(2,295,931)	-	-	(300,166)	(2,947,626)
	Other Adjustments		388,061		1,436,523		30,481		5,277	-	1,860,343
	- Transfer									-	-
	As at 31 December 2017	12,935,382	127,025,450	53,670,101	527,040,415	934,196	9,173,799	175,910	1,727,441	67,715,589	664,967,105
	Accumulated depreciation / amortisation										
	As at 1 January 2016	687,747	7,008,137	6,627,132	67,530,471	138,238	1,408,641	31,332	319,277	7,484,448	76,266,526
	For the year	687,747	6,953,117	5,939,910	60,052,493	83,997	849,210	31,332	316,771	6,742,986	68,171,591
	Deduction on sale or discards			(435,622)	(4,264,743)	-	-			(435,622)	(4,264,743)
	Other Adjustments									-	-
	- Exchange variation (Op. Bal restated)		(275,099)		(2,650,853)		(55,295)		(12,533)	-	(2,993,779)
	- Restating to Closing rate - C.Y Depreciation		(220,079)		(1,900,771)		(26,879)		(10,026)	-	(2,157,756)
	As at 31 December 2016	1,375,493	13,466,076	12,131,420	118,766,597	222,235	2,175,677	62,665	613,489	13,791,812	135,021,839
	For the year	687,747	6,629,876	5,854,220	56,434,679	118,644	1,143,724	31,332	302,044	6,691,942	64,510,323
	Deduction on sale or discards			(4,039)	(39,662)	(48,295)	(474,260)	-	-	(52,334)	(513,922)
	Other Adjustments									-	-
	- Restating - Opening Balance		41,265		363,943		6,667		1,880	-	413,754
	- Restating to Closing rate - C.Y Depreciation		123,794		1,053,760		21,356		5,640	-	1,204,550
	As at 31 December 2017	2,063,240	20,261,012	17,981,600	176,579,316	292,584	2,873,163	93,997	923,053	20,431,420	200,636,544
	Net block										
	As at 31 December 2016	11,559,889	113,171,312	35,752,673	350,018,691	793,796	7,771,268	113,247	1,108,675	48,219,605	472,069,946
	As at 31 December 2017	10,872,143	106,764,438	35,688,501	350,461,099	641,613	6,300,636	81,914	804,388	47,284,171	464,330,561
	b) Capital Work-in-Progress										
	As at 31 December 2016	-	-	11,542,678	113,002,818	-	-	-	-	11,542,678	113,002,818
	As at 31 December 2017	21,784,073	213,919,599	33,534,774	329,311,483	-	-	-	-	55,318,847	543,231,082

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

6 INVESTMENT PROPERTY

	Land		Building		Total	
	RMB	₹	RMB	₹	RMB	₹
Gross block						
As at 31 December 2015			6,609,131	67,347,045	6,609,131	67,347,045
Additions				-		-
Disposals				-		-
Other adjustments - Exchange differences				(2,643,652)		(2,643,652)
As at 31 December 2016	-	-	6,609,131	64,703,392	6,609,131	64,703,392
Additions				-		-
Disposals				-		-
Other adjustments - Exchange differences				198,274		198,274
As at 31 December 2017	-	-	6,609,131	64,901,666	6,609,131	64,901,666
Accumulated depreciation						
As at 31 December 2015			301,443	3,071,709	301,443	3,071,709
Depreciation for the period			301,443	3,047,594	301,443	3,047,594
- Exchange variation (op bal restated)				(120,577)		(120,577)
- Restating to Closing Rate - CY Depn				(96,462)		(96,462)
As at 31 December 2016	-	-	602,887	5,902,263	602,887	5,902,263
Depreciation for the period			301,443	2,905,915	301,443	2,905,915
Reversal on disposal of assets				-		-
- Exchange variation (op bal restated)				18,087		18,087
- Restating to Closing Rate - CY Depn				54,260		54,260
As at 31 December 2017	-	-	904,330	8,880,525	904,330	8,880,525
Net block						
As at 31 December 2016	-	-	6,006,244	58,801,129	6,006,244	58,801,129
As at 31 December 2017	-	-	5,704,800	56,021,141	5,704,800	56,021,141
Information regarding income and expenditure of Investment property			Year ended		Year ended	
			31 December 2017		31 December 2016	
			RMB	₹	RMB	₹
Rental income from the investment property			506,023	4,878,060	459,795	4,648,532
Profit before depreciation and indirect expenses			506,023	4,878,060	459,795	4,648,532
Less- Depreciation			(301,443)	(2,905,915)	(301,443)	(3,047,594)
Profit before indirect expenses			204,580	1,972,145	158,352	1,600,938

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

7 OTHER INTANGIBLE ASSETS

	Gross block	Intangible assets Software	
		RMB	₹
As at 31 December 2015		764,971	7,795,059
Additions		-	-
Disposal		-	-
Other Adjustments			(305,989)
As at 31 December 2016		764,971	7,489,070
Additions		-	-
Disposal		-	-
Other Adjustments		-	22,949
As at 31 December 2017		764,971	7,512,020
Accumulated depreciation/ amortisation			
As at 31 December 2015		103,628	1,055,965
For the year		108,564	1,097,581
Other Adjustments			
- Exchange variation (Op. Bal restated)			(41,451)
- Restating to Closing rate - CY Depreciation			(34,740)
As at 31 December 2016		212,191	2,077,354
For the year		90,844	875,736
Other Adjustments			
- Exchange variation (Op. Bal restated)		-	6,366
- Restating to Closing rate - CY Depreciation		-	16,352
As at 31 December 2017		303,035	2,975,808
Net block			
As at 31 December 2016		552,780	5,411,717
As at 31 December 2017		461,936	4,536,211

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

8 OTHER FINANCIAL ASSETS (UNSECURED CONSIDERED GOOD UNLESS OTHERWISE STATED)

	As at 31 December 2017				As at 31 December 2016			
	Long-term		Short-term		Long-term		Short-term	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Others	-	-	1,282,617	12,595,302	-	-	480,823	4,707,256
	-	-	1,282,617	12,595,302	-	-	480,823	4,707,256

9 ASSETS FOR CURRENT TAX (NET)

Advance Income-tax (net of provision for taxation)	As at 31 December 2017		As at 31 December 2016	
	1,108,248	10,882,994	1,108,248	10,849,747
	1,108,248	10,882,994	1,108,248	10,849,747

10 OTHER ASSETS

(Unsecured, considered good)

	As at 31 December 2017				As at 31 December 2016			
	Non current		Current		Non current		Current	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Prepaid expenses	1,962,691	19,273,626	328,332	3,224,217	772,139	7,559,244	61,557	602,639
Capital advance	-	-	11,480,910	112,742,531	-	-	-	-
Advances to suppliers	-	-	2,894,706	28,426,009	-	-	2,185,994	21,400,877
Unamortised portion of leasehold land	11,513,094	113,058,580	-	-	11,770,260	115,230,845	-	-
	13,475,785	132,332,205	14,703,948	144,392,757	12,542,399	122,790,089	2,247,550	22,003,516

11 INVENTORIES

Stores, Spares & Chemicals

Loose tools

Raw Materials and components

Work-in-process

Finished Goods

	As at 31 December 2017		As at 31 December 2016	
	RMB	₹	RMB	₹
Stores, Spares & Chemicals	1,426,401	14,007,258	984,065	9,634,000
Loose tools	2,763,589	27,138,442	2,648,691	25,930,689
Raw Materials and components	8,164,981	80,180,118	4,801,126	47,003,020
Work-in-process	9,802,870	96,264,181	9,581,541	93,803,287
Finished Goods	21,515,372	211,280,955	15,736,310	154,058,476
	43,673,213	428,870,954	33,751,734	330,429,473

12 TRADE RECEIVABLES

(Unsecured, considered good unless otherwise stated)

Trade receivables

Doubtful

Less : Provision for bad and doubtful debts

Trade receivables	64,798,078	636,317,130	47,884,266	468,786,969
	64,798,078	636,317,130	47,884,266	468,786,969
Doubtful	(2,535,619)	(24,899,780)	(1,041,791)	(10,199,129)
Less : Provision for bad and doubtful debts	62,262,459	611,417,350	46,842,475	458,587,839

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

	As at 31 December 2017		As at 31 December 2016	
	RMB	₹	RMB	₹
13 CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	41,389	406,438	28,477	278,790
Balances with banks in current accounts	15,093,653	148,219,674	17,029,707	166,720,831
	15,135,042	148,626,112	17,058,184	166,999,621

	As at 31 December 2017		As at 31 December 2016	
	RMB	₹	RMB	₹
14 SHARE CAPITAL				
Issued, subscribed and fully paid up				
Equity shares	153,320,865	1,505,610,891	126,713,814	1,240,528,237
	153,320,865	1,505,610,891	126,713,814	1,240,528,237

a) During the year ended 31 December 2017, the share capital was increased by RMB 2,62,35,868.50

b) Shareholders holding more than 5% of the aggregate shares in the Company

	Nos.	% holding	Nos.	% holding
Sundram International Limited, UK		100%		100%
Sundram Fasteners Limited, Chennai				
Total No. of Shares of the company		100%		100%

d) Bonus Shares/ Buy Back/ Shares for consideration other than cash issued during the period of five years immediately preceding the financial year ended 31 December 2017:

(i) Aggregate number of equity shares allotted as fully paid up pursuant to contracts without payment being received in cash : Nil

(ii) Aggregate number of equity shares allotted as fully paid up by way of Bonus Shares : Nil

(iii) Aggregate number of equity shares bought back : Nil

e) **Capital Management**

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB	₹	RMB	₹
15 DIVIDENDS				
Final dividend declared and paid (for 31 December 2017/2016)				
Dividend	1,327,846	12,800,440	620,000	6,268,200
	1,327,846	12,800,440	620,000	6,268,200

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

15 BORROWINGS	As at 31 December 2017				As at 31 December 2016			
	Long-term		Short-term		Long-term		Short-term	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Secured								
Term loan from banks	13,084,250	128,487,335	-	-	-	-	-	-
	13,084,250	128,487,335	-	-	-	-	-	-
Total	13,084,250	128,487,335	-	-	-	-	-	-

c) Terms of interest, guarantee and repayment of long term loans

- The long-term loan borrowed in the current year is provided by HSBC Shanghai branch, secured by 19579m2 land use right and factory building and sets of equipment as the Mortgage assets.
- There is no default as on the balance sheet date in the repayment of borrowings and interest thereon.

16 LIABILITIES FOR CURRENT TAX (NET)	As at 31 December 2017		As at 31 December 2016	
	RMB	₹	RMB	₹
	3,630,517	35,651,678	1,768,694	17,315,518
Provision for taxation (net of advance income tax)	3,630,517	35,651,678	1,768,694	17,315,518

17 TRADE PAYABLES	As at 31 December 2017				As at 31 December 2016			
	Long-term		Short-term		Long-term		Short-term	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Dues to others	244,933	2,405,242	60,332,173	592,461,936	266,533	2,609,358	35,575,982	348,288,864
	244,933	2,405,242	60,332,173	592,461,936	266,533	2,609,358	35,575,982	348,288,864

18 OTHER FINANCIAL LIABILITIES	As at 31 December 2017		As at 31 December 2016	
	RMB	₹	RMB	₹
	104,632	1,027,489	-	-
Interest accrued but not due	104,632	1,027,489	-	-

19 OTHER CURRENT LIABILITIES	As at 31 December 2017		As at 31 December 2016	
	RMB	₹	RMB	₹
	89,534	879,222	246,309	2,411,368
Customer advances	89,534	879,222	246,309	2,411,368
Statutory dues	720,034	7,070,732	1,144,609	11,205,719
	809,568	7,949,954	1,390,918	13,617,087

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB	₹	RMB	₹
20 REVENUE FROM OPERATIONS				
Sale of goods	192,616,833	1,856,826,267	130,848,195	1,322,875,255
Other operating revenue	2,144,495	20,672,931	1,202,807	12,160,379
Revenue from operations (Net)	194,761,328	1,877,499,198	132,051,002	1,335,035,634
21 OTHER OPERATING REVENUE				
Scrap Sales	1,638,472	15,794,871	743,012	7,511,847
Lease Income	506,023	4,878,060	459,795	4,648,532
	2,144,495	20,672,931	1,202,807	12,160,379
22 OTHER INCOME				
Interest Income	50,172	483,657	33,417	337,842
Miscellaneous Income	544,662	5,250,542	2,012,788	20,349,289
	594,834	5,734,199	2,046,205	20,687,131
23 COST OF RAW MATERIALS AND COMPONENTS CONSUMED				
Opening stock of raw materials and components	4,801,126	47,003,020	3,835,944	39,088,274
Add : Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	(720 169)	-	(306,876)
Add : Purchases during the year	91,616,778	883,185,737	58,641,008	592,860,605
Less : Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	(1,469,697)	-	1,536,360
Less: Closing stock of raw materials and components	8,164,981	80,180,118	4,801,126	47,003,020
	88,252,923	850,758,167	57,675,828	583,102,623
24 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS				
Finished goods				
Opening stock	15,736,310	154,050,476	13,398,601	136,531,746
Less: Closing stock	21,515,372	211,280,955	15,736,310	154,050,476
Add / (Less) : Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	1,512,320	-	(6,107,507)
	(5,779,062)	(55,710,158)	(2,337,709)	(23,634,238)
Work in progress				
Opening stock	9,581,541	93,803,287	9,196,252	93,709,806
Less: Closing stock	9,802,870	96,264,181	9,581,541	93,803,287
Add / (Less) : Exchange rate fluctuation on account of average rate transferred to currency translation reserve	-	327,286	-	(3,895,274)
	(221,329)	(2,133,608)	(385,289)	(3,895,274)
Net decrease in inventories	(6,000,391)	(57,843,766)	(2,722,998)	(27,529,512)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB	₹	RMB	₹
25 EMPLOYEE BENEFITS EXPENSE				
Salaries and wages	19,654,974	189,473,947	15,099,021	152,651,106
Leave travel assistance				
Contribution to provident and other funds	3,143,895	30,307,144	2,508,550	25,361,443
Staff welfare expenses	3,415,252	32,923,033	2,328,139	23,537,488
	26,214,121	252,704,124	19,935,711	201,550,037
26 FINANCE COSTS				
Interest expenses	-	-	93,380	944,072
Other borrowing costs	42,257	407,355	33,414	337,819
	42,257	407,355	126,794	1,281,891
27 DEPRECIATION AND AMORTIZATION EXPENSE				
Depreciation of tangible assets	6,993,386	67,416,238	7,044,429	71,219,185
Amortization of intangible assets	90,844	875,736	108,564	1,097,581
	7,084,230	68,291,974	7,152,993	72,316,766
28 OTHER EXPENSES				
Stores and tools consumed	19,585,883	188,807,908	14,147,927	143,035,545
Power & fuel	6,790,256	65,458,072	5,256,488	53,143,094
Rent	257,166	2,479,084	120,522	1,218,475
Rates & taxes [excluding taxes on Income]	3,013,876	29,053,763	2,894,947	29,267,918
Insurance	141,853	1,367,466	143,372	1,449,489
Repairs and maintenance				
- Building	1,127,731	10,871,331	353,025	3,569,083
- Plant & Equipment	1,030,183	9,930,967	437,164	4,419,727
- Other assets	73,066	704,356	39,355	397,881
Sub-contract expenses	14,543,018	140,194,691	10,036,856	101,472,616
Freight & Cartage Inward	672,347	6,481,425	453,769	4,587,605
Audit fee	37,338	359,942	52,051	526,240
Loss on sale of assets	225,800	2,176,717	442,579	4,474,474
Net Foreign exchange loss(net off gain)	221,464	2,134,913	(355,260)	(3,591,676)
Freight & Cartage Outward	4,521,394	43,586,234	3,182,524	32,175,319
Travel Expenses	985,654	9,501,706	733,674	7,417,448
Postage & Telecom Expenses	438,000	4,222,320	270,000	2,729,700
Printing and stationery	8,464	81,591	58,010	586,477
Consultancy	440,194	4,243,469	298,817	3,021,040
Bad debts	1,493,829	14,400,508	1,105,728	11,178,908
Financial Guarantee Expense	60,269	580,994	-	-
Miscellaneous expenses	5,492,927	52,951,817	2,123,704	21,470,644
	61,160,712	589,589,274	41,795,253	422,550,008

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB	₹	RMB	₹
29 INCOME TAX				
The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of Sundram Fasteners (Zhejiang) Limited at 25% and the reported tax expense in profit or loss are as follows:				
Profit or loss section				
Accounting profit before tax	18,602,310	179,326,269	10,133,626	102,450,952
Accounting profit before income tax				
i) At China's statutory income tax rate of 25% (31 December 2016: 25%)	4,650,578	44,831,567	2,533,407	25,612,738
Other adjustments	140,250	1,352,010	279,573	2,826,488
	4,790,828	46,183,577	2,812,980	28,439,226
Tax expense comprises of:				
Current income tax:				
Current income tax charge (net of Minum alternate tax)	4,790,828	46,183,577	2,812,980	28,439,226
Income tax expense	4,790,828	46,183,577	2,812,980	28,439,226

30 DETAILS OF RESEARCH AND DEVELOPMENT EXPENDITURE

Revenue Expenditure

a) Power consumption	520,402	5,016,673	-	-
b) Tools & fixture	628,567	6,059,389	-	-
c) Raw material	400,907	3,864,748	-	-
d) Manpower-Salary	734,445	7,080,046	-	-
e) Manpower-Social security	182,019	1,754,663	-	-
Total	2,466,340	23,775,519	-	-

30 RELATED PARTY DISCLOSURES

Related Parties :

(I) Where Control exists:

(A) Ultimate Holding Company

Sundram Fasteners Ltd

(B) Holding Company

Sundram International Limited, UK

(II) Other Related Parties with whom transactions have been entered into during the year :

(A) Fellow Subsidiaries

Domestic Subsidiaries

1. Sundram Fasteners Investments Ltd., Chennai,
2. TVS Upasana Ltd., Chennai,
3. Sundram Non-Conventional Energy Systems Ltd., Chennai,
4. Sundram Precision Components Ltd, Chennai.
5. TVS Infotech Ltd., Chennai (from 18.06.2014)
6. TVS Next Private Ltd., Chennai (from 10.04.2016)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

Foreign Subsidiaries

1. Cramlington Precision Forge Ltd., Northumberland, United Kingdom,
2. Sundram International Inc, Michigan, USA,
3. TVS Infotech Inc., Michigan, USA (Subsidiary of TVS Infotech Ltd.) (from 18.06.2014)

(III) Transactions with related parties referred in (I) and (II) above, in ordinary course of business:						
Nature of transaction	Ultimate Holding Company		Holding Company		Fellow Subsidiary Companies	
	RMB	₹	RMB	₹	RMB	₹
Purchases						
Goods and Materials	-	-				-
	(23,161)	(234,155)				-
						-
Sales						
Goods and Materials	1,170,294	11,281,637				-
	(2,443,742)	(24,706,234)				-
Shares			26,607,051	261,281,239		-
			(26,235,869)	(256,849,155)		-
						-
Finance						
						-
Dividend Paid			1,327,846	12,800,440		-
	(620,000)	(6,069,800)	-	-		-
						-
Nature of transaction	Ultimate Holding Company		Holding Company		Fellow Subsidiary Companies	
	RMB	₹	RMB	₹	RMB	₹
						-
Outstanding balances						
Due to the Company	271,217	2,663,350				-
	(801,178)	(7,843,529)				-
(Previous year figures are in brackets)						

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

TRANSLATED FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended 31.12.2017 (Contd.)

31 DISCLOSURE ON FINANCIAL INSTRUMENT

	As at 31 December 2017						As at 31 December 2016					
	FVTPL		FVOCI		Amortised Cost		FVTPL		FVOCI		Amortised Cost	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Financial assets:												
- Trade receivables	-	-	-	-	62,262,459	611,417,350	-	-	-	-	46,842,475	458,587,839
- Cash and cash equivalents	-	-	-	-	15,135,042	148,626,112	-	-	-	-	17,058,184	166,999,621
- Other	-	-	-	-	1,282,617	12,595,302	-	-	-	-	480,823	4,707,256
Total Financial Assets	-	-	-	-	78,680,119	772,638,765	-	-	-	-	64,381,482	630,294,717
Non-Current liabilities												
Financial liabilities:												
- Borrowings					13,084,250	128,487,335						
- Trade payables												
- Other payables												
Dues to others					244,933	2,405,242					266,533	2,609,358
					13,329,183	130,892,577					266,533	2,609,358
Current liabilities												
Financial liabilities:												
- Borrowings					-	-					-	-
- Trade payables												
Dues to others					60,332,173	592,461,936					35,575,982	348,288,864
- Other financial liabilities					104,632	1,027,489					-	-
Total Financial Liabilities	-	-	-	-	60,436,805	593,489,425	-	-	-	-	35,575,982	348,288,864