

Sundram Fasteners (Zhejiang) Limited

CHINA

ANNUAL REPORT

**for the year ended
December 31, 2018**

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

[English Translation for Reference Only]

Report of the Auditors

ZHONGLIANXING 2Shen Zi (2019) No.32

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, 2018, the income statement, the cash flow statement, owner's equity increase-decrease change sheet and the related notes of the year 2018.

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.

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

3. Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, 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.

March 15, 2019

BALANCE SHEET
AS AT DECEMBER 31, 2018

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	Notes	December 31,2017	December 31,2018
ASSETS			
Current assets			
Cash at bank and in hand	12	15,135,041.97	8,323,041.70
Notes receivable	12	1,274,617.33	-
Accounts receivable		62,262,459.29	66,337,110.55
Other receivables		8,000.00	79,635.69
Prepayment to suppliers	12	14,375,615.1	26,717,611.72
Inventories		43,673,213.23	57,999,035.43
Prepaid expenses		-	12,001.96
Total current assets		<u>136,728,946.92</u>	<u>159,468,437.05</u>
Fixed assets			
Fixed assets – cost	13	132,164,160.25	213,520,464.33
Less: Accumulated depreciation	13	79,175,189.89	83,729,188.47
Fixed assets – net book value	13	52,988,970.36	129,791,275.86
Construction in progress	14	55,318,847.49	4,577,806.40
Intangible assets	14	11,975,028.96	11,627,018.63
Long-term prepaid expenses	14	621,478.46	570,698.20
TOTAL ASSETS		<u>257,633,272.19</u>	<u>306,035,236.14</u>
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term loans	15	-	2,000,000.00
Accounts payable	15	54,948,846.40	68,836,652.56
Advances from customers		89,533.81	5,766.70
Accrued payroll	16	3,201,905.07	4,359,066.53
Profit payable	16	-	43,911.42
Interest payable		104,632.28	246,755.17
Taxes and dues payable	17	3,242,302.99	2,579,462.79
Other payables		2,426,354.20	2,607,218.35
Other Current liabilities		-	-
Total current liabilities		<u>63,908,942.47</u>	<u>80,678,833.52</u>
Long-term loans	17	13,084,250.00	28,793,407.50
Total liabilities		<u>77,097,824.75</u>	<u>109,472,241.02</u>
Owners' equity			
Paid-in capital (USD20,790,000.00)	18	153,320,864.63	153,320,864.63
Capital reserve	18	33,898.44	33,898.44
Surplus reserve	18	2,192,344.57	3,579,519.76
Undistributed profit	19	24,988,339.80	39,628,712.29
Total owners' equity		<u>180,535,447.44</u>	<u>196,562,995.12</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>257,633,272.19</u>	<u>306,035,236.14</u>

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

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

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

INCOME STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018
(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

ITEM	Notes	2017	2018
1. Total Revenues from operations		194,959,001.89	250,993,377.58
Including: Revenues from main operations	19	192,616,832.72	246,158,311.01
Revenues from other operations	19	2,342,169.17	4,835,066.57
2. Total Cost of operations		176,606,703.28	228,575,359.22
Including: Cost of main operations	20	150,885,542.47	195,906,021.11
Cost of other operations	20	3,980,655.79	4,450,250.14
Tax and levies on operations		553,537.95	490,952.12
Selling and distribution expenses	20	6,495,521.92	7,714,199.81
General and administrative expenses	21	14,477,896.35	19,138,236.43
Including: entertainment expenses		324,574.69	792,368.30
research and development expenses		2,814,763.23	4,915,935.37
Finance expenses – net	21	213,548.80	875,699.61
Add: Investment income		-	-
3. Operating Profit		18,352,298.61	22,418,018.36
Add: Non-operating income	21	369,018.72	779,297.34
Including: Subsidy income		342,333.16	639,572.74
gains on disposal of non-current assets		-	-
gains from debt restructuring		-	-
Less: Non-operating expenses	21	58,737.88	569,798.92
Including: losses on disposal of non-current assets		-	-
losses from debt restructuring		-	-
4. Total Profit		<u>18,662,579.45</u>	<u>22,627,516.78</u>
Less: Income taxes		4,790,827.54	4,822,050.57
5. Net Profit		<u>13,871,751.91</u>	<u>17,805,466.21</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:
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CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018
(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	2017	2018
1. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	207,566,095.47	284,364,667.60
Refund of tax and levy	-	150,636.13
Cash received relating to other operating activities	1,569,782.61	1,086,842.43
Sub-total of cash inflows	209,135,878.08	<u>285,602,146.16</u>
Cash paid for goods and services	156,330,949.44	215,312,170.68
Cash paid to and on behalf of employees	26,221,625.53	32,174,525.03
Payments of taxes and levies	8,138,690.80	9,101,760.99
Cash paid relating to other operating activities	8,230,029.62	14,195,991.91
Sub-total of cash outflows	199,011,295.39	<u>270,784,448.61</u>
Net cash flows from operating activities	10,124,582.69	<u>14,817,697.55</u>
2. Cash flows from investing activities		
Net cash received from disposal of fixed assets intangible	22,030.86	262,800.00
Other cash related to investment activities received.		2,500,000.00
Cash paid to acquire fixed assets and other long-term assets	50,245,644.43	39,330,755.31
Net cash flows from investing activities	-50,223,613.57	<u>-36,567,955.31</u>
3. Cash flows from financing activities		
Cash received from capital contributions	26,640,949.30	-
Cash received from borrowings	13,084,250.00	18,000,000.00
Sub-total of cash inflows	39,725,199.30	<u>18,000,000.00</u>
Cash payments of amounts borrowed	-	290,842.50
Allocate profits and Cash payments for interest expenses	1,327,846.45	3,238,013.01
Other cash receipts relating to financing activities		
Sub-total of cash outflows	1,327,846.45	<u>3,528,855.51</u>
Net cash flows from financing activities	38,397,352.85	<u>14,471,144.49</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	-221,464.00	467,113.00
5. Net increase in cash and cash equivalents	-1,923,142.03	<u>-6,812,000.27</u>
Add: beginning balance of cash and cash equivalents	17,058,184.00	15,135,041.97
6. Ending balance of cash and cash equivalents	15,135,041.97	8,323,041.70

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

Legal representative: Person in charge of accounting Person in charge of
function: 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, 2018 TO DECEMBER 31, 2018
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

ITEM	ROW	2017	2018	ITEM	ROW	2017	2018
I. PAID-IN CAPITAL (CAPITAL STOCK)				III. STATUTORY AND OTHER SURPLUS RESERVE			
Beginning Balance	1			Beginning balance	31		
Current period increase	2	126,713,813.77	153,320,864.63	Current period increase	32	1,460,280.00	2,192,344.57
Including: Transferred in from capital surplus reserve	3			Including: Transferred in from net profit	33	732,064.57	1,387,175.19
Transferred in from surplus reserve	4	26,607,050.86		Including: Statutory surplus reserve	34	732,064.57	1,387,175.19
Transferred in from profit distribution	5			Other surplus reserve	35		
Capital increase (capital stock)	6			Reserve fund	36		
	7	26,607,050.86		Enterprise development fund	37	732,064.57	1,387,175.19
	8			Transferred in from statutory welfare reserve	38		
	9			Current period decrease	39		
	10			Including: Recovery of loss	40		
Current period decrease	11			Transferred to capital (capital stock)	41		
	12			Allocating cash dividends or profit	42		
	13			Allocating stock dividends	43		
	14			Ending Balance	44		
Ending Balance	15	153,320,864.63	153,320,864.63	Including: statutory surplus reserve	45	2,192,344.57	3,579,519.76
II. CAPITAL SURPLUS	16			Reserve fund	46		
Beginning balance	17		33,898.44	Enterprise development fund	47	2,192,344.57	3,579,519.76
Current period increase	18	33,898.44		IV. STATUTORY WELFARE RESERVE	48		
Including: Premium on capital (capital stock)	19	33,898.44		Beginning balance	49		
Receive non-cash denote reserve	20			Current period increase	50		
Receive cash denote reserve	21			Including: Transferred in from net profit	51		
Equity investment reserve	22			Current period decrease	52		
Transferred in by appropriation	23			Including: Expenditure for collective welfare	53		
Foreign currency capital translation	24			Ending balance	54		
Other capital surplus	25			V. UNDISTRIBUTED PROFIT	55		
	26			Undistributed profit at the beginning of year	56		
	27			Net profit of current year (net loss presented with "-")	57	13,176,498.91	24,988,339.80
Current period decrease	28			Profit appropriation in current year (including surplus reserve used for recovery of losses)	58	13,871,751.91	17,805,466.21
Including: Transferred to capital (capital stock)	29			Undistributed profit at the end of year (unrecovered loss presented with "-")	59	2,059,911.02	3,165,093.72
Ending balance	30	33,898.44	33,898.44		60	24,988,339.80	39,628,712.29

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018**

(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, 2018 to December 31, 2018, 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.

Sundram Fasteners (Zhejiang) Limited

(Incorporated in People's Republic of China)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018

(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, 2018 TO DECEMBER 31, 2018**

(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, 2018 TO DECEMBER 31, 2018**

(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, 2018 TO DECEMBER 31, 2018**

(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.

From May 1, 2018, The export tax rate of domestic products will be adjusted to 16%, Intermediate shell rebate rate is adjusted to 16%, The rebate rate for fasteners will be adjusted to 10% from November 1, 2018.

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, 2018 TO DECEMBER 31, 2018
(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

5 CASH AT BANK AND IN HAND

	December 31, 2017		December 31, 2018	
	Original currency	Recording currency	Original currency	Recording currency
Cash in hand		41,388.80		43,340.87
Including: USD		-		-
Cash at bank		15,093,653.17		8,279,700.83
Including: USD	176,320.44	1,152,113.02	30,857.02	211,765.82
GBP	0.56	4.92	0.56	4.86
				8,323,041.70
		15,135,041.97		43,340.87

6 NOTES RECEIVABLE

Item	December 31, 2017	December 31, 2018
bank acceptance	1,274,617.33	-
	1,274,617.33	-

7 ACCOUNTS RECEIVABLE AND PROVISION FOR BAD DEBTS

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

	December 31, 2017	December 31, 2018
Accounts receivable		
Less than 3 months	53,712,812.62	55,857,253.15
3 to 6 months	5,933,329.39	8,003,922.63
More than 6 months	5,151,936.39	5,011,553.88
Less: Specific provisions	2,535,619.11	2,535,619.11
	62,262,459.29	66,337,110.55

(2) The top 5 clients

Company name	balance at the end of the year
Wuxi Cummins Turbo Technologies Co., Ltd	14,416,665.01
Caterpillar Undercarriage (Xuzhou) Ltd.	7,546,496.25
Chassis Brakes International (Wuhan) Co., Ltd	6,532,972.40
Beijing Foton Cummins Engine Co., LTD	4,570,005.12
Caterpillar (Xuzhou) Co. Ltd	2,729,483.71

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018
(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

8 INVENTORIES

	December 31, 2017	December 31, 2018
	-	-
Material at outside point	-	-
self-manufactured goods	-	-
Goods in transit	9,236,455.09	14,651,109.61
Raw materials	9,802,869.73	15,145,743.82
Work in progress	21,515,372.21	25,285,388.92
Finished goods –at factory	3,118,516.20	2,916,793.08
Supplies for repetitive usage	-	-
Finish goods-at outside point	-	-
Less: Provision for loss on realization of inventories	-	-
	43,673,213.23	57,999,035.43

9 FIXED ASSETS

	Buildings	Machinery and equipment	Office and electronic equipment	Motor vehicles	Total
Cost					
Beginning					
balance	27477499.44	102876045.20	1382054.66	428560.95	132164160.25
Current period					
additions	28790882.14	56196520.07	1609116.52	-	86596518.73
Current period					
decreases	-	5059586.65	180628.00	-	5,240,214.65
Ending balance	56,268,381.58	154012978.62	2810543.18	428560.95	213520464.33
Accumulated					
depreciation					
Beginning					
balance	10900556.40	67187544.76	740442.09	346646.64	79175189.89
Current period					
depreciation	1511924.30	7267385.86	259943.83	31332.41	9070586.40
Current period					
decreases	-	4354021.81	162566.01	-	4516587.82
Ending balance	12412480.70	70100908.81	837819.91	377979.05	83729188.47
Net book value					
Beginning					
balance	16576943.04	35688500.44	641612.57	81914.31	52988970.36
Ending balance	43855900.88	83912069.81	1972723.27	50581.90	129791275.86

Sundram Fasteners (Zhejiang) Limited
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10、 CONSTRUCTION IN PROCESS

	Erection of the equipment	Foundry	Total
Beginning balance	33,534,774.24	21,784,073.25	55,318,847.49
Current period additions	23,227,802.89	7,006,808.89	30,234,611.78
Amount carried forward to fixed assets	52,184,770.73	28,790,882.14	80,975,652.87
Other decreases	-	-	-
Ending balance	4,577,806.40	-	4,577,806.40

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	2,661,562.80	8,851,530.85	461,935.31	11,975,028.96
Current period additions	-	-	-	-
Current period amortization	74,973.60	182,192.76	90,843.97	348,010.33
Ending balance	2,586,589.20	8,669,338.09	371,091.34	11,627,018.63

12 LONG-TERM PREPAID EXPENSES

	Bearing housing storage	Emission rights	Others	Total
Beginning balance	474,186.71	147,291.75	-	621,478.46
Current period additions	-	-	370,203.63	370,203.63
Current period amortization / write-off	316,819.76	50,499.96	53,664.17	420,983.89
Ending balance	157,366.95	96,791.79	316,539.46	570,698.20

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13 SHORT-TERM LOANS

	December 31,2017	The current borrowing	The current reimburs ement	December 31,2018	Annual interest rate
secured loans	-	2,000,000.00	-	2,000,000.00	4.35%

The Short-term loan incurred in current year is provided by Haiyan sub-branch of agricultural bank of China, secured by 78,000.00 M² land use right and 26865.57 M² above-ground buildings, as the Mortgage assets. The term of credit extension is 3 years, The maximum credit line is RMB71.5 million, The loan currency is RMB.

14 ACCOUNTS PAYABLE

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

Accounts payable age	December 31,2017	Ratio	December 31,2018	Ratio
Less than 1 year	54,703,913.4	99.55%	67,224,699.58	97.66%
1 to2 years	-	-	1,366,659.98	1.98%
2 to 3 years	28,225.00	0.05%	-	-%
More than 3 years	216,708.00	0.40%	245,293.00	0.36%
	54,948,846.4	100%	68836652.56	100%

(2) The top 5 suppliers

Company name	balance at the end of the year
CRRRC CHANGZHOU AUTO PARTS CO.,LTD .	7,592,013.59
KAO-MENG MACHINERY (TAICANG) CO.,LTD	6,862,787.36
JiangSu Xinggang construction group LTD	5,398,000.00
KunShan Step	2,620,000.00
JNRS	2,520,000.00

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15 ACCRUED PAYROLL

	accrued wages	welfare expenses	education and training	Total
Beginning balance	3,201,905.07	-	-	3,201,905.07
Amount happened in current period	24637976.85	1,397,679.23	252,101.3	26,287,757.38
Amount paid out in current preiod	23,480,815.39	1,397,679.23	252,101.3	25,130,595.92
Ending balance	<u>4,359,066.53</u>	<u>-</u>	<u>-</u>	<u>4,359,066.53</u>

16 PROFIT PAYABLE

	December 31,2017	The current distribution	The current payment	December 31,2018
Sundram International Limited	-	1,777,918.53	1734007.11	43,911.42
	<u>-</u>	<u>1,777,918.53</u>	<u>1734007.11</u>	<u>43,911.42</u>

17 INTERST PAYABLE

	December 31,2017	The current T extract	The current payment	December 31,2018
Bank loan interest	104,632.28	1,646,128.79	1,504,005.9	246,755.17
	<u>104,632.28</u>	<u>1,646,128.79</u>	<u>1,504,005.9</u>	<u>246,755.17</u>

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18 TAXES AND DUES PAYABLE

Item	December 31,2017	December 31,2018
Corporate income tax	2,522,269.22	2,103,067.74
Value-added tax	376,621.88	9,229.13
Pending attestation VAT	-13,882.55	-887,894.30
Value added tax to be deducted	-874,549.55	-49,549.55
Real estate tax	190,128.80	321,999.51
Land use tax	741,474.00	741,474.00
Stamp tax	5,346.60	5,800.00
Urban maintenance and construction tax	22,988.32	12,994.38
Educational Surtax	13,792.99	7,796.63
The local education surcharge	9,195.33	5,197.75
Employment security funds for disabled persons.	5,186.90	3,330.00
Non resident enterprise income tax	-	0.01
environmental protection tax;	-	2,555.81
Housing provident fund	-	-
Social security fee	243,731.05	303,461.68
	3,242,302.99	2,579,462.79

19 Long-term loans

	December 31,2015	The current additions	The current reduced	December 31,2016	Annual interest rate
Principal	13,084,250.00	16,000,000.00	290,842.50	28,793,407.50	15% higher than
Including: CNY loan	13,084,250.00	16,000,000.00	290,842.50	28,793,407.50	benchmark interest rate

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19 Long-term loans(continued)

- The long-term loan incurred in current year is provided by HSBC Shanghai branch, secured by 19579 M² 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.

20 PAID-IN CAPITAL

	December 31,2017	The current additions	The current reduced	December 31,2018
Sundram International Limited	153,320,864.63	-	-	153,320,864.63
(USD)	20,790,000.00	-	-	20,790,000.00

21 Capital reserve

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

22 Surplus reserve

	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Reserve fund	2,192,344.57	1,387,175.19	-	3,579,519.76

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23 Undistributed profit

	December 31, 2017	December 31, 2018
Undistributed profit at beginning of the period	13,176,498.91	24,988,339.80
Add: increase in current period	13,871,751.91	17,805,466.21
Including: net profit of current period	13,871,751.91	17,805,466.21
Less: decrease in current period	2,059,911.02	3,165,093.72
Including: provision for reserve fund	732,064.57	1,387,175.19
Dividend payable to foreign shareholders	1,327,846.45	1,777,918.53
Undistributed profit at end of the period	24,988,339.80	39,628,712.29

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.

24 REVENUES AND OPERATION COSTS

	Revenues	operation costs
main operations	246,158,311.01	195,906,021.11
including:		
Fasteners	187,366,685.50	147,905,882.38
Bearing Housing	58,791,625.51	48,000,138.73

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24 REVENUES AND OPERATION COSTS(continued)

other operations	4,835,066.57	4,450,250.14
including:		
Rental	709,525.71	-
Substandard goods	172,236.85	3,010,067.70
Tailings	2,983,771.47	809,029.29
Disposal on assets		
Others	288,972.77	-

25 SELLING AND DISTRIBUTION EXPENSES

	2017	2018
	6,495,521.92	7,714,199.81
Including:		
Salary	949,193.60	1,119,843.26
Freight	5,168,248.00	6,251,813.00
Mailing fee	3,358.66	2,684.59
Storage fee	337,619.85	308,247.09
handling charge	25,492.61	12,789.46

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2018
	14,477,896.35	19,138,236.43
Including:		
Pay cost		
Salary	1,917,648.00	3,174,356.04
Welfare	2,801,004.24	3,299,289.17
Amortization of prepaid expenses	192,299.73	282,518.64
Amortization of long-term deferred expenses	50,499.96	91,005.65
Amortization of intangible assets	197,123.08	90,843.97
Tax and dues	892,265.46	1,126,883.16
Travelling fee	985,654.11	1,806,161.55
Entertainment fee	324,574.69	792,368.30
Office expenses	631,768.14	521,765.60
Communication fees	438,000.00	508,335.61
Expense for environment protection	550,949.77	523,433.42
research and development expenses	2,814,763.23	4,915,935.37
Provision for bad debts	1,493,828.59	-

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27 FINANCE EXPENSES

	2017	2018
Interest expense	-	1,327,626.67
Finance charges	42,256.73	57,466.19
Less: interest income	-50,171.93	-42,280.25
Less: Exchange gains and losses, net	221,464.00	-467,113.00
	213,548.80	875,699.61

28 Non-operating income

	2017	2018
	369,018.72	779,297.34
Including:		
Government subsidy	342,333.16	639,572.74
Compensation income	-	35,891.24
Disposal on assets	-	83,818.26
Others	26,685.56	14,344.34

29 Non-operating expenses

	2017	2018
	58,737.88	569,798.92
Including:		
Water resource special fund	-	-
Donation outlay	50,000.00	20,000.00
Disposal on assets	-	549,798.94
Other	8,737.88	-0.02

30 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

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(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 sub-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

	2017	2018
Sundram Fasteners Limited	1,170,294.26	3,586,852.57
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	-

(ii) Purchase for materials and intangible assets

	2017	2018
Sundram Fasteners Limited	-	-
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	114,722.68

(c) Amounts receivable from and payable to related parties

Accounts receivable

	December 31, 2017	December 31,2018
Sundram Fasteners Limited	271,216.87	826,839.76
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	-

Accounts payable

	December 31, 2017	December 31,2018
Sundram Fasteners Limited	-	-
SUNDRAM FASTENERS LIMITED		
AUTOLEC CHENNAI	-	1,029.48

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31 Other business

The foundry workshop has been put into trial production since July 2018

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TRANSLATED FINANCIAL STATEMENTS

Balance Sheet as at 31 December 2018

	Note	As at 31 December 2018		As at 31 December 2017	
		RMB	₹	RMB	₹
ASSETS					
Non-current assets					
Property, plant and equipment	5	124,387,918	1,262,537,380	47,284,171	464,330,561
Capital work-in-progress	5	4,577,806	46,464,735	55,318,847	543,231,082
Investment property	6	5,403,358	54,844,073	5,704,800	56,021,141
Other Intangible assets	7	569,205	5,777,432	461,936	4,536,211
Other non-current assets	10	12,641,393	128,310,141	13,475,785	132,332,205
		147,579,680	1,497,933,761	122,245,539	1,200,451,200
Current assets					
Inventories	11	57,999,035	588,690,211	43,673,213	428,870,954
<u>Financial assets:</u>					
- Trade receivables	12	66,337,111	673,321,672	62,262,459	611,417,350
- Cash and cash equivalents	13	8,323,042	84,478,873	15,135,042	148,626,112
- Others	8	79,636	808,302	1,282,617	12,595,302
Assets for current tax (net)	9	1,527,449	15,503,611	1,108,248	10,882,994
Other current assets	10	27,057,945	274,638,145	14,703,947	144,392,757
		161,324,218	1,637,440,814	138,165,526	1,356,785,469
Total assets		308,903,898	3,135,374,575	260,411,065	2,557,236,669
EQUITY AND LIABILITIES					
Equity					
Equity Share capital	14	153,320,865	1,556,206,776	153,320,865	1,505,610,891
Other equity		44,583,341	452,520,941	28,884,126	283,642,146
Total equity		197,904,206	2,008,727,717	182,204,991	1,789,253,037
Liabilities					
Non-current liabilities					
<u>Financial liabilities:</u>					
- Borrowings	15	28,793,408	292,253,086	13,084,250	128,487,335
- Trade payables	17				
- Dues to others		1,390,824	14,116,851	244,933	2,405,242
		30,184,232	306,369,937	13,329,183	130,892,577
Current liabilities					
<u>Financial liabilities:</u>					
- Borrowings	15	2,000,000	20,300,000	-	-
- Trade payables	17				
- Dues to others		74,456,026	755,728,665	60,332,173	592,461,936
- Other financial liabilities	18	246,755	2,504,565	104,632	1,027,489
Other current liabilities	19	482,162	4,893,942	809,569	7,949,952
Current tax liabilities (net)	16	3,630,517	36,849,749	3,630,517	35,651,678
		80,815,460	820,276,921	64,876,891	637,091,055
Total liabilities		110,999,692	1,126,646,858	78,206,074	767,983,632
Total equity and liabilities		308,903,898	3,135,374,575	260,411,065	2,557,236,669

Notes 1 to 32 form an integral part of these financial statements

TRANSLATED FINANCIAL STATEMENTS

Statement of Profit and Loss for the year ended 31 December 2018

	Note	Year ended 31 December 2018		Year ended 31 December 2017	
		RMB	₹	RMB	₹
Revenue from operations	20	250,023,845	2,580,246,081	194,761,328	1,877,499,198
Other income	22	2,258,223	23,304,862	594,834	5,734,199
Total Income		252,282,068	2,603,550,943	195,356,162	1,883,233,397
Expenses					
Cost of materials consumed	23	119,962,233	1,238,010,251	88,252,923	850,758,171
Changes in inventories of finished goods, stock-in-trade and work in progress	24	(9,112,891)	(94,045,033)	(6,000,391)	(57,843,768)
Employee benefits expense	25	32,858,580	339,100,541	26,214,121	252,704,124
Finance costs	26	1,385,093	14,294,158	42,257	407,355
Depreciation and amortization expense	27	9,201,936	94,963,980	7,084,230	68,291,974
Other expenses	28	75,687,932	781,099,455	61,160,712	589,589,274
Total expenses		229,982,883	2,373,423,352	176,753,852	1,703,907,129
Profit before tax		22,299,185	230,127,591	18,602,310	179,326,268
Tax expense					
a) Current tax	29	4,822,051	49,763,562	4,790,828	46,183,577
Profit for the year		17,477,134	180,364,029	13,811,482	133,142,691
Other comprehensive income					
i) Items that will be reclassified to profit or loss			(4,915,925)		4,391,251
Total comprehensive income for the year		17,477,134	175,448,104	13,811,482	137,533,942

(Comprising Profit and Other Comprehensive Income for the year)

Notes 1 to 32 form an integral part of these financial statements

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Statements of Changes in Equity for the year ended 31 December 2018

A. Equity Share Capital

Particulars	RMB	₹
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
Changes in equity share capital during the year (Including restatement of opening balance)	-	50,595,885
Balance at the 31 December 2018	153,320,865	1,556,206,776

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 2017	27,120,415	264,075,424	33,898	332,883	-	2,247,072	1,729,813	16,986,767	28,884,126	283,642,145
Foreign currency translation difference on opening balance	-	11,196,786	-	11,186	-	-	-	570,838	-	11,778,804
Profit for the year	17,477,134	180,364,029	-	-	-	-	-	-	17,477,134	180,364,029
Other comprehensive income	-	-	-	-	-	(4,915,925)	-	-	-	(4,915,925)
Dividends	(1,777,919)	(18,348,119)	-	-	-	-	-	-	(1,777,919)	(18,348,119)
Balances at 31 December 2018	42,819,630	437,288,120	33,898	344,069	-	(2,668,853)	1,729,813	17,557,605	44,583,341	452,520,941

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	133,142,691	-	-	-	-	-	-	13,811,482	133,142,691
Other comprehensive income	-	-	-	-	-	4,391,251	-	-	-	4,391,251
Transferred from Retained earnings to general reserves	-	-	-	-	-	-	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	264,075,424	33,898	332,883	-	2,247,072	1,729,813	16,986,767	28,884,126	283,642,146

TRANSLATED FINANCIAL STATEMENTS

Cash Flow Statement for the year ended 31 December 2018

Particulars	Year ended 31 December 2018		Year ended 31 December 2017	
	RMB	₹	RMB	₹
Cash flows from operating activities				
Profit before tax	22,299,185	230,127,591	18,602,310	179,326,268
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>				
Depreciation and amortization	9,201,936	94,963,980	7,084,230	68,291,974
Amortisation of leasehold property	257,166	2,653,957	257,166	2,479,084
Foreign exchange (gain)/loss	(467,113)	(4,820,606)	221,464	2,134,913
Finance guarantee expenses	328,332	3,388,383	60,269	580,994
Interest expense (Net)	1,385,093	14,294,158	42,257	407,355
(Gain) / loss on sale of property and equipment	465,981	4,808,921	225,800	2,176,717
Operating profit before working capital changes	33,470,580	345,416,384	26,493,496	255,397,304
Adjustments for:				
(Decrease) / increase in Trade payables	15,269,744	157,583,757	24,734,591	238,441,454
(Decrease) / increase in other current liabilities	(185,284)	(1,912,130)	1,385,106	13,352,418
(Increase) / decrease in trade receivables	(4,074,652)	(42,050,405)	(15,419,984)	(148,648,644)
(Increase) / decrease in inventories	(14,325,822)	(147,842,485)	(9,921,479)	(95,643,053)
(Increase) / decrease in other current assets	(11,321,325)	(116,836,070)	(12,779,200)	(123,191,484)
Cash from/ (used) in operating activities	18,833,241	194,359,051	14,492,530	139,708,002
Direct taxes paid, net	(4,822,051)	(49,763,562)	(4,790,828)	(46,183,577)
Net cash from / (used) in operating activities	14,011,191	144,595,489	9,701,703	93,524,425
B. Cash flow from investing activities				
Purchase of assets (including capital work-in-progress and capital advances)	(36,094,096)	(372,491,075)	(49,780,508)	(479,884,095)
Proceeds from sale of fixed assets	257,647	2,658,918	22,031	212,377
Net cash from / (used) in investing activities	(35,836,449)	(369,832,157)	(49,758,477)	(479,671,718)
C. Cash flow from financing activities				
Proceeds from Long-term borrowings	15,709,158	163,765,751	13,084,250	128,487,335
Proceeds from Short-term borrowings	2,000,000	20,300,000	-	-
Dividend and dividend taxes paid	(1,777,919)	(18,348,119)	(1,327,846)	(12,800,440)
Foreign exchange gain/(loss)	467,113	4,820,606	(221,464)	(2,134,913)
Proceeds from fresh issue of shares including securities premium	-	-	26,640,949	256,818,751
Interest paid to banks and others	(1,385,093)	(14,294,158)	(42,257)	(407,355)
Net cash generated from financing activities	15,013,259	156,244,080	38,133,632	369,963,379
D. Net cash flows during the year	(6,812,000)	(68,992,588)	(1,923,142)	(16,183,923)
E. Foreign Currency Translation Reserve Impact on cash flows	-	4,845,349	-	(2,189,586)
F. Cash and cash equivalents at the beginning	15,135,042	148,626,112	17,058,184	166,999,621
G. Cash and cash equivalents at the end	8,323,042	84,478,873	15,135,042	148,626,112
Cash and cash equivalents comprise of:				
Cash on hand	43,341	439,910	41,389	406,438
Balances with banks in current accounts	8,279,701	84,038,963	15,093,653	148,219,674
Cash and cash equivalents as per note 20	8,323,042	84,478,873	15,135,042	148,626,112

Sundram Fasteners (Zhejiang) Limited

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Notes to Financial Statements for the year ended 31.12.2018

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 31.12.2018 (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 31.12.2018 (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 classifying

Notes to Financial Statements for the year ended 31.12.2018 (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 2018 has been translated from Renminbi to Indian Rupees by applying the year end interbank exchange rate of RMB 1 = ₹ 10.15 (2017: RMB 1 = 9.82). The incomes and expenses for the year ended 31st December 2018 has been translated from Renminbi to Indian Rupees by applying Average interbank exchange rate RMB 1 = ₹ 10.32 (2017: RMB 1 = 9.64). 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.

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

	Tangible Assets										Total		
	Buildings		Plant and Equipment		Office Equipments		Vehicles		Total				
	RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹	
(a) PROPERTY, PLANT AND EQUIPMENT													
Gross block													
As at 1 January 2017	12,935,382	126,637,389	47,884,093	488,785,288	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	58,982,603			
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			
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	664,987,105			
Additions	28,790,882	292,227,454	56,196,520	570,394,679	1,609,117	16,332,533	-	-	86,596,519	878,954,665			
Disposal	-	-	(1,909,929)	(19,385,776)	(66,423)	(674,193)	-	-	(1,976,352)	(20,059,968)			
Other Adjustments	-	4,268,676	-	17,711,133	-	308,285	-	58,050	-	22,346,145			
As at 31 December 2018	41,726,264	423,521,580	107,956,693	1,095,760,451	2,476,890	25,140,424	175,910	1,785,491	152,335,757	1,546,207,946			
Accumulated depreciation / amortisation													
As at 1 January 2017	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	-	-	-	-	-	-	-	-	-	-			
- Exchange variation (Op. Bal restated)	-	41,265	-	363,943	-	6,667	-	1,880	-	413,754			
- Restating to Closing rate - CY 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			
For the year	1,210,481	12,492,162	7,267,386	74,999,422	259,944	2,682,620	31,332	323,350	8,769,143	90,497,555			
Deduction on sale or discards	-	-	(1,204,364)	(12,224,293)	(48,360)	(490,854)	-	-	(1,252,724)	(12,715,147)			
Other Adjustments	-	-	-	-	-	-	-	-	-	-			
- Exchange variation (Op. Bal restated)	-	680,869	-	5,933,928	-	96,563	-	31,019	-	6,742,369			
- Restating to Closing rate - CY Depreciation	-	(205,782)	-	(1,235,456)	-	(44,190)	-	(5,327)	-	(1,490,754)			
As at 31 December 2018	3,273,720	33,228,261	24,044,622	244,052,918	504,168	5,117,291	125,330	1,272,096	27,947,840	283,670,566			
Net block													
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			
As at 31 December 2018	38,452,544	390,293,319	83,912,070	851,707,534	1,972,722	20,023,132	50,582	513,395	124,387,918	1,262,537,360			
b) Capital Work-in-Progress													
As at 31 December 2017	21,784,073	213,919,599	33,594,774	329,311,483	-	-	-	-	55,318,847	543,231,082			
As at 31 December 2018	-	-	4,577,806	46,464,735	-	-	-	-	4,577,806	46,464,735			

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

6 INVESTMENT PROPERTY

	Land		Building		Total	
	RMB	₹	RMB	₹	RMB	₹
Gross block						
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
Additions				-		-
Disposals				-		-
Other adjustments - Exchange differences				2,181,013		2,181,013
As at 31 December 2018	-	-	6,609,131	67,082,679	6,609,131	67,082,679
Accumulated depreciation						
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
- 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
Depreciation for the period			301,443	3,110,897	301,443	3,110,897
- Exchange variation (op bal restated)				298,429		298,429
- Restating to Closing Rate - CY Depn				(51,245)		(51,245)
As at 31 December 2018	-	-	1,205,773	12,238,606	1,205,773	12,238,606
Net block						
As at 31 December 2017	-	-	5,704,801	56,021,141	5,704,800	56,021,141
As at 31 December 2018	-	-	5,403,358	54,844,073	5,403,358	54,844,073
Information regarding income and expenditure of Investment property						
	Year ended		Year ended			
	31 December 2018		31 December 2017			
	RMB	₹	RMB	₹		
Rental income from the investment property	709,526	7,322,305	506,023	4,878,060		
Profit before depreciation and indirect expenses	709,526	7,322,305	506,023	4,878,060		
Less- Depreciation	(301,443)	(3,110,897)	(301,443)	(2,905,915)		
Profit before indirect expenses	408,083	4,211,408	204,580	1,972,145		

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7 OTHER INTANGIBLE ASSETS

	Gross block	Intangible assets	
		RMB	₹
As at 1 January 2017		764,971	7,489,070
Additions		-	-
Disposal		-	-
Other Adjustments		-	22,949
As at 31 December 2017		764,971	7,512,019
Additions		238,619	2,421,981
Disposal		-	-
Other Adjustments		-	252,441
As at 31 December 2018		1,003,590	10,186,441
Accumulated depreciation/ amortisation			
As at 1 January 2017		212,191	2,077,354
For the year		90,844	875,736
Deduction on sale or discards		-	-
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
For the year		131,350	1,355,528
Impairment for the year			
Deduction on sale or discards		-	-
Other Adjustments			
- Exchange variation (Op. Bal restated)			100,002
- Restating to Closing rate - CY Depreciation			(22,329)
As at 31 December 2018		434,385	4,409,009
Net block			
As at 31 December 2017		461,936	4,536,211
As at 31 December 2018		569,205	5,777,432

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

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

	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Others	-	-	79,636	808,302	-	-	1,282,617	12,595,302
	-	-	79,636	808,302	-	-	1,282,617	12,595,302

9 ASSETS FOR CURRENT TAX (NET)

	As at 31 December 2018		As at 31 December 2017	
Advance Income-tax (net of provision for taxation)	1,527,449	15,503,611	1,108,248	10,882,994
	1,527,449	15,503,611	1,108,248	10,882,994

10 OTHER ASSETS

(Unsecured, considered good)

	As at 31 December 2018				As at 31 December 2017			
	Non current		Current		Non current		Current	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Prepaid expenses	1,385,466	14,062,479	340,333	3,454,387	1,962,691	19,273,626	328,331	3,224,217
Capital advance	-	-	20,892,756	212,061,468	-	-	11,480,910	112,742,531
Advances to suppliers	-	-	5,824,856	59,122,290	-	-	2,894,706	28,426,009
Unamortised portion of leasehold land	11,255,927	114,247,662	-	-	11,513,094	113,058,579	-	-
	12,641,393	128,310,141	27,057,945	274,638,145	13,475,785	132,332,205	14,703,947	144,392,757

11 INVENTORIES

Stores, Spares & Tools

Loose tools

Raw Materials and components (includes goods in transit of RMB 273,601.05)

Work-in-progress

Finished Goods

	As at 31 December 2018		As at 31 December 2017	
	RMB	₹	RMB	₹
Stores, Spares & Tools	1,374,917	13,955,408	1,426,401	14,007,258
Loose tools	2,704,469	27,450,360	2,763,589	27,138,442
Raw Materials and components (includes goods in transit of RMB 273,601.05)	13,488,517	136,908,445	8,164,981	80,180,118
Work-in-progress	15,145,744	153,729,300	9,802,870	96,264,181
Finished Goods	25,285,389	256,646,698	21,515,372	211,280,955
	57,999,035	588,690,211	43,673,213	428,870,954

12 TRADE RECEIVABLES

(Unsecured, considered good unless otherwise stated)

Trade receivables

Doubtful

Less : Provision for bad and doubtful debts

Trade receivables	68,872,730	699,058,206	64,798,078	636,317,130
	68,872,730	699,058,206	64,798,078	636,317,130
Doubtful	(2,535,619)	(25,736,534)	(2,535,619)	(24,899,780)
Less : Provision for bad and doubtful debts	(2,535,619)	(25,736,534)	(2,535,619)	(24,899,780)
	6,63,37,111	67,33,21,672	6,22,62,459	61,14,17,350

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

13 CASH AND BANK BALANCES	As at 31 December 2018		As at 31 December 2017	
	RMB	₹	RMB	₹
Cash and cash equivalents				
Cash on hand	43,341	439,910	41,389	406,440
Balances with banks in current accounts	8,279,701	84,038,963	15,093,653	148,219,672
	8,323,042	84,478,873	15,135,042	148,626,112

14 SHARE CAPITAL	As at 31 December 2018		As at 31 December 2017	
	RMB	₹	RMB	₹
Issued, subscribed and fully paid up				
Equity shares	153,320,865	1,556,206,776	153,320,865	1,505,610,891
	153,320,865	1,556,206,776	153,320,865	1,505,610,891

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

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

b) 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 2018:

- (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

c) 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.

d) DIVIDENDS	Year ended 31 December 2018		Year ended 31 December 2017	
	RMB	₹	RMB	₹
Final dividend declared and paid (for 31 December 2018/2017)				
Dividend	1,777,919	18,348,119	1,327,846	12,800,440
	1,777,919	18,348,119	1,327,846	12,800,440

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

15 BORROWINGS	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Secured								
Term loan from banks (refer note below)	28,793,408	292,253,086	2,000,000	20,300,000	13,084,250	128,487,335	-	-
Total	28,793,408	292,253,086	2,000,000	20,300,000	13,084,250	128,487,335	-	-

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

- i) An outstanding term loan from bank amounts to RMB 2,87,93,408 equivalent to ₹ 29.23 crores (December 31, 2017: RMB 13,084,250 equivalent to ₹ 12.85 crores). The loan is secured by land use right, factory buildings, plant and equipments. The interest rate is linked to base Rate + agreed spread p.a.
- ii) The Company has working capital facilities of RMB 20,00,000 equivalent to ₹ 2.03 crores (December 31, 2017: Nil). The loan is secured by land use right and factory buildings. The interest rate is linked to base Rate + agreed spread p.a.

16 LIABILITIES FOR CURRENT TAX (NET)	As at 31 December 2018		As at 31 December 2017	
	RMB	₹	RMB	₹
	Provision for taxation (net of advance income tax)	3,630,517	36,849,749	3,630,517
	3,630,517	36,849,749	3,630,517	35,651,678

17 TRADE PAYABLES	As at 31 December 2018				As at 31 December 2017			
	Long-term		Short-term		Long-term		Short-term	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹
Dues to others	1,390,824	14,116,851	74,456,026	755,728,665	244,933	2,405,242	60,332,173	592,461,936
	1,390,824	14,116,851	74,456,026	755,728,665	244,933	2,405,242	60,332,173	592,461,936

18 OTHER FINANCIAL LIABILITIES	As at 31 December 2018		As at 31 December 2017	
	RMB	₹	RMB	₹
	Financial liabilities at fair value through profit or loss			
Interest accrued but not due	246,755	2,504,565	104,632	1,027,489
	246,755	2,504,565	104,632	1,027,489

19 OTHER CURRENT LIABILITIES	As at 31 December 2018		As at 31 December 2017	
	RMB	₹	RMB	₹
	Customer advances	5,767	58,532	89,534
Statutory dues	476,395	4,835,410	720,035	7,070,730
	482,162	4,893,942	809,569	7,949,952

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

	Year ended 31 December 2018		Year ended 31 December 2017	
	RMB	₹	RMB	₹
20 REVENUE FROM OPERATIONS				
Sale of goods	246,158,311	2,540,353,770	192,616,833	1,856,826,267
Other operating revenue	3,865,534	39,892,311	2,144,495	20,672,932
Revenue from operations (Net)	250,023,845	2,580,246,081	194,761,328	1,877,499,199
21 OTHER OPERATING REVENUE				
Scrap Sales	3,156,008	32,570,006	1,638,472	15,794,871
Lease Income	709,526	7,322,305	506,023	4,878,060
	3,865,534	39,892,311	2,144,495	20,672,931
22 OTHER INCOME				
Interest Income	42,280	436,332	50,172	483,657
Net foreign exchange gain	467,113	4,820,606	-	-
Miscellaneous Income	1,665,012	17,182,920	544,662	5,250,542
Profit on Sale of Assets	83,818	865,004	-	-
	2,258,223	23,304,862	594,834	5,734,199
23 COST OF RAW MATERIALS AND COMPONENTS CONSUMED				
Opening stock of raw materials and components	8,164,981	80,180,118	4,801,126	47,003,024
Add/(less): Exchange rate fluctuation on account of average rate transferred to currency translation reserve		4,082,491		(720,169)
Add : Purchases during the year	125,285,769	1,292,949,135	91,616,778	883,185,737
Less/(add) : Exchange rate fluctuation on account of average rate transferred to currency translation reserve		2,293,048		(1,469,697)
Less: Closing stock of raw materials and components	13,488,517	136,908,445	8,164,981	80,180,118
	119,962,234	1,238,010,251	88,252,923	850,758,171
24 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS				
A. Opening Stock				
Work in progress	9,802,870	96,264,181	9,581,541	93,803,287
Finished goods	21,515,372	211,280,955	15,736,310	154,058,475
Add / (Less): Exchange rate fluctuation on account of average rate transferred to currency translation reserve		15,659,121		(3,797,678)
	31,318,242	323,204,257	25,317,851	244,064,084
B. Closing Stock				
Work in progress	15,145,744	153,729,300	9,802,870	96,264,181
Finished goods	25,285,389	256,646,698	21,515,372	211,280,955
Add / (Less): Exchange rate fluctuation on account of average rate transferred to currency translation reserve		(6,873,293)		5,637,284
	40,431,133	417,249,290	31,318,242	301,907,852
Net decrease in inventories (A-B)	(9,112,891)	(94,045,033)	(6,000,391)	(57,843,768)

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

	Year ended 31 December 2018		Year ended 31 December 2017	
	RMB	₹	RMB	₹
25 EMPLOYEE BENEFITS EXPENSE				
Salaries and wages	24,596,702	253,837,961	19,654,974	189,473,947
Contribution to provident and other funds	3,866,465	39,901,921	3,143,895	30,307,144
Staff welfare expenses	4,395,413	45,360,659	3,415,252	32,923,033
	32,858,580	339,100,541	26,214,121	252,704,124
26 FINANCE COSTS				
Interest expenses	1,327,627	13,701,107	-	-
Other borrowing costs	57,466	593,051	42,257	407,355
	1,385,093	14,294,158	42,257	407,355
27 DEPRECIATION AND AMORTIZATION EXPENSE				
Depreciation of tangible assets	9,070,586	93,608,452	6,993,386	67,416,238
Amortization of intangible assets	131,350	1,355,528	90,844	875,736
	9,201,936	94,963,980	7,084,230	68,291,974
28 OTHER EXPENSES				
Stores and tools consumed	24,368,509	251,483,009	19,585,883	188,807,908
Power & fuel	8,337,566	86,043,685	6,790,256	65,458,072
Rent	257,166	2,653,957	257,166	2,479,084
Rates & taxes [excluding taxes on Income]	3,035,723	31,328,659	3,013,876	29,053,763
Insurance	291,835	3,011,742	141,853	1,367,466
Repairs and maintenance				
- Building	736,947	7,605,293	1,127,731	10,871,331
- Plant & Equipment	1,188,887	12,269,317	1,030,183	9,930,967
- Other assets	372,274	3,841,867	73,066	704,356
Sub-contract expenses	19,686,338	203,163,008	14,543,018	140,194,691
Freight & Cartage Inward	1,088,886	11,237,304	672,347	6,481,425
Audit fee	81,984	846,075	37,338	359,942
Loss on sale of assets	549,799	5,673,925	225,800	2,176,717
Net Foreign exchange loss(net off gain)	-	-	221,464	2,134,913
Freight & Cartage Outward	5,175,716	53,413,394	4,521,394	43,586,234
Travel Expenses	1,811,812	18,697,895	985,654	9,501,706
Postage & Telecom Expenses	508,336	5,246,023	438,000	4,222,320
Printing and stationery	36,110	372,657	8,464	81,591
Consultancy	801,191	8,268,286	440,194	4,243,469
Bad debts	18,266	188,508	-	-
Financial Guarantee Expense	328,332	3,388,383	60,269	580,994
Miscellaneous expenses	7,012,255	72,366,468	6,986,756	67,352,325
	75,687,932	781,099,455	61,160,712	589,589,274

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	Year ended 31 December 2018		Year ended 31 December 2017	
	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:				
Accounting profit before tax	22,299,185	230,127,591	18,602,310	179,326,268
At China's statutory income tax rate of 25% (31 December 2018: 25%)	5,574,796	57,531,898	4,650,578	44,831,567
Other adjustments	(752,745)	(7,768,336)	140,250	1,352,010
	4,822,051	49,763,562	4,790,828	46,183,577
Tax expense comprises of:				
Current income tax:				
Current income tax charge (net of Minimum alternate tax)	4,822,051	49,763,562	4,790,828	46,183,577
Income tax expense	4,822,051	49,763,562	4,790,828	46,183,577

30 DETAILS OF RESEARCH AND DEVELOPMENT EXPENDITURE

Revenue Expenditure

a) Power consumption	1,026,562	10,594,123	520,402	5,016,673
b) Tools & fixture	931,904	9,617,245	628,567	6,059,389
c) Raw material	389,955	4,024,334	400,907	3,864,748
d) Manpower-Salary	1,299,161	13,407,337	734,445	7,080,046
e) Manpower-Social security	295,940	3,054,096	182,019	1,754,663
f) Depreciation	972,415	10,035,318	-	-
Total	4,915,937	50,732,453	2,466,340	23,775,519

31 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

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)

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

7. Cramlington Precision Forge Ltd., Northumberland, United Kingdom,
8. Sundram International Inc, Michigan, USA,
9. 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	114,723	1,183,938				-
	-	-				-
						-
Sales						
Goods and Materials	3,586,853	37,016,319				-
	(1,170,294)	(11,281,637)				-
Shares			-	-		-
			(26,607,051)	(261,281,239)		-
						-
Dividend Paid			1,777,919	18,348,119		-
			(1,327,846)	(12,800,440)		-
						-
Outstanding balances						
Due to the Company	826,840	8,392,424				-
	(271,217)	(2,663,350)				-
Due by the Company	1,029	10,449				
	-	-				

(Previous year figures are in brackets)

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Notes to Financial Statements for the year ended 31.12.2018 (Contd.)

32 DISCLOSURE ON FINANCIAL INSTRUMENT

	As at 31 December 2018						As at 31 December 2017					
	FVTPL		FVOCI		Amortised Cost		FVTPL		FVOCI		Amortised Cost	
	RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹	RMB	₹
<u>Financial assets:</u>												
- Trade receivables	-	-	-	-	66,337,111	673,321,672	-	-	-	-	62,262,459	611,417,350
- Cash and cash equivalents	-	-	-	-	8,323,042	84,478,873	-	-	-	-	15,135,042	148,626,112
- Others	-	-	-	-	79,636	808,302	-	-	-	-	1,282,617	12,595,302
Total Financial Assets	-	-	-	-	74,739,789	758,608,847	-	-	-	-	78,680,118	772,638,764
Non-Current liabilities												
<u>Financial liabilities:</u>												
- Borrowings	-	-	-	-	28,793,408	292,253,086	-	-	-	-	13,084,250	128,487,335
Dues to others	-	-	-	-	1,390,824	14,116,851	-	-	-	-	244,933	2,405,242
	-	-	-	-	30,184,232	306,369,937	-	-	-	-	13,329,183	130,892,577
Current liabilities												
<u>Financial liabilities:</u>												
- Borrowings	-	-	-	-	2,000,000	20,300,000	-	-	-	-	-	-
- Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
Dues to others	-	-	-	-	74,456,026	755,728,665	-	-	-	-	60,332,173	592,461,936
- Other financial liabilities	-	-	-	-	246,755	2,504,565	-	-	-	-	104,632	1,027,489
	-	-	-	-	76,702,781	778,533,230	-	-	-	-	60,436,805	593,489,425
Total Financial Liabilities	-	-	-	-	106,887,013	1,084,903,167	-	-	-	-	73,765,988	724,382,002