



Guangdong Dongfang Precision Science & Technology Co., Ltd.

Annual Report 2021

March 2022

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Guangdong Dongfang Precision Science & Technology Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the contents of this Report are true, accurate and complete and free of any misrepresentations, misleading statements or material omissions, and collectively and individually accept legal responsibility for such contents.

Tang Zhuolin, the Company’s legal representative, Shao Yongfeng, the Company’s Chief Financial Officer, and Yao Bin, the Head of the Company’s Accounting Department (equivalent to Financial Manager) hereby guarantee that the financial statements carried in this Report are truthful, accurate and complete.

Apart from the following director, other directors of the Company attended in person the board meeting for the approval of this Report.

The name of director who did not attend in person	The post of director who did not attend in person	Reasons for not attending the meeting in person	Consignee’s name
Peng Xiaowei	Independent Director	Personal Work	He Weifeng

The future development strategies, business plans and other forward-looking statements mentioned in this Report shall be deemed as uncertain plans instead of promises to investors. Therefore, investors are reminded to exercise caution when making investment decisions.

For possible risks with respect to the Company, please refer to “(III) Possible Risks and Countermeasures” in “XI Prospects” of “Part III Management Discussion and Analysis” herein. And investors are kindly advised to read through the aforesaid contents.

The Company planed not to distribute cash dividends, neither give away bonus shares, nor capitalize from public reserve.

This Report has been prepared in Chinese and translated into English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

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Definitions

Term	Definition
Dongfang Precision, or the “Company”	Guangdong Dongfang Precision Science & Technology Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
Dongfang Precision (China)	The corrugated box packaging machinery division of Guangdong Dongfang Precision Science & Technology Co., Ltd.
Fosber Group	Fosber S.p.A.
Fosber Asia	Guangdong Fosber Intelligent Equipment Co., Ltd.
Fosber America	Fosber America, Inc.
Fosber Tianjin	Fosber Machinery (Tianjin) Co., Ltd.
Tiru ña Group	Tiru ña Group Industrial, S.L.
Tiru ña America	Tiru ña America Inc.
QCorr	QuantumCorrugated S.r.l.
Dongfang Precision (Europe)/EDF	EDF Europe S.r.l.
Dongfang Precision (Netherland)	Dong Fang Precision (Netherland) Cooperatief U.A.
Dongfang Precision (HK)	Dong Fang Precision (HK) Limited
Parsun Power	Suzhou Parsun Power Machine Co., Ltd.
Suzhou Jinquan	Suzhou High-Tech Zone Jinquan Business Management Partnership (Limited Partnership)
Shunyi Investment	Suzhou Shunyi Investment Co., Ltd.
Yinglian Digital	Foshan Yinglian Digital Printing Equipment Co., Ltd.
Jaten Robot	Guangdong Jaten Robot & Automation Co., Ltd.
Hainan Yineng	Hainan Yineng Investment Co., Ltd.
Dongfang Digicom	Dongfang Digicom Technology Co., Ltd.
Dongfang Digicom (Guangdong)	Dongfang Digicom Technology (Guangdong) Co., Ltd.
Corrugated board	Corrugated board is a multi-layer paper-bonding object composed of at least one sandwich layer of wavy medium (commonly known as "corrugated paper", "corrugated medium paper", "corrugated paper medium" and "corrugated base paper") and one layer of cardboard (also known as "liner board").
Corrugated box	Corrugated box is a rigid paper container made of corrugated boards through die cutting, indenting, nailing or gluing. Corrugated box is one of the most widely used packaging containers in modern business and trade.

Corrugated box printing and packaging machinery	Corrugated box printing and packaging machinery include corrugated box printing and packaging line and stand-alone products that integrates pre-feeding, printing, grooving, die cutting, forming and packaging functions in whole or in part, which is highly functionally integrated, highly automated and highly technical, can save the capital and manpower investment, reduce workers' workload and improve the production efficiency of box manufacturers, and requires equipment manufacturers to be highly competent in design, technological innovation, assembly and finishing of parts.
Corrugator lines	<p>Corrugator lines are assembly lines comprising corrugating, gluing, agglutinating, bundle breaking, dimension board cutting and output processes, which are used to produce and process corrugated boards.</p> <p>A corrugator line has two independent process sections as the wet section and the dry section. The wet section, composed of the base paper stand, auto splicer, preheat pre-regulator, single-face corrugator, feeding bridge, glue machine and double facer, is used to make corrugated based paper into three-layer, five-layer and seven-layer corrugated boards of different corrugated combinations. The dry section, composed of the rotary shear, slitter indenter, cut-off knife and stacker, is used to slit, indent, cut off and stack corrugated boards as ordered.</p> <p>Corrugator lines are key production equipment for corrugated board and box manufacturers.</p>
Pre-printing and post-printing intelligent automatic packaging machinery	Pre-printing and post-printing intelligent automatic packaging machinery refers to equipment that is compatible with the corrugated box printing line or stand-alone products and can provide functions related to pre-printing and post-printing processes of corrugated box printing and packaging. It includes the pre-feeder, stripper conveyor, intelligent stacker and folder gluer.
Outboard motors	Outboard motors are a kind of detachable power units that are mounted on the stern plate of a boat to drive the boat to sail.
General utility small gasoline motors	General utility small gasoline motors are a kind of thermo-dynamic machinery of 20kW power or less with a wide range of applicability. It is characterized by small size, light weight and easy operation, and is usually used as a power engine for a variety of terminal products. By the structure of engine and principle of work, general utility small gasoline motors can be divided into two-stroke general utility small gasoline motors and four-stroke general utility small gasoline motors.
CSRC	China Securities Regulatory Commission
SZSE, or the "Stock Exchange"	Shenzhen Stock Exchange
RMB yuan, RMB'0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
The "Reporting Period" or "Current Period"	The period from 1 January 2021 to 31 December 2021

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	Dongfang Precision	Stock code	002611
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	广东东方精工科技股份有限公司		
Abbr.	东方精工		
Company name in English (if any)	Guangdong Dongfang Precision Science & Technology Co., Ltd		
Abbr. (if any)	Dongfang Precision		
Legal representative	Tang Zhuolin		
Registered address	(Office Building, Plant A, Plant B) 2 Qiangshi Road, Shishan Town, Nanhai District, Foshan City, Guangdong Province, China		
Zip code	528225		
Office address	25/F, Hisense Southern Building, 1777 Chuangye Road, Nanshan District, Shenzhen City, Guangdong Province, China		
Zip code	518000		
Company website	http://www.df-global.cn/		
Email address	ir@vmtdf.com		

II Contact Information

	Board Secretary	Securities Representative
Name	Feng Jia	Zhu Hongyu
Office address	25/F, Hisense Southern Building, 1777 Chuangye Road, Nanshan District, Shenzhen City, Guangdong Province, China	25/F, Hisense Southern Building, 1777 Chuangye Road, Nanshan District, Shenzhen City, Guangdong Province, China
Tel.	0755-36889712	0755-36889712
Fax	0755-36889822	0755-36889822
Email address	ir@vmtdf.com	ir@vmtdf.com

III Media for Information Disclosure and Place where this Report Is Lodged

Newspapers designated by the Company for	China Securities Journal, Shanghai Securities News, and Securities Times
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information disclosure	
Website designated by the CSRC for publication of this Report	http://www.cninfo.com.cn
Place where this Report is lodged	Securities Department of the Company, 25/F, Hisense Southern Building, 1777 Chuangye Road, Nanshan District, Shenzhen City, Guangdong Province, China

IV Change to Company Registered Information

Organization code	914406002318313119
Change to the principal activities of the Company since its listing (if any)	Unchanged
Every change of controlling shareholder since incorporation (if any)	Unchanged

V Other Information

The independent auditor hired by the Company:

Name of independent auditor	Ernst & Young Hua Ming LLP
Office address	18/F, Ernst & Young Tower, 13 Pearl River East Road, Tianhe District, Guangzhou City, China (the Headquarters: Rooms 01-12, 17/F, Ernst & Young Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, China)
Accountants writing signatures	Feng Xingzhi and Lin Hongyan

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

VI Key Financial Information

Indicate whether there is any retrospectively restated datum in the table below.

Yes No

	2021	2020	2021-over-2020 change (%)	2019
Operating revenue (RMB)	3,524,734,783.94	2,916,270,143.13	20.86%	9,973,503,602.19
Net profit attributable to the listed company's shareholders (RMB)	467,333,661.79	389,180,624.08	20.08%	1,838,018,805.50
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	380,806,233.00	263,426,429.87	44.56%	438,715,870.86
Net cash generated from/used in operating activities (RMB)	306,659,276.02	550,996,031.75	-44.34%	281,297,787.01
Basic earnings per share (RMB/share)	0.35	0.26	34.62%	1.01
Diluted earnings per share (RMB/share)	0.35	0.26	34.62%	1.01
Weighted average return on equity (%)	11.72%	6.20%	5.52%	36.87%
	31 December 2021	31 December 2020	Change of 31 December 2021 over 31 December 2020 (%)	31 December 2019
Total assets (RMB)	6,357,168,835.19	6,323,236,687.05	0.54%	6,273,516,157.31
Equity attributable to the listed company's shareholders (RMB)	3,681,970,298.39	4,158,538,499.75	-11.46%	4,337,064,607.87

Indicate whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative for the last three accounting years, and the latest independent auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes No

Indicate whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative.

Yes No

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	636,432,223.23	764,126,740.95	1,071,169,589.35	1,053,006,230.41
Net profit attributable to the listed company's shareholders	64,628,103.90	126,489,416.56	129,754,201.64	146,461,939.69
Net profit attributable to the listed company's shareholders before exceptional gains and losses	51,969,185.59	104,053,646.97	119,708,244.58	105,075,155.86
Net cash generated from/used in operating activities	57,536,376.72	148,487,451.53	-82,307,806.29	182,943,254.06

Indicate whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2021	2020	2019	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-65,995.13	-52,742.69	-95,745,648.97	
Government grants through profit or loss (exclusive of government grants given in the Company's ordinary course of business at fixed quotas or amounts as per the	14,700,007.84	10,749,683.55	22,854,061.39	

government's uniform standards)				
Gain equal to the amount by which investment costs for the Company to acquire subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments		866,489.40		
Gain or loss on fair-value changes on held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other debt investments (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	73,435,063.51	96,118,955.74	1,473,114,508.83	
Non-operating income and expenses other than the above	4,779,490.65	33,173,454.66	9,007,522.57	
Other gains and losses that meet the definition of exceptional gain/loss	0.00	1,229,987.66		
Less: Income tax effects	6,017,410.70	15,906,631.40	9,881,032.32	
Non-controlling interests effects (net of tax)	303,727.38	425,002.71	46,476.86	
Total	86,527,428.79	125,754,194.21	1,399,302,934.64	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable Not applicable

No such cases for the Reporting Period.

Part III Management Discussion and Analysis

I Industry Overview for the Reporting Period

Dongfang Precision operates in the "corrugated packaging machinery" industry. With the strategic vision of "intelligent manufacturing", the Company is committed to the R&D, design and production of corrugated packaging machinery, and provides customers in the industry with production lines, equipment, software and supporting services necessary for the production and processing of corrugated packaging products.

According to the Guidelines for the Industry Classification of Listed Companies of the CSRC, the Company is assigned to "Manufacturing Industry - Specialised Equipment Manufacturing Industry". According to the SWS Industry Classification Version 2021, the Company is assigned to "Machinery Equipment - Specialised Equipment - Printing and Packaging Machinery".

(I) Industry overview

1. Corrugated packaging machinery is closely related to the downstream corrugated packaging industry

Corrugated packages are very common and widely-used packaging products in food and beverage, clothing, shoes and hats, home appliance and furniture, pharmaceutical and daily chemicals, e-commerce and express and logistics industries. The consumption and production of corrugated packages are closely related to the "big consumption" industry. As consumer goods are in rigid demand in the national economy, higher economic and social development levels, better quality of life of people and higher public consumption level are the fundamental driving forces for greater demand for corrugated packages, as well as the fundamental driving forces for higher capacity of corrugated packages and greater demand for corrugated packaging machinery.

Nowadays, carbon emission reduction and carbon neutrality are the necessary solutions for global climate problems, and green circular economy is an important way to implement it. Corrugated packages are degradable, recyclable and more environmentally friendly than plastic packages. Since 2020, when China enforced the "most strict plastic ban in history", governments at all levels have introduced specific measures to reduce the use of plastic products in the packaging industry, which is expected to further promote the growth of the domestic market's demand for corrugated packages.

Compared with mature markets in Europe and the United States, the packaging industry market in China is more scattered. With the continuous improvement of concentration, continuous aggregation of market shares to medium- and large-sized enterprises and continuous improvement of the comprehensive strength of leading packaging enterprises, the demand for middle- and high-end capacity and machinery of the corrugated packaging industry market will soon grow rapidly. For economic, environmental and policy considerations, primary and secondary plants in the corrugated packaging industry prefer production lines and machinery with higher production efficiency, stability and reliability and degree of intelligence.

2. The corrugated packaging machinery industry gradually marches toward digitalization and intelligence

The development of the corrugated packaging machinery industry experienced mechanization, electrification and

automation stages, and is now heading intelligence and digitalization. After years of rises in labor price, land price and other production factor prices, as well as tightening environmental regulations and labor shortage and the epidemic shock over the past two years, the printing and packaging industry is facing the change of packaging and printing demand of terminal customers toward "small size of single batches + multiple batches + customization", and it has become a consensus that the production capacity is upgrading toward "intelligence, digitalization and automation". In the post-epidemic era, practitioners in the industry have perceived more deeply the importance of "intelligent plants" and "industrial interconnection". Leading medium- and large-sized enterprises have taken positive measures to accelerate digital and intelligent production.

As estimated, there are over 6,000 corrugator lines in the domestic market, and more corrugated box printing and packaging machinery. In the next five to ten years, these production lines and machinery will be replaced by more intelligent ones with higher production efficiency, stability and reliability.

(II) The Company's position in the industry

Medium- and high-end corrugated packaging machinery integrates servo CNC, mechanical-electrical design, machine finishing and information-based production management, and is highly technological and valuable, falling under the technology-intensive and capital-intensive industry. Since its establishment, Dongfang Precision has been targeting middle- and high-end markets. Always pursuing high product quality and excellent customer service, it has been a reliable partner for large- and medium-sized enterprises in the global corrugated packaging industry over the years.

It is estimated that the global market size of the corrugated packaging machinery industry is about RMB30 billion to RMB40 billion. Most of the first-tier manufacturers are from the United States and developed countries in Europe, including BHS (Germany) and Fosber Group (a wholly-owned subsidiary of Dongfang Precision) engaging in corrugator lines and Bobst (Switzerland), Gopfert (Germany), Dongfang Precision (China) and Dongfang Precision (Europe) engaging in corrugated box printing and packaging lines. By the size of revenue, Dongfang Precision has the overall market share of its corrugated packaging machinery business is about 10% in the global industry market, ranking first among domestic enterprises of the same type and second in the global market of the same type in corrugated packaging machinery sector.

II Principal Activities of the Company in the Reporting Period

(I) Overview

The Company's principal businesses in 2021 are as follows:

[Table 1: Principal Businesses of Dongfang Precision]

Principal business/product	Main functions and application fields
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<p>Intelligent corrugated packaging machinery</p>	<ul style="list-style-type: none"> ■ Corrugator lines. It is used for the production of corrugated boards of different specifications, and is the core and key machinery for corrugated packaging production. They are widely used in large- and medium-sized enterprises (primary and secondary plants) producing corrugated boards in the industrial chain. A corrugator line is composed of two process sections, namely wet-end equipment and dry-end equipment, independent of each other. The former makes corrugated base paper into three-layer, five-layer and seven-layer corrugated boards, and the latter longitudinally cuts, presses, transversely cuts and stacks corrugated boards as required by orders. ■ Corrugated box printing and packaging machinery. It is used to produce and process corrugated boards into corrugated boxes of different specifications as required by customers, and it includes such processes as corrugated paper feeding, printing, slotting, die cutting and box stitching. Corrugated box printing and packaging machinery is composed of the corrugated box printing line, the corrugated box printing machine and the supporting pre-printing and post-printing machines for the printing unit including the paper feeding unit, slotting and die cutting unit, waste discharging unit, box pasting and stitching unit and the counting and stacking unit. The printing and packaging machinery is the core of corrugated box production, and is widely used by all kinds of enterprises (primary plants, secondary plants and tertiary plants) that process and produce corrugated boxes in the corrugated packaging industry chain.
<p>Corrugated packaging industry Intelligent plant solutions</p>	<p>The Company has built an enterprise- and industry-level intelligent plant platform for customers in the corrugated packaging industry to help the customers realise a digital and network-based equipment layer, connect business, cash, and information flows, and promote comprehensive digitalisation of the production and operation layer, as well as data-based reasonable management and decision-making, in order to promote intelligent transformation, and enhance enterprise competitiveness in all respects.</p>
<p>Outboard power products</p>	<p>Outboard motors are a kind of detachable power units that are mounted on the stern plate of a boat to drive the boat to sail, and can be applied to boats shorter than 24m in inland rivers, lakes and coastal waters. They are widely used in water recreation, fishing, water traffic, emergency rescue, shore landing and maritime patrol.</p>

(II) Intelligent corrugated packaging machinery business

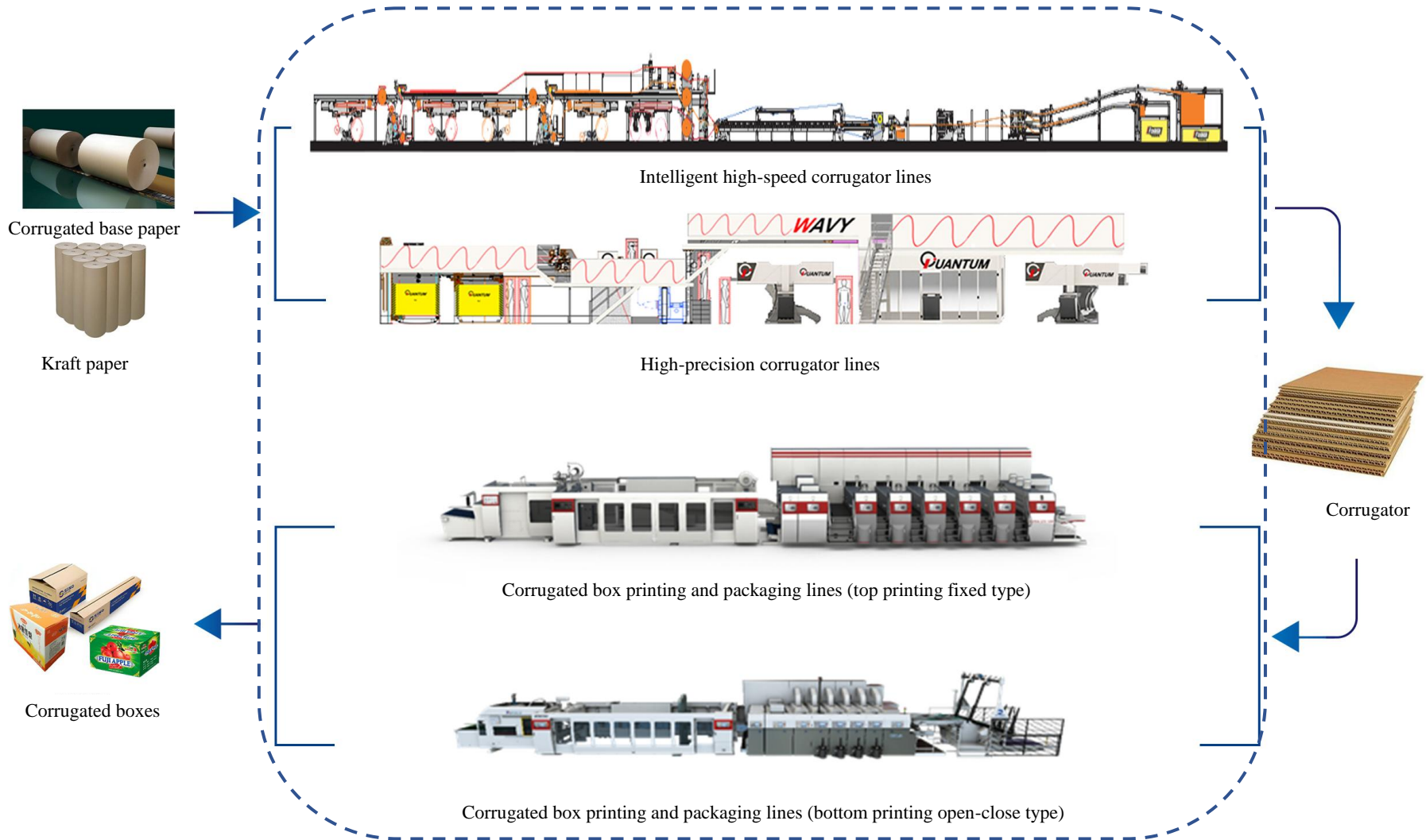
1. Overview of the intelligent corrugated packaging machinery business

The Company's core business is intelligent corrugated packaging machinery, in which it provides medium- and large-sized enterprise customers in the global corrugated packaging industry with core and key production lines and machines making up the production lines necessary for the corrugated packaging production and processing.

The Company has become a one-stop production line and machinery supplier with leading comprehensive

strength in the industry for corrugated packaging enterprise customers, and provides machinery products for the production and printing of corrugated boards and paper feeding/slotting/die cutting/waste discharging/pasting and stitching/counting/stacking of corrugated boxes of corrugator plants and corrugated box plants.

[Figure 1 Relationship between Corrugated Packaging Production and Industrial Value Chain and the Company's Intelligent Corrugated Packaging Machinery Products]



2. Main products in intelligent corrugated packaging machinery business

(1) Corrugator lines

The Company's corrugator line business is mainly operated by the wholly-owned subsidiary Fosber Group (consisting of Fosber Italy, Fosber America, QCorr, Tiru ña Group, etc.) and the holding subsidiary Fosber Asia.

The subsidiary Fosber Group owns S-Line, C-Line and Quantum-Line products, and its main customer groups are in Europe, North America and Latin America. The subsidiary Fosber Asia owns Pro-Line and E-Line products, and its main customer groups are in China, Southeast Asia and South Asia.

The Company's middle- and high-end corrugator line products are ahead of those of domestic brands of enterprises of the same type in overall performance including velocity, width, intelligence, precision and stability, and run stably and are provided with good technical support, being greatly competitive in the global industry market.





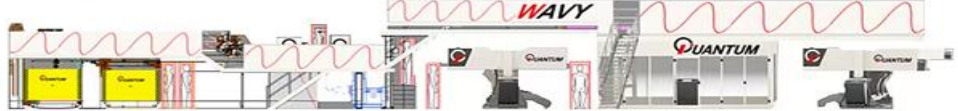


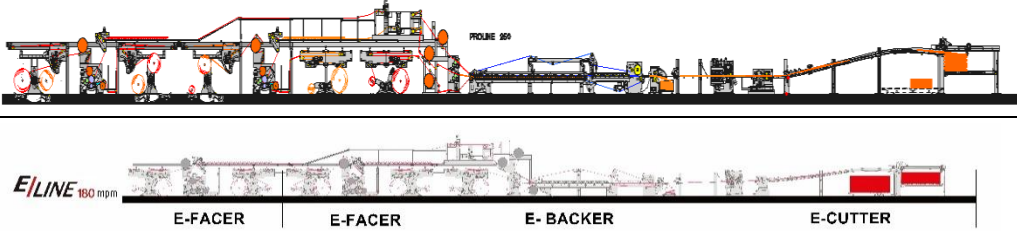


(2) Corrugated box printing and packaging lines

The Company's corrugated box printing and packaging line business is mainly operated by Dongfang Precision (China) and Dongfang Precision (Europe).

Dongfang Precision (China) owns integrated corrugated box printing and packaging line products including Dongfang Star I top printing fixed type FFG inline, Dongfang Star II top printing open-close type FFG inline, Super Star I bottom printing die cutter stripper vacuum stacker converting line, Super Star II bottom printing open-close type FFG inline and Super Star III bottom printing open-close type/FFG & stitcher line, covering different types and specifications as fixed type/open-close type and top printing/bottom printing. Besides, Dongfang Precision (China) also sells the main assemblies of the integrated line products up to dozens of different specifications, as well as corrugated box printing and packaging machinery products of different market positioning. Its integrated line products and single machine products are marketed in over 30 countries and regions in Europe, America, Asia, Africa, Latin America and Oceania.

Dongfang Precision (Europe) owns high-end integrated corrugated box printing and packaging lines including FD quickset top printing FFG inline and HGL quickset bottom printing FFG inline and quickset bottom printing FFG/die cutter stripper line, and sells them in the European market. These lines can feed paper without crushing and be separately controlled by the servo, is fully automatic, and is capable of high-resolution printing. Besides, it also sells pre-printing and post-printing machines of different specifications that are applicable to integrated line products, including paper feeders, waste dischargers, intelligent stackers and folder gluer.




[Table 2 Main Product Matrix of the Intelligent Corrugated Packaging Machinery Business of Dongfang Precision - Corrugator Lines]



Product type	Brand	Product image	Main characteristics
Corrugator lines			Width: 2.5m to 2.8m; Velocity: 250 to 470m/min Pro/Care, Pro/Quality, etc. Industrial Production Information System 4.0
			
			Width: 1.8m to 2.5m; Innovation Compact body and high flexibility More suitable for the production of light corrugated boards
			
			Width: 2.2m to 2.8m; Velocity: 180 to 320m/min
			The world's top three professional suppliers of corrugating rolls and pressure rolls, with leading processing and tungsten carbide processing

technologies

[Table 3 Main Product Matrix of the Intelligent Corrugated Packaging Machinery Business of Dongfang Precision - Corrugated Box Printing and Packaging

Lines]

<i>Product type</i>	<i>Brand</i>	<i>Product image</i>	<i>Main characteristics</i>
<i>Integrated</i>		<p>Dongfang Star I top printing fixed type FFG inline</p> 	<p>Top printing fixed type Full servo control Model change without suspension 2min quick order change Energy-saving, efficient and intelligent</p>
		<p>Dongfang Star II top printing open-close type FFG inline</p> 	<p>Top printing open-close type Servo motor control Require only 2 to 3 operators for one integrated line</p>

<i>Product type</i>	<i>Brand</i>	<i>Product image</i>	<i>Main characteristics</i>
<p><i>corrugated box printing and packaging lines</i></p>		<p>Super Star I bottom printing die cutter stripper vacuum stacker converting line</p> 	<p>Efficient, stable, thorough cleaning</p> <p>Accurate counting and automatic stacking</p> <p>Suitable for special-shaped boxes, machine-packed boxes and pre-printed boxes, and can cut dies by continuous clicks once after being powered on, which solves the industry pain point</p> <p>Require only 2 to 3 operators for one integrated line</p>
		<p>Super Star II bottom printing open-close type FFG inline</p> 	<p>A professional die cutter FFG line</p> <p>Suitable for efficient production of boxes requiring slotting or die cutting</p> <p>Servo motor control</p> <p>Require only 2 to 3 operators for one integrated line</p>

<i>Product type</i>	<i>Brand</i>	<i>Product image</i>	<i>Main characteristics</i>
<p><i>Integrated corrugated box printing and packaging lines</i></p>	 <p>东方精工 DONGFANG PRECISION</p>	<p>Super Star III bottom printing open-close type/FFG & stitcher line</p> 	<p>A well-established bottom printing FFG & stitcher All-in-one control and easy operation One machine for multiple purposes supporting order changes Fewer processes and lower labor costs</p>
	 <p>EDF EUROPE</p>		<p>High-end bottom printing fixed type line Driven by spindle servo Quick order change Complete pre-printing and post-printing supporting units</p>
			<p>High-end bottom printing open-close type line Servo motor control Require only 2 to 3 operators for one integrated line</p>

3. Business model of intelligent corrugated packaging machinery business

A. R&D model

Both the corrugator line business represented by the subsidiaries Fosber Group and Fosber Asia and the corrugated box printing and packaging machinery business represented by Dongfang Precision (China) and Dongfang Precision (Europe) are equipped with industry-leading independent design and R&D capabilities.

The Company keeps building a high-level R&D innovation management mechanism, and has an R&D team composed of industry-leading experts, and secure the leading position of its technology in the industry with long-term and short-term product R&D plans, market-oriented R&D mechanism and refined R&D talent incentive policies.

B. Procurement and production model

The Company purchases steel plates, metal components and electric components from external suppliers, while producing core machining components and corrugating rolls by itself.

It produces most of the machinery products according to orders, and purchases raw materials from suppliers, compiles annual, quarterly and monthly production plans and reasonably arranges production according to sales contracts and raw materials on hand only after receiving customers' orders and requiring customers to pay part of the down payment. In production and operation management, the Company promotes "lean production" to accurately control BOM costs and manufacturing costs and continuously improve operational efficiency.

In general cases, orders of corrugator lines will be delivered in 4 to 6 months, and orders of corrugated box printing and packaging machinery will be delivered in 2 to 3 months.

C. Marketing model

In terms of the marketing method, the Company sells products through direct selling and distribution. In the domestic market, the Company sells products through direct selling. In overseas markets, the subsidiaries Fosber Group and Fosber Asia sell through direct selling and Dongfang Precision (China) and Dongfang Precision (Europe) sell through agency distribution in some overseas markets.

Direct selling allows the Company to directly face customers to ensure accurate demand information, prompt information transmission and information feedback to the Company's R&D and production departments, so that customers can be timely provided with overall solutions. Due to the complexity of products, the Company has an outstanding after sales service team that is responsible for on-site installation, commissioning, training and after sales services, which can provide 7*24h prompt response and support as required by customers.

In terms of the types of products being sold, the Company sells production lines, single machines, accessories, software and services. Integrated lines and single machines are sold only once, and the amount of each sale is large. Accessories, software and services are sold multiple times during the lifecycle of machines.

In the industry market, the continuously increasing holding of the Company's machinery boosts ceaseless sales of the Company's accessories, software and services, and high-quality technical support and services drives the sales of production lines and machines, which is fully evidenced by the high re-purchase rate of the Company's middle- and high-end machinery products, so the two support and facilitate each other.

In terms of the settlement method of sales payment, the Company enjoys a high brand awareness and superior bargain power in the industry, so it collects down payment in advance and payment by stages for the sales of corrugator lines and corrugated box printing and packaging machinery products. In general cases, 80% to 90% of the sales payment can be collected upon the delivery of products.

(III) Overall solution business for intelligent plants in the corrugated packaging industry

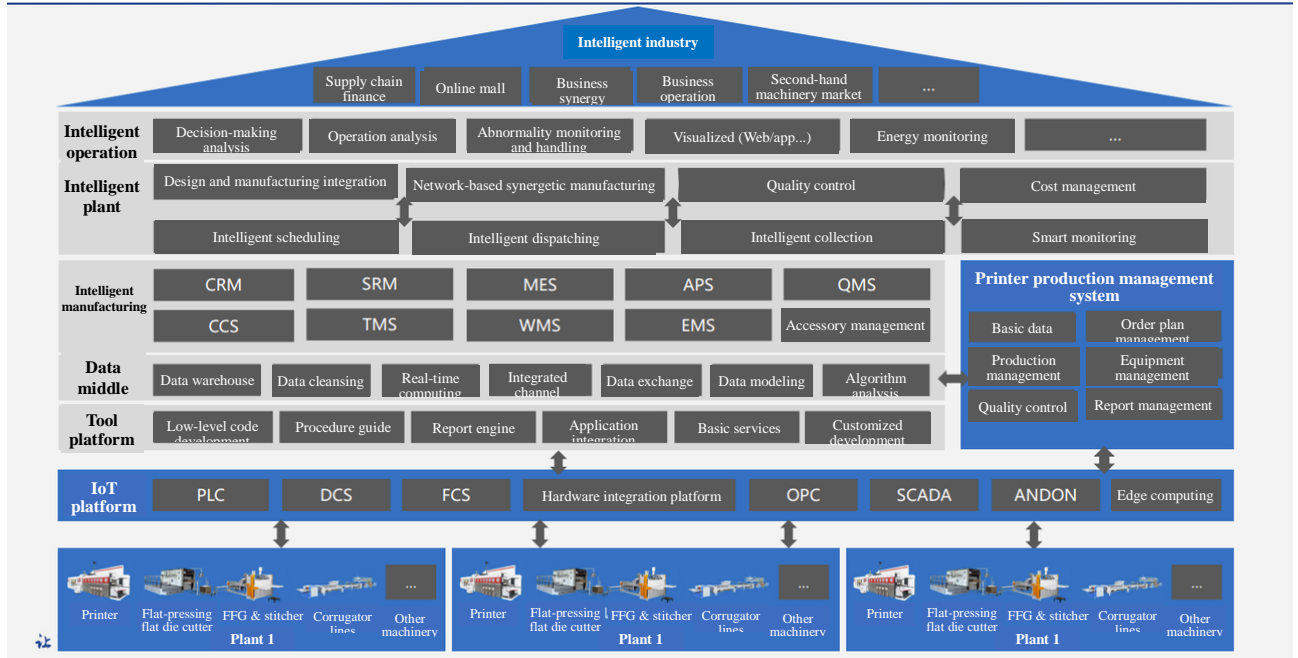
Dongfang Digicom, established in 2020, is the key carrier of the implementation of the Group's "digitalisation and intellectualisation strategy". Adhering to the purpose and mission of "making the industry more intelligent and manufacturing simpler" and with the vision of "to become a world-leading supplier of overall solutions of intelligent plants and industrial Internet services in the packaging industry", it is specialized in building an enterprise-level and industry-level industrial Internet platform for the corrugated packaging industry that integrates new information technologies including IoT, cloud computing, big data, 5G and AI.

Aiming at the current situation that most domestic corrugated packaging enterprises are poorly capable of production resources integration and in labor shortage, have unreasonable workshop layout and have a large room for production efficiency improvement, the intelligent logistics business team of Dongfang Digicom provides corrugated packaging enterprises in China with tailor-made intelligent logistics solutions for intelligent plants based on years of profound experience in global and domestic industry markets and ERP, APS, WMS/WC and MES technologies and in combination with advanced international technical concepts and the distinctive characteristics of the carton packaging market in China.

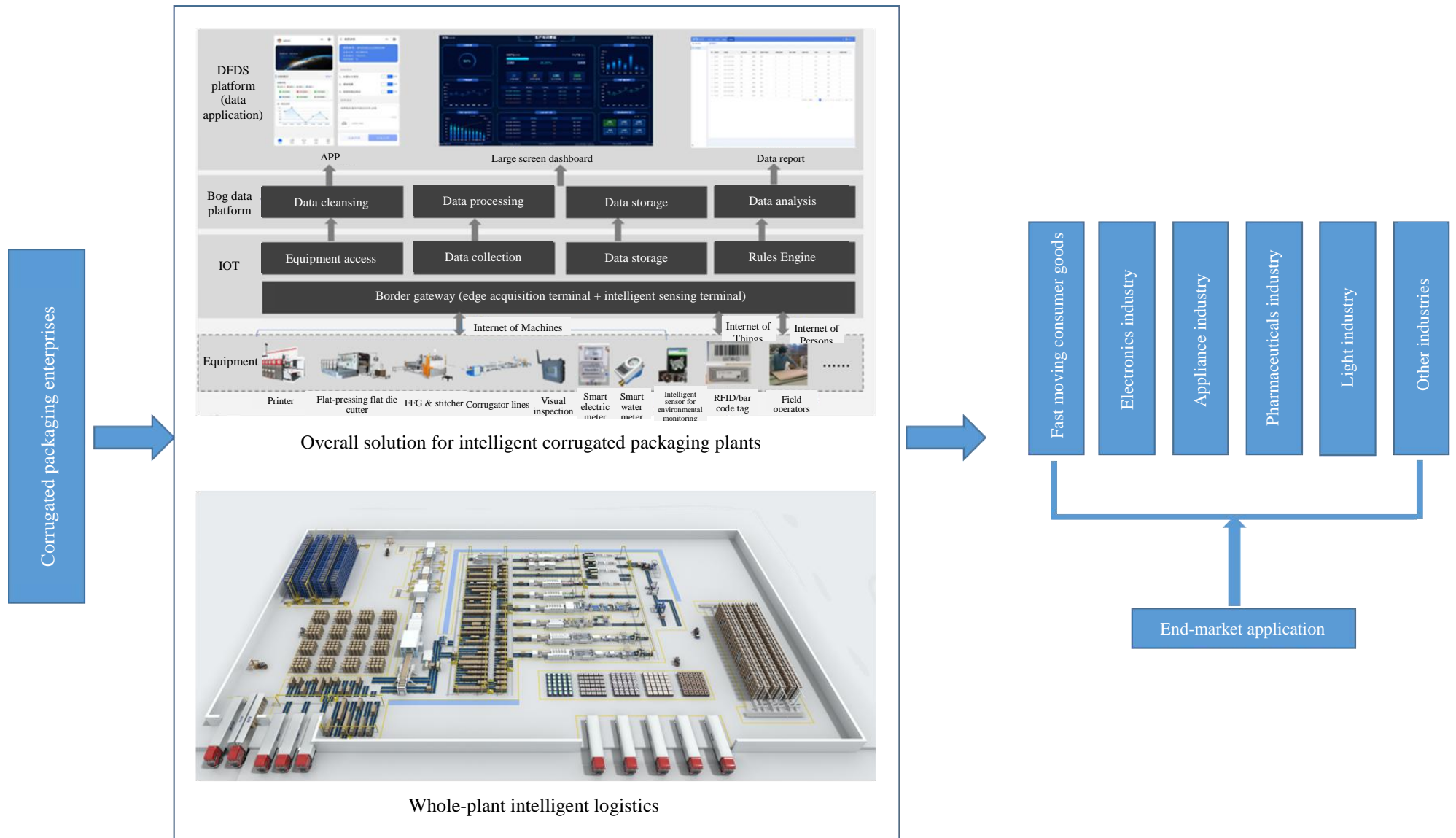
The Company enjoys a whole-industrial-chain layout in the corrugated packaging machinery sector, and the most complete and rich product base in the industry. With nearly 30 years of profound experience in Know-How in the corrugated packaging machinery sector, it is the firm foundation and solid support for Dongfang Digicom. With an unswerving strategic focus, the Company continues resources input and import of talents specialized in

industrial Internet, and has developed the unique and core technical R&D force of Dongfang Digicom to output solutions with completely independent intellectual property rights.

Figure 2 Dongfang Digicom's Overall Solutions for Intelligent Plants in the Corrugated Packaging Industry



[Figure 3 Application Model of the Overall Solution Business for Intelligent Plants in the Corrugated Packaging Industry]





(IV) Outboard power product business


The subsidiary Parsun Power mainly engages in the design, R&D, production and marketing of outboard motors, and is committed to becoming a world-class outboard power supplier. Parsun Power is the leading enterprise in the outboard motor industry in China, and enjoyed the first market share in the industry from 2018 to 2020.

1. Industry situation and market position of Parsun Power

Parsun Power falls under the outboard motor industry in the marine auxiliary equipment industry. Outboard motors are the key equipment for small- and medium-sized ships, and are widely used in water recreation, fishing, water traffic, emergency rescue, shore landing and maritime patrol, as shown below:

[Table 4 Fields and Scenarios of the Application of Outboard Motors]

Field of application	Specific scenario	Legend
Recreational	Recreational fishing, recreational sailing and recreational water sports	
Commercial	Fishing, water traffic and waterway maintenance	

<p>Official and military</p>	<p>Emergency rescue and maritime patrol Beach landing and water reconnaissance</p>	
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According to the report by Global Market Insights Research Private Limited, the size of the global outboard motor market in 2020 was USD9,105 million, which is expected to reach USD13,191 million by 2027, with a compound annual growth rate of 5.04% from 2021 to 2027. In 2020, the size of the outboard motor market in China was USD228 million, which is expected to reach USD424 million by 2027, with a compound annual growth rate of 8.91% from 2021 to 2027, significantly higher than that 5.04% of the global market.

Worldwide, the outboard motor industry is dominated by Japanese and American brands, including Yamaha, Japan (an outboard motor brand under Yamaha Motor) and Mercury, USA (an outboard motor brand under Bentfield Group).

China has become one of the world's fastest-growing outboard motor markets owing to its rapid economic growth and changing recreational habits. With the rise of domestic brands represented by Parsun Power, domestic substitution has gradually become one of the mainstream trends in the development of the outboard motor industry in China, and there is a broad market space for domestic substitution.

Meanwhile, with the increasing attention to global environmental protection and climate changes and the implementation of China's carbon emission reduction and carbon neutrality policies, the global development trend of outboard motor products toward medium- and high-horsepower and new-energy ones is more and more definitive.

After years of development, Parsun Power has become a leading enterprise among domestic outboard motor brands, its market share has been ranking the first nationwide for years, and its products are being exported to tens of countries and regions in Europe, Africa, Oceania, South America, North America, the Middle East and Southeast Asia. Parsun Power has realized a complete product line layout of "gasoline-diesel-electric power", and has been marching toward high-horsepower diesel outboard motors and electric outboard motors with its years of

experience in products and technology and leading market share in the field of petrol outboard motors. In the future, it will raise funds through a spin-off listing, and will improve its core competitiveness to become a professional supplier of aquatic power products in China with global competitiveness.

2. Main products of Parsun Power in outboard motor business

Parsun Power provides outboard motor products from 2hp to 115hp. The output power of an outboard motor increases with its horsepower, so as the size or velocity of the boat assembled to it.

By the source of engine power, outboard motor products of Parsun Power are divided into gasoline outboard motors, electric outboard motors and diesel outboard motors.

Gasoline outboard motors enjoy the most abundant specifications and varieties. Parsun Power has accumulated years of industry experience in the field, and has had a number of proprietary technologies and applied them to products.

In recent years, Parsun Power has developed medium- and high-horsepower outboard motors leading the Chinese market and with domestic substitution characteristics, has achieved mass production of the maximum 115hp gasoline outboard motors, and has successfully broken the long-term monopoly by international well-known brands in the 115hp sector. With stable and reliable quality of its 115hp gasoline outboard motors, Parsun Power has won more and more product orders in Europe and China, contributing to domestic substitution of medium- and high-horsepower outboard motors and the improvement of the global market share of domestic brands. After successfully conquering the 115hp gasoline model, Parsun Power's R&D team marches toward higher-horsepower models, and strives the make domestic-brand high-horsepower outboard motors take a place in the global competition of the high-horsepower outboard motor market.

Electric outboard motors are powered by batteries. They convert electric power into kinetic power through motors, and are characterized by zero emissions, low noise and easy operation, and are mainly used in scenic spots and other sectors requiring stricter environmental protection. Parsun Power's electric outboard motors are divided into 7hp motors and 9.9hp motors, which are being sold in developed countries such as the United States.

Diesel outboard motors not only retain the characteristics of easy assembly, easy maintenance and easy operation of gasoline outboard motors but also enjoy the advantages of fuel saving, lower emissions, greater torque and being safer, more reliable and easier for maintenance, which are mainly used in commercial transportation and public law enforcement. Parsun Power now has diesel outboard motors, and is selling the high-horsepower outboard motors of 150hp to 300hp of OXE Marine (a Swedish brand) in the domestic market.

In general, Parsun Power's outboard motor products have stable quality and reliable performance, and some of them enjoy the comprehensive performance comparable to that of internationally well-known brands and emissions reaching European and American standards. In the future, Parsun Power will focus on high-horsepower outboard motors, enrich electric outboard motor production lines, continuously optimize the product structure of outboard motors, and consolidate its leading position among domestic outboard motor manufacturers.

3. Business model of Parsun Power's outboard motor business

Parsun Power runs its outboard motor business through "Design and R&D + Production + Marketing". In terms of sales model, Parsun Power gives priority to distribution, with direct selling as a supplement.

III Core Competitiveness Analysis

In the Reporting Period, the Company had no significant adverse changes in its core competitiveness. Analysis of the Company's core competitiveness is as follows:

(I) Complete layout in the corrugated packaging machinery industry chain and the most complete and richest product portfolio in the industry

Among enterprises of the same type in the domestic corrugated packaging machinery industry, Dongfang Precision has the most complete and comprehensive industry chain layout, with its business covering almost all key processes in the corrugated packaging production and processing business chain. A full-coverage layout in the corrugated packaging production and processing value chain has been established.

Processes in the corrugated packaging production and processing value chain covered by the Company's business units include:

1. Corrugator production:

Fosber Group, Fosber Asia and QuantumCorrugated are the business units of the Company engaging in it. They serve large- and medium-sized enterprises in domestic and foreign corrugated board production and processing industries, and supply middle- and high-end corrugator line products of different specifications, different types and different market positioning.

Fosber Group has middle- and high-end corrugator lines and leading industrial Internet technologies in the front rank of the global industry market, and also has corrugating roll production lines and high-speed corrugator lines suitable for industrial digital printing, having a complete industrial layout in the core production line and machinery sector in the field of corrugator production and processing.

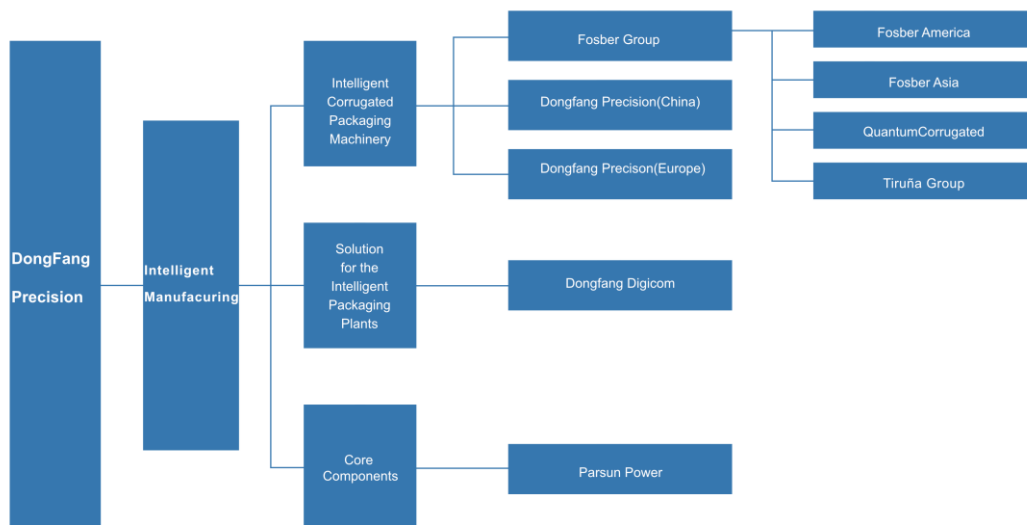
Specifically, Tiruñá Group, a subsidiary of Fosber Group, is a time-honored, prestigious and professional corrugating roll supplier in Spain, and its corrugating roll products are one of the key components of corrugator lines, and QCorr, another subsidiary of Fosber Group, has the independently-developed Quantum high-speed corrugator line that has the unique design fitting the embedding of industrial digital printing technology.

2. Corrugated box printing and packaging: Dongfang Precision (China) and Dongfang Precision (Europe) are the business units of the Company engaging in it. They serve domestic and foreign corrugated box production and processing industry markets, and supply middle- and integrated high-end corrugated box printing and packaging lines and single machine products covering all units and all specifications of the production lines. In terms of corrugated box printing and packaging machinery, Dongfang Precision's products are divided into fixed type/open-close type, top printing/bottom printing and integrated line/single machine products, and has the richest product portfolio among domestic enterprises of the same type.

3. Overall solution for intelligent corrugated packaging plants: Dongfang Digicom is the business unit of the Company engaging in it. It provides customers in the corrugated packaging production and processing industry market with the overall solution for intelligent plants covering order management, production management, cost analysis, intelligent decision-making, intelligent logistics and supply chain management and equipment management, as well as the solution for intelligent whole-plant logistics.

With the full-coverage industry chain layout, the Company has the most complete and richest corrugated packaging line and machinery product portfolio in the industry, making it capable of meeting the demands for integrated line and single machine products of different market positioning, different customer types and dozens of specifications and models, second to none in China.

Figure 4 Business Divisions and Entities of Dongfang Precision



(II) Industry-leading technology level and capability of continuous R&D and innovation

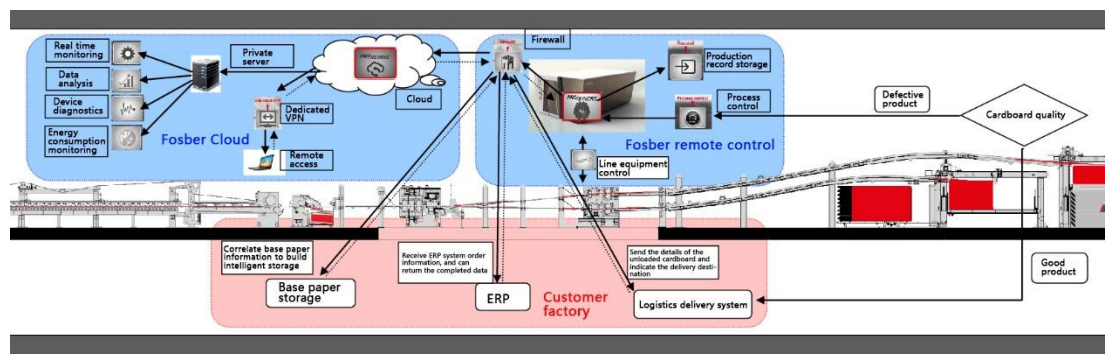
The Company's overall R&D strength and technology level are at the forefront among domestic enterprises of the same type, with 284 technicians specialized in R&D. As at 31 December 2021, the Company was holding nearly 300 licensed patents at home and abroad. In 2021, the Company was awarded the Provincial Industrial Design Center of Guangdong and the Provincial Demonstration Enterprise of Intellectual Property Right in Guangdong.

Its subsidiary Fosber Group is one of the two companies with the strongest comprehensive technical strength in the field of high-speed and wide corrugator lines worldwide. Fosber's middle- and high-end corrugator lines are internationally leading in the industry in velocity, width, precision, stability, reliability, failure rate and intelligence, and its high-technology-content and high-quality machinery products and technical support services have won the praise of domestic and foreign enterprise customers.

In the course of design and R&D of high-end corrugator lines, Fosber Group proactively practices the industrial Internet technology and applies sensors, VR, big data and algorithms, and has launched the PRO information-based intelligent production management system for corrugator lines with tens of years of Know-How experience in the middle- and high-end corrugator line industry, realizing full automation and intelligence of the whole process of corrugator production and processing. Through over 200 sensors in corrugator lines, it monitors the temperature, humidity, heat, folds and other data of corrugator lines in real time, and also monitors the dashboard dynamically in the production process. Through data-based production performance

analysis and cost analysis, it helps customers improve production efficiency. Through the self-diagnosis system, it identifies abnormal operations and sends alerts, and searches solutions in the database and outputs the solutions automatically. Through the "big data analysis system" module, it collects real-time data in the corrugator production process through sensors, outputs recommended configuration parameters and improvements through algorithm analysis, and helps customers improve the effectiveness of production process control.

Figure 5 How Fosber Group's PRO Information-based Intelligent Production Management System Works



The subsidiary Parsun Power is committed to independent R&D and innovation of China-made outboard motors, and is a state-level "Little Giant" enterprise with specialties, refined management, unique technologies and innovation, a national high-tech enterprise, the Provincial Outboard Motor Engineering and Technology Research Institute of Jiangsu, a technology center recognized by Jiangsu Province, a leading enterprise in China's internal combustion engine industry and a council member of the Small Gasoline Motor Branch of China Internal Combustion Engine Industry Association. Its outboard motor products have won the Certificate for Industrialization Demonstration Program under the National Torch Plan and honors including Innovative Products in Chinese Machinery Industry, Products of Well-known Brands in Jiangsu, and Products of Well-known Brands in Suzhou.

Parsun Power has been developing in the outboard motor industry for over ten years, and has had a number of China-leading core technologies and accumulated rich scientifically innovative achievements after long-term R&D input and technical accumulation. As at the end of the Reporting Period, it has got 53 licensed patents and won two second prizes of the China Machinery Industry Science and Technology Award, and is one of the main drafters of two industry standards including *Outboard Gasoline Engines- General Requirements* (JB/T 11875-2014) and *General Technical Specification of Outboard Engine* (CB/T 4505-2020). In 2021, Parsun Power successfully realized the mass production of 115hp outboard motors, breaking the long-standing monopoly of internationally well-known brands in the 115hp sector.

(III) Profound Know-How experience and experienced team in the industry

Dongfang Precision has an experienced team with profound Know-How experience in the industry, which has 20 years of experience in both global and domestic industry markets and has an in-depth understanding of the Company's industrial layout, development planning, R&D approach, production operation, marketing and team management. The core management team has a broad vision, can promptly keep up with the general development trend of the intelligent corrugated packaging machinery manufacturing industry, and can enable the Company to achieve steady and sustainable development through forward-looking strategic planning and layout.

As an enterprise that practices the management model of professional manager team and attaches great importance to authorization management, Dongfang Precision takes "a wealth of talents" and "cultural orientation" as the basis of its corporate strategy and corporate culture, and develops its organizational capacity, improves the Group's control over all business units and subsidiaries and integration of resources and assistance and aid, improves the Group's overall operational efficiency and reduces the Group's operation cost and promotes the Company's healthy and sustainable development by optimizing the organizational structure design, standardizing the authorization and control system, implementing medium- and long-term incentives and further developing the corporate culture.

(IV) High brand popularity and customer recognition in the industry worldwide

Dongfang Precision corrugated box printing and packaging machinery, Fosber corrugator lines, Tiru ña corrugating rolls, Quantum corrugator lines and Parsun outboard motors of the Company are enjoying considerable brand recognition and industry influence at home and abroad.

The Company has become an influential enterprise in the industry, as evidenced by its honors like the "Top 500 Private Manufacturers of China", the "Champion in Single Aspect", and the "Leader in Industry Segment".

In the business segment of "intelligent corrugated packaging machinery", the Company has established good partnerships with domestically leading enterprises in the corrugated packaging industry including Nine Dragons Paper, Shanying Intl, Yuen Foong Yu, HXPP, MYS, XTL, Great Shengda, Forest Packing Co., Ltd., UCPS and Zhengye International, and large international groups in the corrugated packaging industry including International Paper, Smurfit Kappa, DS Smith, APP Sinar Mas and Mpact.

With the constant growth in concentration and the continuous upgrading of capacity in the downstream industry, large- and medium-sized packaging enterprises will need more solutions for intelligent plants as well as middle- and high-end production lines and machinery. The Company has seized opportunities and formed a better

competitive edge by virtue of its stable business partnership during the above industry changes.

(V) Global layout of business assets

The Company mainly serves customers in the corrugated packaging industry worldwide, and has realized the global layout of its business assets:

In Asia, the Company has three domestic R&D and production bases in Foshan, Suzhou and Shenzhen, in Europe, it has R&D and production bases in Lucca, Bologna and Milan, Italy, and Pamplona, Spain, and in North America, it has a production base in Green Bay, Wisconsin, USA. With such a layout in the three continents, the Company has formed a global marketing and service network.

An internationalized marketing and service network enables the Company to seize all opportunities in the global industry market and to provide product machinery and technical services for customers in the industry in over 100 countries and regions worldwide.

An internationalized product R&D, production and supply chain layout enables the Company to make prompt responses worldwide and meet customer demands, and is conducive to the Company's integration of global resources, improvement of resource allocation efficiency, complement of advantages, reduction of the total cost and improvement of the allocation efficiency, so that the Company can be generally competitive in the world when it is operated as a group.

Figure 6 Global Layout of the Company's Business Assets and Marketing Network



(VI) Strong strategic control and integration of business segments

Since listing, the Company has been making full use of the platform of listed companies to carry out industrial mergers and acquisitions of appropriate subject matters in the corrugated packaging machinery industry chain. The Company attaches great importance to post-investment integration. Over the years, the Company has

developed strong strategic control and integration of its business segments through successful practices in acquiring target companies in the corrugated packaging machinery industry chain, and has accumulated rich experience in control and integration.

Strategic control is the core capability that the Company relies on to manage its various business entities. After years of practice, the Company adjusted the strategic development plans, business models, product mixes, market strategies and core management teams of the target companies acquired with its in-depth understanding of the industry, forward-looking foresight to the development trend of the industry, clear awareness of its strategic development objectives and a well-established understanding of the capabilities and resources of all its business entities, so that these companies can be energized for new growth and step on a new development stage.

In terms of post-investment integration, the Company has formulated the legal person governance standardization policy, the "three-board" operation mechanism and the strategic and financial control system, and implemented decentralized authorization management, complete audits and management incentives, forming a set of measures for integrated and effective post-investment control to secure the effective implementation of the strategic plan.

In 2014, the Company acquired the shareholding right of Fosber Group, and took a number of effective measures in the acquisition, helped Fosber Group adjust its strategic plan and business strategy and standardize the authorization management system, and implemented the performance incentive policy and strengthened financial control over the core management. Such measures have successfully stimulated Fosber Group's business vitality. From 2015 to 2021, the compound annual growth rate of the operating revenue of Fosber Group was about 14%, and the same of its net profit was 30%.

In 2015, the Company acquired the shareholding right of Parsun Power, helped Parsun Power streamline and adjust its strategies, develop the new development roadmap, increase inputs in technology, products and R&D, strengthen the marketing force, and improve the efficiency of the supply chain and production. It also supported Parsun Power to introduce excellent talents for a more powerful core team. These measures enabled Parsun Power to realize continuous and stable growth. From 2017 to 2021, the compound annual growth rate of the operating revenue of Parsun Power was about 20%.

In 2019 and 2020, the Company acquired the relevant business assets of Tiruñã Group, a nearly century-old corrugating roll manufacturer, and those of Agnati, a once splendid Italian corrugator line manufacturer. The Company fully streamlined the development strategies, R&D systems, product sequences, marketing and team

building of these two companies, based on which it adjusted and optimized the business strategies and output management, effectively stimulating the vitality of the two old European companies and the enthusiasm of their manager teams. The operating revenue and profit of the two companies significantly increased in 2021 compared with the same period in the previous year.

Relying on its strong strategic control and integration of business segments, based on "mutual respect and mutual trust" and with an open mind seeking common ground while putting aside differences, the Company effectively integrated all its business entities and continuously released the synergy with the industry chain, and has become a successful example among domestic private enterprises in integration after domestic and foreign industrial mergers and acquisitions. The valuable experience and accumulation in industry chain mergers, acquisitions and integrations lay a solid foundation and provide strong support for the Company to promote the implementation of the five-year strategic planning and realize steady and sustainable development.

IV Core Business Analysis

(I) Overview

In 2021, the world economy was in gradual recovery, while China's economy experienced strong growth, with GDP up by over 8% year-on-year, exceeding RMB100 trillion for the second consecutive year. And investments in the manufacturing sector and high-tech industries grew well in the country.

2021 marked the first year of China's "14th Five-Year Plan". Under the strong leadership of the Board of Directors and the management team, Dongfang Precision took active actions and seized opportunities to promote the steady and sound development of all the business divisions.

In 2021, the Company recorded operating revenue of approximately RMB3,524 million, up by 20.86% year-on-year, and a net profit attributable to its shareholders of approximately RMB467 million, up by 20.08% year-on-year. In the Reporting Period, the Company recorded basic earnings per share of RMB0.35/share, up by 34.62% year-on-year, and weighted average return on equity of 11.72%, up by 5.52% year-on-year.

(II) Analysis of the performance of the business divisions in the Reporting Period

In the Reporting Period, the main business divisions of the Company and the changes in their operating revenue are as follows:

[Table 5 Operating Revenue of the Three Main Business Divisions of Dongfang Precision 2021Vs2020]

Business division	Operating revenue in 2021 (RMB'0,000)	Operating revenue in 2020 (RMB'0,000)	Change (%)
Corrugator lines	252,217.41	215,017.30	+17%
Corrugated box printing and packaging lines	66,275.31	50,730.87	+31%
Outboard power products	46,873.16	34,622.82	+35%

1. The division of corrugator lines: The trend of steady development continued, and the business quality steadily improved

The business entities of the corrugator line division include the wholly-owned subsidiary Fosber Group (including Fosber Italy, Fosber America, QCorr and Tiru ña Group) and the holding subsidiary Fosber Asia.

The corrugator line division is an important component of the Company's core corrugated packaging machinery business, contributes to the majority of the Company's total revenue from principal business, and has been steadily growing for consecutive years. From 2018 to 2021, the compound annual growth rate of the operating revenue from it was about 16%.

(1) Fosber Group

Fosber Group's businesses, assets and team members are located in Europe and the United States. All member companies adopt localized management and operation, and have their product design, development and production and manufacturing in local regions in Europe and the United States. Their main products are corrugator lines and corrugating rolls of different market positioning, and their finished products are eventually used for the production and processing of corrugated packaging products of different models.

Corrugated packages are rigid consumer goods in European and American countries. The official introduction of the plastic ban in Europe in July 2021 accelerated the development of the era of "replacing plastics with paper" in the packaging industry in European and American countries. Amazon and other companies had pledged to use cardboard boxes instead of one-off plastic packages in Europe. The increase in the demand for

corrugated packaging products in Europe and America will be conducive to the increase in the demand for corrugated packaging lines and production machinery.

Since most of the downstream end users of foreign subsidiaries are in the daily consumer goods industry, so the business is less negatively affected by geopolitics, international trade and other factors, which together with product characteristics of high-tech, high quality and high stability and world-leading technical support services, enable the Company to realize steady and sustainable development in the global market.

In 2021, the monetary policy in American and European countries continued to get loose, and the macroeconomy recovered. Benefiting from these positive changes, Fosber Group recorded growth in both the operating revenue and number of orders, with the overall business quality and internal synergy steadily improving.

In 2019 and 2020, Fosber Group acquired the relevant business assets of Tiruñã Group, a nearly century-old high-end corrugating roll and pressure roll manufacturer, and those of Agnati, a once splendid Italian corrugator line manufacturer. A series of post-investment integration, operational adjustment, and other measures were taken after the acquisitions, and the acquisitions bore fruits in 2021: The operating results of Tiruñã Group and QCorr both improved from the same period last year, the order sales of Tiruñã Group's corrugating roll products grew year-on-year, positive progress was made in the order sales of QCorr's Quantum high-speed corrugator lines and the operational efficiency of the two companies was improved.

(2) Fosber Asia

In 2021, the subsidiary Fosber Asia took full advantage of development opportunities and increased its business development efforts in the domestic and Southeast Asian markets. Coupled with the impact of the low performance base under the pandemic in the same period last year, its operating results grew significantly year-on-year. In the same year, the Company increased its shareholding in Fosber Asia, with the shareholding up to 89.2% from 56.4%.

Fosber Asia's Pro-Line and E-Line corrugator lines are developed based on the characteristics of customer demands in Chinese and Southeast Asian industry markets, and are produced in the plants located in Nanhai District, Foshan City, with the import substitution rate of parts standing at around 90%. Fosber Asia has established a stable supply chain system in China. Taking full advantage of China's industry chain and supply chain advantages with the most complete industrial categories and the most complete supporting facilities in the world, Fosber Asia is able to provide industrial customers in the Chinese and Southeast Asian industry markets

with high-quality and high-end corrugator line products made in China.

In the Reporting Period, the number of orders and shipments of Pro-Line products grew rapidly. In 2021, all orders on high-end lines had been delivered to industry-leading downstream customers, and the first batch of customers in the Chinese market placed new orders on the same products, proving that the products and services were recognized by customers in the industry. Positive progress has also been made in market expansion in Southeast Asia, and orders on integrated lines have been delivered to customers in the industry in Thailand and India.

With the successive launch of its new middle- and high-end intelligent corrugator lines made in China and the continuous growth of its market share in China and Southeast Asia, Fosber Asia is expected to have positive growth of operating results in the next few years. The Company's increase of its shareholding in Fosber Asia fully shows its confidence in the development of Fosber Asia.

2. The division of corrugated box printing and packaging lines: The total operating revenue rapidly grew year-on-year

In 2021 and in corrugated box printing and packaging machinery business, Dongfang Precision (China) overcame difficulties including rising prices of shipping positions, fluctuating prices of raw materials and limited traffic due to the pandemic, and saw steady growth of operating revenue and number of orders. In the year, it steadily promoted its cooperation with large- and medium-sized customers in the downstream industry, such as Shanying Intl, MYS, HXPP, XTL and Great Shengda, first sold its machinery in several emerging market countries along the Belt and Road Initiative, and had rapid growth of sales of its machinery in Asian markets outside China. A good and stable momentum of growth was also maintained in parts and service sales business.

In 2021, Dongfang Precision (Europe) made positive progress in the expansion of the American and African markets while consolidating its market share in Europe, with its high-end corrugated box printing and packaging machinery highly recognized by large- and medium-sized enterprise customers in Europe and America.

3. The division of outboard power products: The sales of products grew rapidly and the business efficiency continued to improve.

In 2021, the subsidiary Parsun Power saw rapid year-on-year growth in the number of orders and shipments of outboard motors and general utility small gasoline motor products owing to the continuously increasing demand for water recreations of overseas countries during the pandemic.

Parsun Power actively seized market opportunities, intensified its marketing to domestic and foreign customers, continuously increased R&D input and optimized the product structure. In the Reporting Period, Parsun Power saw an increase of over 50% year-on-year in the sales revenue from medium- and high-horsepower outboard motors, realized the mass production of independently-developed 115hp gasoline outboard motors, and broke the long-term monopoly of internationally well-known brands in the 115hp sector.

Since 2021, Parsun Power has been making breakthroughs in the agency sales of OXE Marine high-horsepower diesel outboard motors in the domestic market, and the diesel outboard motors it has been selling are mainly used in commercial transportation and official law enforcement.

In the Reporting Period, Parsun Power actively improved the level of operations management, and recruited outstanding talents in R&D, sales, production, and operation. As a result, the comprehensive strength of the team was further enhanced, and the development foundation was further consolidated. Furthermore, by implementing lean management, as well as improving operational efficiency and capacity utilization, Parsun Power achieved steady improvement in shipment quality, providing support for the shipment growth of medium- and high-horsepower models.

4. The business of overall solutions for intelligent plants: Set sail and forge ahead steadily

The subsidiary Dongfang Digicome undertakes the overall solution business for intelligent corrugated packaging plants. In 2021, Dongfang Digicom completed team building, and had the number of team members increased from 3 at the beginning of the year to over 40 at the end of 2021, most of which were technical experts in software R&D with experience in the Internet or high-end manufacturing industry. Besides, Dongfang Digicom also completed the organizational structure and internal mechanism required for normal operation as an independent company.

In 2021, Dongfang Digicom investigated the demand of downstream industry customers for industrial Internet solutions, and got a clearer roadmap for product R&D, with steady progress in the R&D of solution products.

5. Epitaxial business: The implementation of the "1+N" model was promoted, and the development space of emerging industries was expanded

During the Reporting Period, the main progress of the Company's epitaxial development business is as follows:

A. High-end manufacturing sector: The Company invested in three enterprises in the high-end core parts manufacturing sector

a) Investment in Guizhou Aerospace Xinli Technology Co., Ltd.

In the Reporting Period, the Company invested in Guizhou Aerospace Xinli Technology Co., Ltd. through direct equity participation. Aerospace Xinli is affiliated to China Aerospace Science and Technology Corporation ("CASC"), and mainly engages in the R&D, production and manufacturing of high-quality alloy steel castings and forgings, non-ferrous castings and structures and new aerospace materials that are widely used in nuclear energy, nuclear power, aviation and aerospace. It is a domestically renowned manufacturer of nuclear-level parts and components qualified for the R&D of national defense equipment. Aerospace Xinli undertakes not only the manufacturing of the magnets supports, shield cladding and other critical equipment for the International Thermonuclear Experimental Reactor (ITER) Project, one of the world's largest international research cooperation projects, but also the R&D and production of grade I nuclear mechanical equipment components of most of China's nuclear power plants, with in-depth participation in the home-manufacturing process of China's nuclear power construction. It has realized the R&D and home-manufacturing of dozens of alloy materials and critical components for nuclear power equipment, and its products have covered nuclear fission reactors of the second, third and fourth generations, many of which are the first in China. Aerospace Xinli has successfully replaced imported materials and components with the ones made in China, and has become a "little giant" enterprise highlighted by CASC.

b) Investment in Chengdu Dajin Aero-Tech Co., Ltd. (formerly known as "Sichuan Dajin Stainless Steel Co., Ltd.)

In the Reporting Period, the Company indirectly invested in Chengdu Dajin Aero-Tech Co., Ltd. ("Dajin Aero-Tech") by making a capital contribution to Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership). Dajin Aero-Tech is specialized in the precision machining and manufacturing of critical parts for aircraft engines, and has the qualification for the R&D of national defense equipment. Its core products are the critical parts for aircraft engines, which are characterized by complex structures, great difficulties in testing and high tolerance. Dajin Aero-Tech enjoys a leading position in its segmentation, and is one of the private enterprises with strong comprehensive strength in the aviation engine parts industry in China. It is not only an important supplier of China's major aero-engine models but also the core supplier for the main maintenance plants of the aero-engines of air forces, and has been shouldering the great mission of acting as strong support for Aero Engine

Corporation of China, the main force in the whole-machine manufacturing of China's aero-engine industry. While enjoying a firm position in the aviation field, Dajin Aero-Tech has been gradually using the advanced manufacturing technologies it has accumulated in the fields of aerospace, missiles, rail transportation and petroleum machinery manufacturing.

c) Investment in Sichuan Tengdun Technology Co., Ltd.

In the Reporting Period, the Company directly invested in Sichuan Tengdun Technology Co., Ltd. ("Tengdun Technology") by making a capital contribution to Qingdao Zhongjun Xinghan No. 2 Equity Investment Fund Center (Limited Partnership). Tengdun Technology is a state-level high-tech enterprise specialized in high-end UAVs. It is the only private military UAV assembly manufacturer in China, and aims at "creating the future of commercialization of China's UAVs with aviation and intelligent technologies". The core team of the company is composed of the chief scientists of the Science and Technology Commission of the Central Military Commission, the former director of the China Helicopter Research & Development Institute, chief experts of Aviation Industry Corporation of China and other outstanding experts in the industry, and once led or participated in the whole process of R&D and production of several key models at home and abroad including the second-generation models, third-generation models, fourth-generation models and over ten UAV systems. The company's R&D team gathers top experts in over 60 scientific sectors, and represents the top level in China.

Successively, Tengdun Technology has developed five large- and medium-sized high-end UAVs with independent intellectual property rights, undertaken a number of major national programs to tackle key problems and demonstration projects, and continuously explored new scenarios for the application of UAVs, making multiple breakthroughs "from 0 to 1".

The Twin-Tailed Scorpion double-engine large-sized long-endurance UAV independently developed by Tengdun Technology is the first large-sized double-engine fixed-wing UAV independently designed and developed in China, ahead of foreign products of the same type. In October 2021, the Twin-Tailed Scorpion UAV attracted extensive attention from both domestic and foreign media in the 13th China International Aviation & Aerospace Exhibition in Zhuhai.

B. Other sectors: The Company invested in 3 companies in the consumer and innovative pharmaceutical sectors

d) Investment in SF Intra-City (09699.HK)

In the Reporting Period, the Company indirectly invested in SF Intra-City by making a capital contribution to

the establishment of Jiaxing Fengrong Equity Investment Partnership (Limited Partnership). SF Intra-City is the largest independent third-party instant logistics service provider in China, a holding subsidiary of SF Holding (Stock code: 002352), and has been listed on the main board of the Hong Kong Stock Exchange at the end of 2021.

e) Investment in Nanjing Profeta Intelligent Technology Co., Ltd.

In the Reporting Period, the subsidiary Yineng Investment invested in Nanjing Profeta Intelligent Technology Co., Ltd. ("Profeta") through direct equity participation. Profeta is a state-level high-tech enterprise specialized in the digitalization and innovation of oral technologies. It has established close strategic cooperation with Peking University Hospital of Stomatology for the joint development of innovative products, intelligent software and automatic equipment by integrating industries, colleges and research institutes and sharing scientific research achievements, so as to solve the contradiction between the rapidly growing healthcare needs of the aging society and the absolute shortage of dental professionals.

Profeta is the only company in China that integrated dental design software, typesetting and slicing software and metal 3D printer, and has independent intellectual property rights. Its products can fully replace imported ones, and are China's first, filling in domestic blanks and breaking the monopoly of foreign companies.

f) Investment in Xuanzhu Biopharmaceutical Co., Ltd.

In the Reporting Period, the subsidiary Yineng Investment indirectly invested in Xuanzhu Biopharmaceutical Co., Ltd. ("Xuanzhu Biopharm") by making a capital contribution to Jiangmen Yifeng Yihe Venture Capital Partnership (Limited Partnership). Xuanzhu Biopharm is a holding subsidiary of Sichuan Pharmaceutical Holdings, a large pharmaceutical and medical beauty group, and is specialized in innovative drugs. Xuanzhu Biopharm has an excellent R&D team bringing together nearly 400 overseas scientists, and has formed a complete R&D system and independent R&D capability in the field of innovative drugs. It has two R&D platforms of small molecule and large molecule, and is capable of developing and industrializing innovative drugs for tumors, metabolism, anti-infection, digestion and other segmentations.

C. Impacts of epitaxial business on the overall development of the Company

The business purpose of Yineng Investment, the subsidiary, is to focus on the industries related to its principal business and seek investment opportunities in high-end machinery manufacturing, large consumption and bio-pharmaceuticals while carrying out industrial mergers and acquisitions based on industries, assisted by capital, guided by its strategic planning and driven by circulation.

In the Reporting Period, Yineng Investment's team was responsible for promoting initiated projects and, in addition to the aforesaid six investment projects, increased its shareholding in the industrial M&A project of Fosber Asia. With the minds of domineering entry and positive actions, Yineng Investment promoted the implementation of the "1+N" development model, and made positive contributions to the Company's layout in relevant industries.

The aforesaid equity investment projects are in line with the Company's overall strategic planning and the purpose of epitaxial business and conducive to the Company's expansion of the development space of emerging industries, enable the Company to fully participate in the industries that the country encourages to develop in the "14th Five-Year Plan" and share benefits in the process of growth and development along with the subject matters of the investments, and power the Company's improvement overall profitability.

The aforesaid equity investments do not constitute related-party transactions or major assets restructuring, and exert no significant impacts on the Company's operating results or financial condition in the Reporting Period.

(III) Capital operation: The capabilities to create value and seek returns for shareholders were improved

1. Initiation of the spin-off listing of the subsidiary Parsun Power

In the Reporting Period, the Management of the Company initiated the preliminary preparation for the spin-off listing of Parsun Power on the Shenzhen Stock Exchange with the approval and authorization of the Board of Directors. After nearly one year of preliminary preparation, the Company's Board of Directors approved the plan for the spin-off listing of Parsun Power in mid-March 2022, and the subsequent work will be advanced after the plan is approved by the Company's annual general meeting.

2. Repurchase and retirement of shares of nearly RMB1 billion to improve the earnings per share

In the Reporting Period, the Company actively promoted and completed the annual share repurchase in 2020 initiated in July 2020, and repurchased a total of 212 million shares through centralized bidding, with the total amount paid of about RMB990 million, in line with the repurchase plan.

In June 2021, the Company retired the aforesaid 212 million repurchased shares with the Shenzhen office of China Securities Depository and Clearing Corporation Limited. After the retirement, the total share capital changed from 1.54 billion shares to 1.33 billion shares, down 13.77%, which is conducive to the improvement of the earnings per share (EPS).

In October 2021, as approved by the general meeting, the Company initiated the new annual share repurchase in 2021. As at the end of 2021, the Company has repurchased approximately 56,797,700 shares through centralized bidding at the cost of about RMB335 million, accounting for 4.26% of the Company's current total share capital.

The proposal and initiation of the share repurchase plan fully reflect the Company's recognition of its own value, confidence in its future development and high attention to the return for shareholders.

3. Equity incentives were steadily promoted to stimulate the internal power

In the Reporting Period, the Company, as scheduled, steadily promoted the restricted share incentive plan initiated in 2020. In February 2021, it granted a total of 4.24 million incentive shares to 18 key personnel and management personnel, and in June 2021, a total of 4.31 million incentive shares were exercised for public trading by 37 awardees in the first unlocking period under the incentive plan.

Steady promotion of equity incentives is beneficial to the Company's sustainable and healthy development and gathering of internal power, so as to "stabilize the team, boost the morale, gather talents and improve performance". By closely binding the interests of the Company's key personnel with the Company's future performance and the improvement of the capability to seek returns for shareholders, the Company will see continuous improvement in its business performance and the ability to create value.

4. Idle funds were proactively managed with controllable risks

In 2021, the Company and its subsidiary Yineng Investment invested temporarily idle funds on the account book in securities or entrusted to wealth management business under the premise of complying with laws and regulations, not affecting the development of the Company principal business and ensuring the capital demand and capital security in daily operation with the approval and authorization of the general meeting and the Board of Directors of the Company and in accordance with the *Policy for Securities Investment Management*. The proactive management of idle funds is conducive to improving capital utilization efficiency, increasing the return on net assets, and enhancing the capability to create value.

(IV) Analysis of key financial indicators**1. Revenue and Cost Analysis****(1) Breakdown of Operating Revenue**

Unit: RMB

	2021		2020		Change (%)
	Operating revenue	As a % of total operating revenue (%)	Operating revenue	As a % of total operating revenue (%)	
Total	3,524,734,783.94	100%	2,916,270,143.13	100%	20.86%
By operating division					
Intelligent manufacturing	3,524,734,783.94	100.00%	2,916,270,143.13	100.00%	20.86%
By product category					
Complete lines and individual machine units for intelligent corrugated packaging machinery	2,061,999,014.24	58.50%	1,707,235,536.74	58.54%	20.78%
Parts for intelligent corrugated packaging machinery	693,308,371.22	19.67%	556,259,860.62	19.07%	24.64%
Software and services related to intelligent corrugated packaging machinery	300,695,762.82	8.53%	306,546,506.92	10.51%	-1.91%
Outboard motors and general utility small gasoline motors	468,731,635.66	13.30%	346,228,238.85	11.87%	35.38%
By operating segment					
Mainland China	528,007,403.05	14.98%	349,869,885.20	12.00%	50.92%
Other countries and regions	2,996,727,380.89	85.02%	2,566,400,257.93	88.00%	16.77%
By sales mode					
Direct selling	3,096,762,855.79	87.86%	2,700,416,408.47	92.60%	14.68%
Distribution selling	427,971,928.15	12.14%	215,853,734.66	7.40%	98.27%

(2) Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Operating Profit

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Intelligent manufacturing	3,524,734,783.94	2,555,072,059.79	27.51%	20.86%	21.72%	-0.51%
By product category						
Complete lines and individual machine units for intelligent corrugated packaging machinery	2,061,999,014.24	1,567,772,384.89	23.97%	20.78%	19.47%	0.83%
Parts for intelligent corrugated packaging machinery	693,308,371.22	394,697,198.83	43.07%	24.64%	39.00%	-5.88%
Software and services related to intelligent corrugated packaging machinery	300,695,762.82	231,464,311.51	23.02%	-1.91%	0.92%	-2.16%
Outboard motors and general utility small gasoline motors	468,731,635.66	361,138,164.56	22.95%	35.38%	32.00%	1.97%
By operating segment						
Mainland China	528,007,403.05	353,097,535.89	33.13%	50.92%	49.12%	0.81%
Other countries and regions	2,996,727,380.89	2,201,974,523.90	26.52%	16.77%	18.24%	-0.91%
By sales mode						
Direct selling	3,096,762,855.79	2,248,309,271.48	27.40%	14.68%	14.93%	-0.16%
Distribution selling	427,971,928.15	306,762,788.31	28.32%	98.27%	114.61%	-5.46%

Note:

Under the circumstances that the statistical caliber of the company's main business data is adjusted in the reporting period, the company's main business data that adjusted according to the caliber at the end of the reporting period

Applicable Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue

Yes No

Operating division	Item	Unit	2021	2020	Change (%)
Intelligent manufacturing	Unit sales	Unit	327,755	289,152	13.35%
	Output	Unit	309,027	288,738	7.03%

	Inventory	Unit	29,079	7,854	270.24%
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Any over 30% YoY movements in the data above and why:

Applicable Not applicable

At the end of the year, the inventory increased by about 270%, mainly due to the increase of sales in 2021, and the increase of inventory reserves to cope with the increased orders.

(4) Execution Progress of Major Signed Sales Contracts in the Reporting Period

Applicable Not applicable

(5) Breakdown of Cost of Sales

By operating division and product category

Unit: RMB

Operating division	Item	2021		2020		Change (%)
		Cost of sales	As a % of total cost of sales (%)	Cost of sales	As a % of total cost of sales (%)	
Intelligent manufacturing	Cost of sales	2,555,072,059.79	100.00%	2,099,148,826.36	100.00%	21.72%

Unit: RMB

Product category	Item	2021		2020		Change (%)
		Cost of sales	As a % of total cost of sales (%)	Cost of sales	As a % of total cost of sales (%)	
Complete lines and individual machine units for intelligent corrugated packaging machinery	Cost of sales	1,567,772,384.89	61.36%	1,312,266,465.90	62.51%	19.47%
Parts for intelligent corrugated packaging machinery	Cost of sales	394,697,198.83	15.45%	283,953,498.63	13.53%	39.00%
Software and services related to intelligent corrugated packaging	Cost of sales	231,464,311.51	9.06%	229,344,819.77	10.93%	0.92%

machinery						
Outboard motors and general utility small gasoline motors	Cost of sales	361,138,164.56	14.13%	273,584,042.06	13.03%	32.00%

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Yes No

Dongfang Digicom Technology (Guangdong) Co., Ltd. (“Digicom Guangdong”) has been incorporated by the Company in February 2021 with a registered capital of RMB8 million. The Company has its 100% ownership in an indirect way.

Suzhou Parsun Power Technology Co., Ltd. (“Parsun Power Technology”) has been incorporated by the Company’s subsidiary Parsun Power with a registered capital of RMB10 million. The Company has its 69.55% ownership in an indirect way.

Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership) (“Tianjin Hangchuang Fund”) has been established jointly by the Company and AVIC Innovation Capital Management Co., Ltd. in March 2021. As the sole limited partner of the Fund, the Company has made a capital contribution of RMB20 million, equivalent to approximately 95% ownership. This investment is in line with the Company’s development strategy considering the Fund’s investment direction, decision-making, management, income distribution, loss allocation, etc. From the perspective of business nature, the Company provides the absolute majority of the capital of the Tianjin Hangchuang Fund, so it is reasonable to include the Fund in the Company’s consolidated financial statements of the Reporting Period.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	633,943,286.53
Total sales to top five customers as a % of total sales of the Reporting Period (%)	17.99%
Total sales to related parties among top five customers as a % of total sales of the Reporting Period (%)	0.00%

Top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As a % of total sales revenue (%)
1	Customer A	263,362,372.19	7.47%
2	Customer B	130,868,995.76	3.71%
3	Customer C	111,965,823.90	3.18%
4	Customer D	64,415,975.20	1.83%
5	Customer E	63,330,119.49	1.80%

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As a % of total sales revenue (%)
Total	--	633,943,286.53	17.99%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	279,015,637.64
Total purchases from top five suppliers as a % of total purchases of the Reporting Period (%)	10.92%
Total purchases from related parties among top five suppliers as a % of total purchases of the Reporting Period (%)	0.00%

Top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As a % of total purchases (%)
1	Supplier A	154,609,666.50	6.05%
2	Supplier B	38,048,680.68	1.49%
3	Supplier C	34,455,510.20	1.35%
4	Supplier D	26,258,213.44	1.03%
5	Supplier E	25,643,566.82	1.00%
Total	--	279,015,637.64	10.92%

Other information about major suppliers:

Applicable Not applicable

2. Expenses

Unit: RMB

	2021	2020	Change (%)	Reason for any significant change
Selling expenses	185,327,678.18	181,549,459.69	2.08%	No significant impact.
Administrative expenses	272,090,728.08	246,973,016.40	10.17%	No significant impact.
Finance costs	-5,996,474.46	7,919,670.28	-175.72%	Mainly due to the increase in interest income and reduced exchange losses.
R&D expenses	99,557,565.46	82,082,274.75	21.29%	Mainly due to the increase in R&D.

3. R&D Investments

Applicable Not applicable

Main R&D projects	Purpose	Project progress	Objectives to be achieved	Expected impact on the Company
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Localization of a world-leading high-end corrugator line	To introduce the world-leading high-end corrugator line and make it localized to meet the needs of Chinese customers for the highest-end and highest-speed corrugator line.	Promote as planned	Mass production for sales in the domestic market	Further enrich the Company's product portfolio which can become a new profit growth point for the Company's corrugated box printing and packaging machinery.
Smart fast order switching system	To achieve the fastest small order switch in Asia in response to the characteristics of orders with "Small Quantity + Multi-batch + Diversified Demands" and frequent switch for production order in the Chinese market.	Promote as planned	Mass production for sales in the domestic market	Further improve the utilization of corrugator line, improve the accuracy of the machine, upgrade the product library to have advantage in the market competition.
A complete set of fixed forming corrugated box printing and packaging machinery	To introduce a complete set of high-performance, cost-effective fixed corrugated box printing and packaging line with model change without suspension and quick order change.	Promote as planned	Mass production for sales in the world	Further enrich the Company's product portfolio which can become a new profit growth point for the Company's corrugated box printing and packaging machinery.
A complete set of forming corrugated box printing and stapling machinery	To introduce a complete set of high-performance, cost-effective corrugated box bottom printing machinery + fold gluer line.	Sales have been achieved.	Mass production for sales in the domestic market	Further enrich the Company's product portfolio which can become a new profit growth point for the Company's corrugated box printing and packaging machinery.
High horsepower outboard motors	To make up the blank market of high horsepower outboard motors, and further enhance the competitiveness of products.	Promote as planned	Mass production for sales in the world	Meet the demand for high horsepower outboard motors in domestic and international markets, becoming a new profit growth point for the Company.
Electric outboard motors	To develop a battery-powered outboard motor to further enhance product competitiveness in the new energy outboard motor market.	Promote as planned	Mass production for sales in the world	Meet market demand and become a new profit growth point for the Company.

Details about R&D personnel:

	2021	2020	Change (%)
Number of R&D personnel	284	236	20.34%
R&D personnel as a % of total	15.33%	13.98%	1.35%

employees			
Educational background of R&D personnel			
Bachelor's degree	109	85	28.24%
Master's degree and above	41	36	13.89%
Other	134	115	16.52%
Age structure of R&D personnel	—	—	—
Under 30	68	44	54.55%
30-40	113	89	26.97%
Other	103	103	0.00%

Details about R&D investments:

	2021	2020	Change (%)
R&D investments (RMB)	99,557,565.46	98,696,270.15	0.87%
R&D investments as a % of operating revenue	2.82%	3.38%	-0.56%
Capitalized R&D investments (RMB)	0.00	16,613,995.40	-100.00%
Capitalized R&D investments as a % of total R&D investments	0.00%	16.83%	-16.83%

Reasons for any significant change to the composition of R&D personnel and the impact:

Applicable Not applicable

Reasons for any significant YoY change in the percentage of R&D investments in operating revenue:

Applicable Not applicable

Reason for any sharp variation in the percentage of capitalized R&D investments and rationale:

Applicable Not applicable

It is mainly due to the fact that the Company had no project in which R&D expenses were capitalized in 2021.

4. Cash Flows

Unit: RMB

Item	2021	2020	Change (%)
Subtotal of cash generated from operating activities	3,506,294,160.56	3,274,395,655.64	7.08%
Subtotal of cash used in operating activities	3,199,634,884.54	2,723,399,623.89	17.49%
Net cash generated from/used in operating activities	306,659,276.02	550,996,031.75	-44.34%

Item	2021	2020	Change (%)
Subtotal of cash generated from investing activities	7,120,320,577.02	2,321,860,300.51	206.66%
Subtotal of cash used in investing activities	5,814,962,692.72	3,505,386,890.24	65.89%
Net cash generated from/used in investing activities	1,305,357,884.30	-1,183,526,589.73	210.29%
Subtotal of cash generated from financing activities	598,858,984.67	557,812,012.95	7.36%
Subtotal of cash used in financing activities	1,757,363,205.25	1,311,605,832.73	33.99%
Net cash generated from/used in financing activities	-1,158,504,220.58	-753,793,819.78	53.69%
Net increase in cash and cash equivalents	398,702,538.96	-1,366,123,500.61	-129.18%

Explanation of why any of the data above varies significantly on a year-on-year basis:

√ Applicable □ Not applicable

(1) Net cash generated from operating activities was RMB 306,659,300, primarily because the company's revenue growth during the reporting period.

(2) Net cash used in investing activities was RMB 1,305,357,900, primarily because the company's redemption of large-value wealth management products during the reporting period.

(3) Net cash used in financing activities was RMB 1,158,504,200, primarily because the company's payment of loan deposits, acquisition of minority shareholders' equity and implementation of share repurchase during the reporting period.

(4) Net decrease in cash and cash equivalents was RMB 398,702,500, primarily because the inflow of net cash flows from the company's operating activities and investment activities during the reporting period.

V Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As a % of gross profit	Primary source/reason	Recurrent or not
Return on investment	98,673,106.02	20.54%	Mainly due to the income from securities investment in the current period and the income from by the associates companies under the equity method.	Yes
Gain/loss on changes in fair value	-21,357,785.81	-4.45%	Mainly due to the comprehensive impact of securities investment and changes in fair value of minority shareholders' options.	Yes

	Amount	As a % of gross profit	Primary source/reason	Recurrent or not
Asset impairment loss	-10,936,754.10	-2.28%	No significant impact.	No
Non-operating income	5,750,547.04	1.20%	No significant impact.	No
Non-operating expenses	1,462,018.81	0.30%	No significant impact.	No

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Indicate whether the Company has adopted the new accounting standards governing revenue and leases since 2020 and restated the beginning amounts of relevant financial statement line items in the year.

Applicable.

Unit: RMB

	31 December 2021		1 January 2021		Change in percentage (%)	Reason for any significant change
	Amount	As a % of total assets	Amount	As a % of total assets		
Cash and bank balances	1,664,336,339.35	26.18%	885,711,053.88	14.01%	12.17%	Mainly due to the transfer of some large-denomination certificates of deposit, the redemption of some wealth management products and securities investments, and the sale of part of the equity of Parsun.
Accounts receivable	741,135,648.09	11.66%	469,635,423.58	7.43%	4.23%	Mainly due to the increase in sales this year.
Contract assets	24,414,117.64	0.38%	29,504,693.97	0.47%	-0.09%	No major changes.
Inventories	867,280,013.47	13.64%	734,120,595.26	11.61%	2.03%	No major changes.
Investment property		0.00%		0.00%	0.00%	No major changes.
Long-term equity investments	84,777,596.67	1.33%	72,671,204.73	1.15%	0.18%	No major changes.
Fixed assets	544,180,159.09	8.56%	571,413,480.14	9.04%	-0.48%	No major changes.
Construction in progress	12,298,259.58	0.19%	9,062,038.52	0.14%	0.05%	No major changes.
Right-of-use assets	80,386,832.91	1.26%	98,686,849.28	1.56%	-0.30%	Mainly due to the implementation of the new lease-related accounting standards.
Short-term borrowings	228,312,880.73	3.59%	39,533,281.84	0.63%	2.96%	No major changes.

Contract liability	405,842,932.51	6.38%	362,792,713.35	5.74%	0.64%	No major changes.
Long-term borrowings	325,026,188.49	5.11%	353,412,388.29	5.59%	-0.48%	No major changes.
Lease obligation	65,213,555.87	1.03%	82,805,889.63	1.31%	-0.28%	Mainly due to the implementation of the new lease-related accounting standards.

Major Assets Overseas

√ Applicable □ Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return	As a % of the Company's net asset value	Any material impairment risk or not
100% interest of Fosber S.p.A.	M&A	728,952,924.02	Italy	Producing and marketing by itself	Operation management	Good	18.90%	Not
100% interest of EDF S.R.L.	M&A	26,129,838.13	Italy	Producing and marketing by itself	Operation management	Good	0.68%	Not

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Impairment allowance for the period	Purchased in the period	Sold in the period	Other changes	Closing amount
Financial assets								
1. Financial assets held for trading (exclusive of derivative financial assets)	1,635,465,408.96	14,650,064.50			5,607,824,747.18	6,569,326,837.06	86,635,637.36	775,249,020.94
2. Derivative financial assets	831,021.35	12,841,980.43					-736,501.15	12,936,500.63
Subtotal of financial assets	1,636,296,430.31	27,492,044.93			5,607,824,747.18	6,569,326,837.06	85,899,136.21	788,185,521.57

Item	Opening amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Impairment allowance for the period	Purchased in the period	Sold in the period	Other changes	Closing amount
Other non-current financial assets	5,948,588.15	25,029,844.93			132,412,131.04		-867,044.71	162,523,519.41
Total of the above	1,642,245,018.46	52,521,889.86			5,740,236,878.22	6,569,326,837.06	85,032,091.49	950,709,040.98
Financial liabilities	110,145,525.05	73,879,675.67			104,771,579.02	36,121,968.12	-5,749,568.14	246,925,243.48

Particulars about other changes:

Indicate whether any significant change occurred to the measurement attributes of the major assets in the Reporting Period.

Yes No

3. Assets to which the Company's Rights Were Restricted as at the Period-End

Unit: RMB

Item	Closing carrying amount	Reason for restriction
Cash and bank balances	405,032,563.61	Used to obtain bank acceptance bills and letters of guarantee.
Fixed assets	4,533,314.25	Used by subsidiaries to obtain bank loans.
Other non-current assets	300,150,000.00	Used by subsidiaries as margin for bank loan.
Total	709,715,877.86	

VII Investments Made

1. Total Investment Amount

Applicable Not applicable

Total investment amount in 2021 (RMB)	Total investment amount in 2020 (RMB)	Change (%)
1,608,856,907.68	1,861,603,704.43	-13.58%

2. Significant Equity Investments Acquired in the Reporting Period

Applicable Not applicable

3. Significant Non-Equity Investments of which the Acquisition Was Uncompleted in the Reporting Period

Applicable Not applicable

4. Financial Investments**(1) Securities Investments**

√ Applicable □ Not applicable

Unit: RMB

Security type	Security code	Security name	Initial investment cost	Measurement method	Opening carrying amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Purchased in the period	Sold in the period	Gain/loss in the period	Closing carrying amount	Accounting title	Funding source
Domestically/overseas listed stocks	-	-	0.00	Fair value	0.00	0.00	0.00	3,924,621,914.69	4,001,955,994.34	77,334,079.65	0	Financial assets held for trading	Self-funded
Trust products	-	-	504,767,340.61	Fair value	504,767,340.61	5,951,168.61	0.00	110,000,000.00	615,247,090.20	7,111,322.60	6,631,573.01	Financial assets held for trading	Self-funded
Funds	-	-	619,890,000.00	Fair value	619,890,000.00	8,055,849.06	0.00	300,000,000.00	301,136,060.92	9,253,985.66	628,007,924.74	Financial assets held for trading	Self-funded
Others	-	-	511,639,089.70		511,639,089.70	643,046.83	0.00	1,273,202,832.49	1,650,987,691.60	6,755,292.60	140,609,523.19	Financial assets held for trading	Self-funded
Total			1,636,296,430.31	--	1,636,296,430.31	14,650,064.50	0.00	5,607,824,747.18	6,569,326,837.06	100,454,680.51	775,249,020.94	--	--
Disclosure date of the board announcement approving the securities investments			The company held its board meeting on March 29, 2021 to consider and approve the resolutions related to securities investment in 2021. The securities investment is valid for 12 months from the date of approval at the general meeting of shareholders, and the announcement date of the resolutions of the board is March 30, 2021.										

Security type	Security code	Security name	Initial investment cost	Measurement method	Opening carrying amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Purchased in the period	Sold in the period	Gain/loss in the period	Closing carrying amount	Accounting title	Funding source
Disclosure date of the general meeting announcement approving the securities investments (if any)			The company held a general meeting of shareholders on April 19, 2021 to approve the resolutions related to securities investment in 2021. The announcement date of the resolutions of the general meeting of shareholders is April 20, 2021.										

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

Applicable Not applicable

VIII Sale of Major Assets and Equity Investments**1. Sale of Major Assets**

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Investments

Applicable Not applicable

IX Principal Subsidiaries and Joint Stock Companies

Applicable Not applicable

Principal subsidiaries and joint stock companies with an over 10% effect on the consolidated net profit:

Unit: RMB yuan

Name	Relationship with the Company	Principal activities	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Fosber Group	Subsidiary	R&D, processing, manufacturing and marketing of corrugator lines and parts, as well as provision of after-sales services	EUR1.56 million	1,860,272,746.08	728,952,924.02	2,149,242,698.15	276,192,997.51	221,879,267.72
Shunyi Investment	Subsidiary	Production of general utility small gasoline motors, shipboard power (outboard motors) and its accessories, as well as provision of after-sales service	RMB10 million	409,633,798.32	246,784,791.72	468,680,560.33	66,707,243.30	59,276,316.98

Subsidiaries acquired or disposed of in the Reporting Period:

Applicable Not applicable

X Structured Bodies Controlled by the Company

Applicable Not applicable

In March 2021, the Company held the 3rd meeting of the M&A Review Committee in 2021 and approved to establish Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership) (the "Tianjin Hangchuang Fund" or the "Partnership") with AVIC Innovation Capital Management Co., Ltd. The Company, as the sole LP of the Fund, subscribed for the Partnership's contribution share of RMB20,000,000; AVIC Innovation Capital Management Co., Ltd., as the GP of the Fund, Fund manager and managing partner, subscribed for the Partnership's contribution share of RMB1,000,000. The Fund is a special fund which is to invest in the equity of Sichuan Dajin Stainless Steel Co., Ltd. (now renamed as Chengdu Dajin Aero-Tech Co., Ltd.).

Investment decision and management of Tianjin Hangchuang Fund: As the GP and managing partner of the Fund, AVIC Innovation Capital Management Co., Ltd. served as the Fund Manager and was responsible for all matters including management, control, operation and decision making of the Fund's operation, investment and other activities.

The distribution mechanism of Tianjin Hangchuang Fund:

During the existence and liquidation period, distributions will be made to the extent of the cash balance in the Fund custody account in the following order, after all partnership expenses are paid.

1. Distribution is made first to all partners until the total accumulated paid-in capital is recovered by them.

If the cash balance of the custody account is insufficient to return the total accumulated paid-in capital of all partners, the cash balance shall be distributed in proportion to the ratio of the paid-in capital held by each partner to the total accumulated paid-in capital of the partnership on the date of distribution of such assets, and the portion of the paid-in capital not fully returned shall be made up at the next distribution until the balance of the total accumulated paid-in capital of all partners is zero.

2. If there are still surplus funds after the distribution of step 1 above, if the accumulated surplus funds do not meet the accrued benchmark for performance compensation, the fund manager will not receive any compensation. All surplus funds will be distributed according to the ratio of the paid-in capital held by each partner to the total accumulated paid-in capital of the partnership on the date of distribution of such assets.

If there are still surplus funds after the distribution of step 1 above, if the accumulated surplus funds meet the accrued benchmark for performance compensation, the fund manager will first distribute the income to all partners in proportion to their paid-in amounts based on the accrued benchmark for performance compensation, then withdraw 10% of the surplus funds after distributing the income as performance compensation, and the rest portion will be distributed to all partners in proportion to their paid-in amounts.

3. The accrued benchmark for performance compensation is that the yield of paid-in capital fund of all partners

accounts for 8% of the annual yield.

Loss sharing mechanism of Tianjin Hangchuang Fund:

The limited partners of the Fund are liable for the partnership's debts to the extent of their subscribed capital contributions. The general partner has unlimited joint liability for the debts of the partnership.

This investment is in line with the Company's development strategy considering the Fund's investment direction, decision-making, management, income distribution, loss allocation, etc. From the perspective of business nature, the Company provides the absolute majority of the capital of the Tianjin Hangchuang Fund, so it is reasonable to include the Fund in the Company's consolidated financial statements of the Reporting Period.

XI Prospects

(I) The Company's development strategy

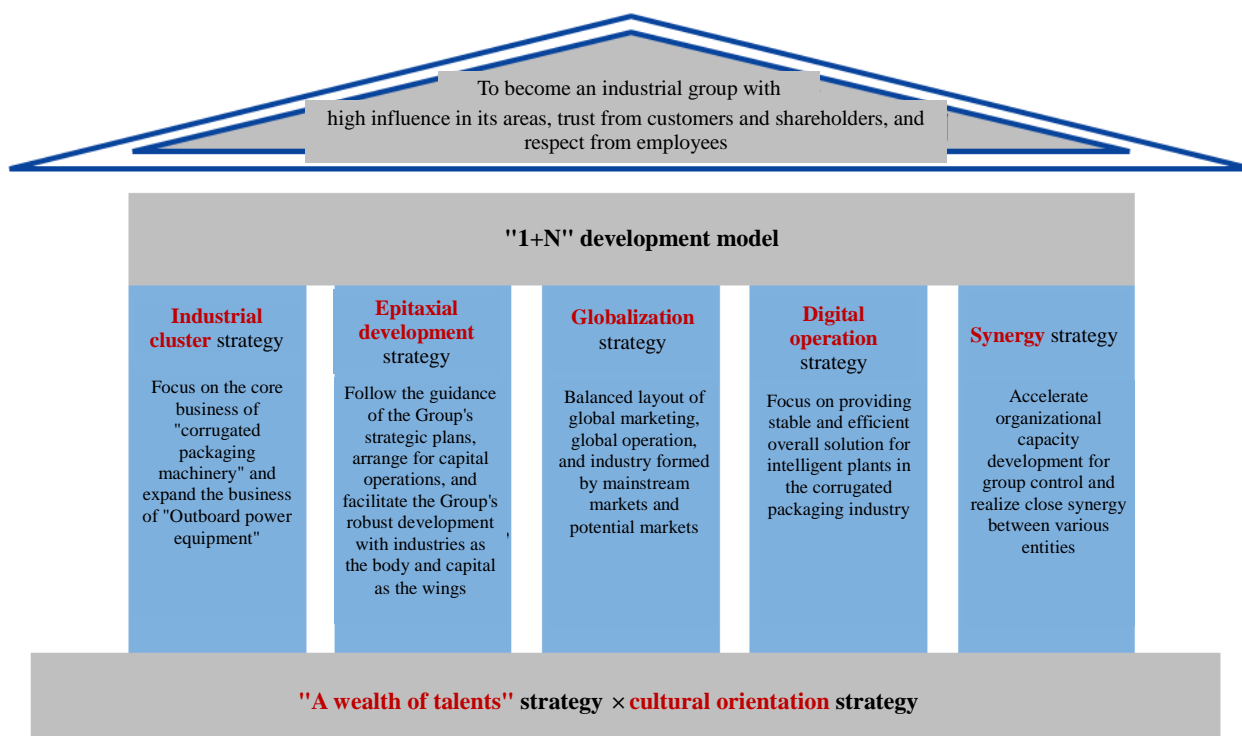
1. Company vision

Business purposes of the Company: To become an industrial group with high influence in its areas, trust from customers and shareholders, and respect from employees; uphold the business philosophies of "Integrity, Innovation and Excellence", and achieve mutual benefits with customers, shareholders, employees and the society.

2. Corporate strategy

According to its strategic plan for the third five-year period (2018-2022), based in China and with a global vision, the Company will adhere to the strategic idea of "1+N", with the strategy of "a wealth of talents" and "culture orientation" as the solid support, and promote the five strategies of "industrial cluster", "epitaxial development", "globalization", "digital operation" and "synergy" to achieve the goal of "to become an industrial group with high influence in its areas, trust from customers and shareholders, and respect from employees".

Figure 7 The Company's strategic plan for the third five-year period (2018-2022)



Details are as follows:

- Industrial cluster strategy: Focus on the core business and strengthen the endogenous growth constantly, meanwhile, promote the subsidiary Parsun Power to further expand and strengthen

"outboard power products" as the main business.

- Epitaxial development strategy: Use such means as "Industrial M&A + Financial investment" to accumulate momentum for the Company's development; at the same time, strengthen the building of market capitalization, capital operation, strategic and financial investment, etc.

- Globalization strategy: Contribute to the globalization of marketing network, management operation and industrial distribution, including assets, business, talents and operation management.

- The digital operation strategy consists of internal level and external level. Internally, it realizes the information and digital upgrade of product, operation and management to release management benefits and support overall business operation efficiency; externally, it relies on Dongfang Precision's industry accumulation and industrial Internet technology to build an industrial Internet platform solution for the intelligent factory of corrugated packaging industry and an intelligent logistics system for the entire plant to help promote the digital and intelligent upgrade of the corrugated packaging industry.

- Synergy strategy: Based on building the organizing ability for group operation, strengthening the synergy of internal business entities and optimizing the internal supporting synergistic mechanism, a three-tier group operation structure of "Group Headquarters + Industrial Segments + Profit Units" is built.

- A wealth of talents strategy: Strengthen the leadership of Middle and Senior Management, optimize the talent management system and set up talent teams at all levels.

- Cultural orientation strategy: Strengthen the Company's unified values, mission and vision, and lead the joint development of its business entities in all sectors based on the corporate culture.

(II) The Company's main business plan for 2022

1. Core business: Improve industrial synergy constantly and release growth potential

In 2021, as the operating performances of the Company's domestic business entities grew quickly, the problem of the contradiction between the existing production capacity and the continuous growth of sales orders was gradually emerging.

For most of 2021, the subsidiary Fosber Asia was at full production and full sales status. For many years, Fosber Asia has been renting the plant and office space of its parent company, Dongfang Precision, and the production capacity of existing site can no longer meet the needs of business development in the coming years. It is imperative to expand production capacity for Fosber Asia in 2022. The Company has initiated the work to actively coordinate with the authorities for new industrial land for Fosber Asia in Guangdong Province to promote new production capacity, which will be the cornerstone of Fosber Asia's growth for many years to come.

In 2021, the subsidiary Parsun Power, with adequate orders and fast-growing production and sales, has encountered a capacity bottleneck to a certain extent. In 2022, Parsun Power will start to build a new production base with greater production scale, so as to meet the needs of future business growth, and transform and upgrade its own manufacturing status, improve and optimize production efficiency and capacity structure, further strengthening its comprehensive competition.

The corrugated packaging machinery, as the Company's core business, covers all the key processes in the corrugated packaging production and processing value chain. The industrial chain is well arranged, and the products, technologies, sales networks and supply chains of each business entity have many similarities and commonalities, so that they can learn and complement each other, which can promote the integration of various business entities within the Group and reach industrial synergy.

In 2022, the Company will continue to promote the interaction and exchange of products and technologies between the high-end corrugator line business of Fosber Group and QCorr and the corrugator line business of Fosber Asia for China and Asia-Pacific markets, and support Fosber Asia in introducing Europe-leading solutions and technologies for product design to create new products for China and Asia-Pacific markets; support Dongfang Precision (China) in sharing supply chain and production and processing resources with Fosber Group, Fosber Asia and Dongfang Precision (Europe) to achieve complementary advantage and resource sharing, which can reduce order delivery costs, and improve production and operation efficiency, reaching "low price with brand quality" for overall competition. The Company will also support the integration of the corrugator lines of Fosber Group and QCorr, and the corrugated box printing and packaging business of Dongfang Precision (China) with industrial digital printing technology to explore new models, technologies and products, providing new energy for the corrugated packaging machinery business.

2. Enter the field of digital printing for corrugated packaging

(1) Plate printing technology Vs digital printing technology

The Company's corrugated box printing machinery adopt plate printing technology, the principle of which is to first make a printing plate for the text and images to be printed, and then transfer the text or images via ink from the printing plate to paper or other materials through professional printing machinery. The most widely used and most mature technology in the field of corrugated packaging is plate printing. In recent years, we cannot ignore the fact that digital printing technology, and its application in the packaging field have been developing quickly.

At the technical level, the printing plates are not adopted for digital printing, which allows graphic

information to be transferred to printing machinery via the network and imaged directly on the package. Compared with the plate printing technology, digital printing has no plate, which you can print on demand, and print variable data/any pattern with high precision. The technology is environmental with low carbon.

Currently, the application of digital printing in the packaging field, especially in the corrugated packaging industry, is still not mature. The printing quality, production efficiency and other key indicators of digital printing technology are still not equal to those of traditional printing machinery. In terms of sales and market share, the machinery adopting digital printing technology is still far behind that using traditional plate printing.

However, there is a consensus in the industry that digital printing is the trend of technological development in the field of corrugated packaging printing. In the future, after the industrial digital printing technology is further developed and its defects in printing quality and production efficiency are solved, its own features such as flexible production, agile response time, and diverse printing graphics are expected to be fully tapped to meet the unique "small batch + multiple varieties + personalization + customization" printing needs of China's corrugated packaging industry.

(2) The status of digital printing technology

The application of digital printing technology is widely developed worldwide. Manufacturers in the United States, Europe and Japan started early with mature technology and a stable market, and are dominant in many application areas, in which the United States HP (Hewlett-Packard), the EFI and other companies have overwhelming advantages in the industry of corrugated packaging digital printing machinery.

In China, the application of digital printing technology is in its initial stage. It is growing fast in the textile printing, corrugated packaging fields with good trends, and Atexco, Hanglory Group, Shenzhen Wonder and other well-known enterprises have emerged.

As the digital printing technology, especially the Single Pass technology is becoming more mature, and the cost of printhead ink is reducing, the digital printing machinery have got obvious advantages gradually, narrowing the cost difference compared with the traditional printing even in medium-sized orders. There are not more than ten companies in the world that can produce Single Pass digital printing machinery. EFI, HP, and Shenzhen Wonder are the first to apply high-speed inkjet printing technology to corrugated packaging industry and have gained widespread recognition from customers.

Apart from the corrugated packaging field, the digital printing technology with great potential has a wide range of applications in such fields as printed products (advertising, labels, posters), textile printing, garment and

daily necessities printing, home decoration, ceramics, glass, electronics, automotive and even 3D printing.

(3) Dongfang Precision's development in the digital printing field in 2022

The Company has recognized the great prospect of digital printing technology in the corrugated packaging industry earlier, and cooperated with business partners to set up a joint venture in 2017 to explore and promote the application and development of digital printing in the corrugated packaging industry. At the beginning of 2022, the Company worked with Shenzhen Wonder, which was the first to promote digital printing in the corrugated packaging printing machinery industry in China, in the form of capital increment and acquisition.

Shenzhen Wonder has a complete digital printing matrix, whose machinery is exported to Europe, America, Middle East, Latin America, Southeast Asia, etc. It also occupies a market stock of more than 1,300 units in more than 80 countries worldwide.

The Company's cooperation with Shenzhen Wonder is a crucial step into the field of industrial digital printing. This cooperation will further improve the Company's product matrix of corrugated packaging printing machinery, providing customers with more comprehensive "one-stop" products and services, and also help Shenzhen Wonder to develop the technology and seize the market of digital printing for corrugated packaging. The Company will give full play to its advantage of a well-developed industrial chain in the subsequent cooperation process for the sharing of resources and complementary advantages in the Group, providing important support for the sustainable development of the Company and adequate guarantee for the overall performance growth.

According to *The Future of Inkjet Printing to 2023* issued by Smithers Pira, the market size of inkjet printing is expected to reach USD109 billion in 2023 in the global printing material and packaging fields, with a compound annual growth rate of nearly 10% between 2013 and 2023; in the package field, the overall growth of inkjet printing is more rapid: the market size of inkjet printing for packaging is expected to reach USD11.13 billion in 2023, with a compound annual growth rate of more than 12% between 2013 and 2023, which gives Shenzhen Wonder and other companies which are researching industrial digital printing a broad room for growth; the current market size of industrial digital printing in China's packaging field is relatively small with a low base, which also indicates that higher growth will occur to the limit of its capacity. Dongfang Precision invested in Shenzhen Wonder, which is expected to create a second growth curve for the Company's corrugated packaging machinery business. In the future, its industrial digital jet printing line machinery business will become an important driver to promote the Company's development.

3. Promote the implementation of digitalization and intellectualization strategy

Based on multiple years of manufacturing experience in the field of corrugated packaging machinery, deep understanding of downstream customers' production processes, and mature practices of the production management system, the Company will promote the digital upgrade of corrugated packaging machinery. Through organic combination of the massive data related to the production techniques and production equipment to the algorithm analysis and processing, the Company will integrate hardware and software for output, meet the needs for capacity upgrade of downstream customers in the corrugated packaging industry, and facilitate the continual concentration improvement of the corrugated packaging industry.

Meanwhile, the Company will continue to invest resources and actively promote the development and application of products of "intelligent plant solution for industry".

4. Spin-off listing of subsidiary Parsun Power

The spin-off listing of subsidiary Parsun Power is conducive to strengthening the capital and enhancing the risk prevention capability, and also helps further tap its development and innovation potential to realize its intrinsic value.

After Parsun Power is listed, it will accelerate the rapid growth of its main business and operating performance, which will be reflected in the overall performance of Dongfang Precision at the same time, thus enhancing the profitability and robustness of the Company; besides, the value of the equity held by the Company in Parsun Power is expected to be further increased and the liquidity will also be significantly improved.

The spin-off listing of Parsun Power will exert a positive impact on the benefits of shareholders (especially minority shareholders), creditors and other stakeholders of Dongfang Precision.

5. Epitaxial business: Make a difference for seeking industrial synergy and expanding new development

In 2021, the Company proposed the "1+N" strategic model with the co-development and mutual promotion of "Endogeny+ Epitaxy" business. "1" represents the Company's main business of corrugated packaging machinery and the cornerstone, the Company is making great efforts in developing it, and striving to obtain a higher market share in the era of high-end, digital and intelligent trends; "N" represents the incubation and cultivation of subsidiaries and joint-stock companies.

In 2022, the subsidiary, Yineng Investment, will take advantage of industries related to the main business of Dongfang Precision, focus on high-quality companies in the industrial chain of China and the world. It will also

carry out M&A around the industrial chain according to the business needs and the actual situation of the Company, strengthen the horizontal and vertical integration of the industrial chain, and seek for industrial synergy; conduct management output and provide resource support for the target company of industrial M&A to help it become bigger, stronger and more professional.

During industry M&A, Yineng Investment will fully participate in the industries supported by China's "14th Five-Year Plan", focusing its equity investment on high-end equipment manufacturing, artificial intelligence, biomedicine and big consumption area and other strategic emerging industries of hard science and technology, and will aim at enterprises with extensive industrial development opportunities and favorable industrial advantages. It will obtain good investment returns and at the same time create new industrial development opportunities for the Group.

(III) Possible risks and countermeasures

1. Risk of fluctuations in the prices of raw materials

The raw materials required for the Company's corrugated packaging machinery mainly include various types of steel plates, steel parts and electrical parts. In 2021, the prices of iron ore and base metals in bulk commodities were once highly volatile, resulting in certain fluctuations in the costs of the Company's main business. Looking ahead to 2022, the bulk commodity market is subject to a combination of macroeconomic and industry cycles, monetary policy, international trade, even geopolitics, the Covid-19 and other factors, and price trends will represent a certain degree of uncertainty.

Countermeasures:

The Company will pay attention to the market prices of steel and other important raw materials constantly, and conduct dynamic analysis and judgment; in terms of procurement, it will strengthen proactive management and collaboration by adopting countermeasures such as proper adjustment of payment settlement and entering into long-term purchase agreements for important raw materials to control the fluctuation of procurement prices; it will give full play to the Group's internal allocation ability brought about by the globalization of business assets, and reach allocation efficiency and reduce overall costs through rational planning and management of internal transactions and sharing of high-quality supply chain resources.

2. Integration risk due to epitaxial business

Epitaxial business includes industrial M&A, equity investment and other forms. The Company will arrange high-end equipment manufacturing through equity control, investment and other different forms, expecting to

gradually develop new performance growth points in the future.

In the next few years, the Company will continue to expand upstream and downstream in the industry chain involving its core business in the world, and arrange in the key industries supported by the national 14th Five-Year Plan, such as high-end equipment manufacturing, artificial intelligence, biomedicine and big consumption. Among the business entities of its subordinate companies, there are old European companies with nearly 100 years of history and profound track record, as well as international companies with multinational distribution of business and assets and customers around the world, and domestic private companies with roots in the Chinese market and years of hard-working to be leaders in their niche industries.

During the integration, the new member companies are different from Dongfang Precision in cultural background, language differences, business practices, corporate culture, laws and regulations, fiscal and tax policies, internal management mechanisms, etc., which bring about certain challenges to the post-investment management and integration work.

Countermeasures:

- Promote the implementation of the "globalization" strategy and bring in talents capable of handling international business;
- Promote the implementation of the "a wealth of talents" strategy, improve the synthetic ability of the management team and the backbone team of key business, and build a prudent backbone team with a broad vision that highly identifies with the purpose and culture of the Company, and is capable of winning battles;
- Promote the "synergy" strategy and seek common ground with an open mind on the premise of "mutual respect and trust";
- Carry out the post-investment management mechanism of "combination of strategic control + authorized management" to form a unique and effective integration and control mode in the run-in process, which reaches a better industrial synergy and the positive development of each business entity;

3. Potential risks of financial investment business

In recent years, the Company has arranged some of its idle owned funds to carry out financial investment business such as securities investment and entrusted wealth management in an appropriate manner, based on the actual and development needs.

Based on its own attributes, there are certain risks of carrying out the above business due to fluctuations in

the financial market and uncertainty of income; and the risk that the Company may suffer certain investment losses in case of risk events in the process of wealth management activities in terms of investment strategies and use of funds.

Countermeasures:

On the premise that the funds required for the daily operation of the main business will not be affected, the Company reasonably controls the capital scale for financial investment; it establishes and improves the internal control system and mechanism standards for securities investment and entrusted financial management, and strengthens the risk control management of securities investment business, safeguard the safety of investment funds and strictly control the risk exposure. In accordance with the economic situation and changes in the financial market, it continuously tracks and analyses the progress of securities investment and the investment of funds, the progress of project investment and the performance of the capital market, and timely takes corresponding preservation measures to control investment risks.

4. Potential risk of exchange rate fluctuations

The revenues and costs of the Company's overseas business entities are priced in Euros or U.S. dollars, and exchange rate fluctuations exert little impact on the operations of the overseas business entities, but on the presentation of overseas assets in the consolidated financial statements. There are many factors for exchange rate changes, and there is a certain degree of uncertainty in its fluctuation. When the depreciation of the Euro or the US dollar occurs, it will have an adverse impact once the company cannot take effective measures to reduce losses.

Countermeasures:

The Company can closely track the global financial market and national exchange rate policies, make timely decisions to select proper exchange rate management tools to manage exchange rate risks actively. It can also reduce risk exposure and increase exchange gains by increasing debts of foreign currency, and rely on Group management to strengthen the level of capital coordination in different countries and regions, balance and offset fluctuation risks at the Group level.

XII Communications with the Investment Community such as Researches, Inquiries and Interviews

√ Applicable □ Not applicable

Date	Place	Way of communication	Type of the communication party	Communication party	Main discussions and materials provided by the Company	Index to the relevant information
20 April 2021	Conference Room of the Company	By phone	Institution	Ming Ya Fund: He Ming; ICBC Credit Suisse Asset: Zhang Jisheng, Shi Zhengtong, Xu Lingling; Western Leadbank Fund: Wen Zhenyu; AEGON-INDUSTRIAL Fund: Zhao Sui; China Life AMP Asset: Sun Nan; CCB Principal Asset: Wang Siyuan; E Fund: Ji Bin; Huaifu Fund: Zhu Chenghui, Yang Linyan; Morgan Stanley Huaxin Fund: Zhang Wei; CICC: Guo Weixiu, Zou Jing; Guosen Securities: Li He; Founder Securities: Zhang Xiaoguo; Huatai Securities: Huang Jinglun; Shenwan Hongyuan Securities : Liu Jianwei; Industrial Securities: Ding Zhigang; Dongguan Securities: Wang Quanyong; China Merchants Securities: Dai Deshun; Shengang Securities: Xia Shuyu; Cinda Securities: Luo Zheng; China Everwin Asset: Sang Yongliang and other investors	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	www.cninfo.com.cn, Dongfang Precision: Record on Investor Relation Activities on 20 April 2021
18 June 2021	Conference Room of the Company	By phone	Institution	Capital Investment Trust, Taiwan: Le Yu, Yang Shuting	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	www.cninfo.com.cn, Dongfang Precision: Record on Investor Relation Activities on 18 June 2021

20 August 2021	Conference Room of the Company	By phone	Institution	E Fund: Yin Ming; China Asset Management: Li Pingzhu; Western Leadbank Fund: Wen Zhenyu; ICBC Credit Suisse Asset: Li Jianfeng; Harfor Fund: Yang Linyan; Truvalue Asset Management: Li Han; Fuanda Fund: Wu Zhanfeng; New China Fund: Zhou Xiaodong; Rongtong Fund: Sun Weidang; Manulife Teda Fund: Wang Peng; Mutual Benefits Asset: Zhang Shusheng; Changsheng Fund: Wu Da; Zhonghai Fund: Yu Zhong; Morgan Stanley Huaxin Fund: Zhang Wei; Value Partners Goldstate Fund: Xu Yong, Hou Bin; Bank of Beijing Scotiabank Asset: Liu Xiaochen; Zhong Ou Asset: Zhou Yuxiong; Citic-prudential Fund: Sun Haozhong; CICC: Huang Yuning, Wang Zilin, Zou Jing, Xiao Xueyang; China Securities: Wei Yu and other investors	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	www.cninfo.com.cn, Dongfang Precision: Record on Investor Relation Activities on 20 August 2021
24 November 2021	Conference Room of the Company	By phone	Institution	Zheshang Securities: Wang Huajun, Lin Ziyao; Harvest Fund: Dong Fuyan	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	www.cninfo.com.cn, Dongfang Precision: Record on Investor Relation Activities on 24 November 2021
3 December 2021	Conference Room of the Company	By phone	Institution	CIB Fund, Bosera Funds, Essence Securities, Everbright Pramerica Fund, Maxwealth Fund, China Securities, Shanghai Dongkai Investment, Qingli Investment (Shanghai), Yuancheng Investment, Chongyang Investment, Shanghai Tourmaline Asset, Life Insurance Asset Management, Yinfan Investment, Yingdong Private Fund, Shanghai Licheng Asset Management, Beijing Sunshine Tianhong Asset Management, China Life Asset Management, Beijing Xin'an Linshi Asset, Windsor Capital,	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	www.cninfo.com.cn, 002611 Dongfang Precision: Record on Investor Relation Activities on 3 December 2021

				Funding Capital (Beijing), Aviva-cofco and so on. 32 people in total.		
9 December 2021	Conference Room of the Company	By phone	Institution	Huaxi Securities, BOC Investment Management, SWS MU Fund	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	www.cninfo.com.cn, 002611 Dongfang Precision: Record on Investor Relation Activities on 9 December 2021

Part IV Corporate Governance

I General Information of Corporate Governance

During the Reporting Period, the Company strictly abided by laws and regulations and rules and normative documents of regulatory authorities, including the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Rules for Stock Listing of Shenzhen Stock Exchange and the Guidelines on Standardized Operation of Listed Companies on Shenzhen Stock Exchange, continued to improve the Company's corporate governance structure, refine internal management and control policies, and further strengthen the Company's capability of governance.

(I) Shareholders and general meeting

During the Reporting Period, the Company convened and held general meetings in a standard manner in strict accordance with laws and regulations. The convening and holding procedures of general meetings, the qualifications of attendants to the meetings and the voting procedures of the meetings met the provisions of the Company Law, Rules for the Shareholders' Meetings of Listed Companies, Articles of Associations and Rules of Procedure for General Meeting. Lawyers were engaged to witness the general meetings of shareholders and issued legal opinions on their legitimacy to ensure fair treatment toward and fully execution of rights of all shareholders, especially minority shareholders.

(II) The Company and controlling shareholders

During the Reporting Period, the Company properly handled the relationship between it and the controlling shareholders in accordance with the Company Law, Securities Law, Articles of Association and relevant provisions of the securities regulatory authority. The controlling shareholders of the Company acted in a normative manner, could exercise their rights and assume their obligations according to law, did not directly or indirectly interfere with the decision-making and business activities of the Company beyond the general meeting of shareholders. The Company was independent of the controlling shareholders in terms of business, staffing, assets, organization and finance, and had an independent and complete business system and capability to operate independently. The Board of Directors, Supervisory Committee and internal organs of the Company operated independently.

(III) Directors and the Board of Directors

During the Reporting Period, directors of the Company were elected in strict accordance with the director election procedure specified in the Articles of Association. The Board of Directors of the Company was composed of seven directors, including three independent directors, and the number of members and composition of it met legal and regulatory requirements. During the Reporting Period, all directors of the Company actively and strictly complied with the Company Law, Articles of Association and Rules of Procedure for the Board of Directors, earnestly attended meetings of the Board of Directors and general meetings of shareholders, and took an active part in relevant training to improve their business skill, and were diligent and responsible. The convening, holding and voting procedure and daily operation of the meetings of the Board of Directors of the Company complied with relevant regulations.

(IV) Supervisors and the Supervisory Committee

During the Reporting Period, supervisors of the Company were elected in strict accordance with the supervisor election procedure specified in the Articles of Association. The Supervisory Committee of the Company was composed of three supervisors, including one supervising employee representative, and the number of members and composition of it met legal and regulatory

requirements. The supervisors conscientiously performed their duties and, in line with the attitude of being responsible to shareholders, supervised the financial affairs of the Company as well as the legality and compliance of the performance of duties by directors and senior managers of the Company, and safeguarded the legitimate rights and interests of the Company and shareholders. The convening, holding and voting procedures of the meetings of the Supervisory Committee of the Company complied with the Company Law, Articles of Association and Rules of Procedure for the Supervisory Committee.

(V) Independent directors and special committees of the Board of Directors

During the Reporting Period, independent directors of the Company honestly, diligently and independently performed their duties in accordance with the Company Law and regulations, normative documents and implementation rules of other departments, actively attended relevant meetings, earnestly deliberated the proposals of the Board of Directors, gave independent advice about the major issues of the Company, effectively protected the interests of the Company and shareholders, especially small and medium shareholders, and well played their role to supervise as independent directors. Special committees of the Board of Directors of the Company also performed their duties in a standard manner according to their respective implementation rules.

(VI) Information disclosure and transparency

During the Reporting Period, the Company performed its obligation of information disclosure in strict accordance with laws and regulations and the Management Measures for Information Disclosure, and disclosed information in a true, accurate, complete and timely manner and made no false records, misleading statements or major omissions, by which it ensured that all investors and stakeholders had equal opportunities to obtain the Company's information, increased the Company's information transparency, and effectively played its role in protecting the right to know of small and medium investors.

Were there any significant differences between the actual situation of the corporate governance and the applicable laws and regulations, as well as rules published by China Securities Regulatory Commission on the governance of listed companies?

Yes No

There were not significant differences between the actual situation of the corporate governance and the applicable laws and regulations, as well as rules published by China Securities Regulatory Commission on the governance of listed companies.

II The Independence of the Company from Controlling Shareholders and Actual Controller on Assets, Personnel, Finance, Structure, and Business

Since establishment, the Company has been operating in strict accordance with the Company Law, Securities Law and Articles of Association, and has established and improved its corporate governance structure. The Company is completely independent of its controlling shareholders and actual controller in terms of business, staffing, assets, organization and finance, and has an independent and complete business system and capability to operate independently in the market. All production operations and major issues of the Company were discussed and determined by the Management, the Board of Directors and the general meetings of shareholders in accordance with the Articles of Association and relevant policies, and none of them was controlled by any controlling shareholder or the actual controller.

1. Asset independence

The Company was founded on the overall change of a limited liability company. All its assets and personnel before the share restructuring joined the joint stock company. The Company has independent and complete operating assets. After the overall change, the Company owns all the production and operational assets needed for production and operation, and there is no dispute over property rights. The Company owns production systems, auxiliary production systems and supporting facilities related to its

production and operation, and has independent raw material procurement and product selling systems. Assets of the Company are strictly separated from those of shareholders and the actual controller, and no assets of the Company are being occupied by shareholders or the actual controller.

2. Personnel independence

The Company has completely independent labour, personnel and salary management systems and independent staff teams, and has signed labour contracts with its employees in accordance with the Labour Law and the Company's policies on labour management. Directors, supervisors and senior managers of the Company were elected in strict accordance with the Company Law and Articles of Association, and senior managers, including general managers, deputy general managers, financial directors, and secretaries to the Board of Directors are working full time in the Company and getting paid by the Company. Mr Tang Zhuolin, the actual controller of the Company, is serving as the Chairman of the Board of Directors, and has been legally exercising its functions and powers according to the Company Law and Articles of Association in engaging in the Company's management.

3. Finance independence

The Company has an independent financial department and full-time financial personnel, and has established an independent and fine financial accounting system and standardized financial policies. It has implemented an effective financial supervision and management system and an internal control system, and it is capable of making independent financial decisions, carrying out independent accounting and assuming sole responsibility for its profits and losses according to the Articles of Association and its own situation. The Company has an independent bank account and is not sharing any account of controlling shareholders or the actual controller and, as an independent taxpayer, declares taxes and fulfils tax payment obligations independently according to law, and has never paid taxes together with shareholders' companies.

4. Organization independence

The Company, in accordance with the Company Law and Articles of Association, has set up the General Meeting of Shareholders as the highest authority, the Board of Directors as the decision-making body, and the Supervisory Committee as the supervisory body, and has a complete corporate governance structure. The Company has a complete internal management system and corresponding offices and operating departments. The functional departments work according to respective duties and cooperate with each other, making the Company an organic and independent operating entity free from the intervention of controlling shareholders and the actual controller.

5. Business independence

The Company has its business independent of controlling shareholders, has independent and complete supply, production and sales systems, and is capable of independent decision-making on business policies and business plans, independent allocation and use of personnel, money and materials, and successful organization and implementation of production and business activities. The Company is completely independent in business and is not relying on the first majority shareholder and the actual controller. The controlling shareholders are not conducting business of horizontal competition with that of the Company, and have undertaken not to conduct any business that may be of horizontal competition with that of the Company.

III Horizontal Competition

Applicable Not applicable

IV Annual and Extraordinary General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio ^{Notes}	Date of the meeting	Disclosure date	Resolution
The First Extraordinary General Meeting of 2021	Extraordinary General Meeting	31.32%	14 January 2021	15 January 2020	1. Reviewed and approved the Proposal on the Repurchase and Retirement of Some Restricted Shares; 2. Reviewed and approved the Proposal on the Change of Business Scope and Revision of <Articles of Association>; 3. Reviewed and approved the Proposal on the Provision of Guarantee for Wholly-owned Overseas Subsidiaries
The 2020 Annual General Meeting	Annual General Meeting	31.87%	19 April 2021	20 April 2021	1. Reviewed and approved the Proposal on the Report on the Work of the Board of Directors for 2020 (including the Report of the Independent Directors for 2020); 2. Reviewed and approved the Proposal on the Report on the Work of the Supervisory Committee for 2020; 3. Reviewed and approved the Proposal on the Annual Report and its Summary for 2020; 4. Reviewed and approved the Proposal on the Report on the Financial Accounts for 2020; 5. Reviewed and approved the Proposal on the Financial Budget Report for 2021; 6. Reviewed and approved the Proposal on the Profit Distribution Proposal for 2020; 7. Reviewed and approved the Proposal on the Special Report on the Deposit and Use of Raised Funds for 2020; 8. Reviewed and approved the Proposal on the Self-Evaluation Report on Internal Control for 2020; 9. Reviewed and approved the Proposal on the Appointment of the Audit Institution for 2021; 10. Reviewed and approved the Proposal on the Use of Own Funds for Securities Investment for 2021.
The Second Extraordinary General Meeting of 2021	Extraordinary General Meeting	31.60%	22 September 2021	23 September 2021	1. Reviewed and approved, by item-by-item voting, the Proposal on the Repurchase of Some Public Shares; 2. Reviewed and approved the Proposal on the Request to the Company's General Meeting to Authorize the Board of Directors for Handling Matters Related to the Share

					Repurchase; 3. Reviewed and approved the Proposal on the Repurchase and Retirement of Some Restricted Shares; 4. Reviewed and approved the Proposal on the Change of Registered Capital and the Revision of <Articles of Association>.
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2. Extraordinary General Meetings Convened at the Request of Preference Shareholders with Resumed Voting Rights

Applicable Not applicable

V Directors, Supervisors and Senior Management

1. General Information

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Opening shareholding (share)	Share options	Restricted shares granted (share)	Increase in the period (share)	Decrease in the period (share)	Other increase/decrease (share)	Closing shareholding (share)	Reason for share change
Tang Zhuolin	Chairman of the Board	Incumbent	Male	59	22 July 2010	22 September 2023	270,737,568						270,737,568	
Qiu Yezhi	Director and General Manager	Incumbent	Female	50	22 July 2010	22 September 2023	31,176,518		9,000,000		7,794,130		23,382,388	
Xie Weiwei	Director and Deputy General Manager	Incumbent	Male	48	16 June 2016	22 September 2023	1,000,000		1,000,000				1,000,000	
Zhou Wenhui	Director, Board Secretary and Vice President	Incumbent	Male	49	29 January 2019	22 September 2023	1,200,000		1,200,000				1,200,000	
Shao Yongfeng	Chief Financial Officer and Vice President	Incumbent	Male	47	29 December 2020	22 September 2023.			800,000				800,000	

Mai Zhirong	Independent Director	Incumbent	Male	51	16 June 2016	15 June 2022								
Peng Xiaowei	Independent Director	Incumbent	Male	51	16 June 2016	15 June 2022								
He Weifeng	Independent Director	Incumbent	Male	61	16 June 2016	15 June 2022								
Chen Huiyi	Chairman of the Supervisory Committee	Incumbent	Female	37	19 May 2017	22 September 2023	480						480	
Zhao Xiuhe	Employee Supervisor	Incumbent	Male	51	16 June 2016	22 September 2023								
He Baohua	Supervisor	Incumbent	Male	40	22 September 2020	22 September 2023	614,088						614,088	
Total	--	--	--	--	--	--	304,728,654	0	12,000,000	0	7,794,130		297,734,524	--

Indicate whether any in-service director, supervisor or senior management resigned during the Reporting Period.

Yes No

Changes of directors, supervisors and senior management:

Applicable Not applicable

2. Biographical Information

Professional backgrounds, major work experience and current posts in the Company of the incumbent directors, supervisors and senior management:

1. Members of the Board of Directors

Tang Zhuolin, male, Chinese, born in 1963, has no right of permanent residence abroad. Member of the 12th People's Political Consultative Conference of Nanhai District, Foshan City, Guangdong Province, Managing Director of the 9th Council of China Packaging Federation, Managing Director of Guangdong Food and Packaging Machinery Industry Association, Vice President of Foshan Machinery Equipment Industry Association, Honorary President of Nanhai District Machinery Equipment Industry Association, Vice President of Foshan High-tech Zone Chamber of Commerce, and Vice President of Foshan Nanhai District Listing Association. Served as the Company's General Manager and Chief Engineer since 1996, and currently the Chairman of the Board of the Company, Director of the subsidiary Fosber S.p.A., Director of the subsidiary Suzhou Parsun Power Machine Co., Ltd., Director of the subsidiary Guangdong Fosber Intelligent Equipment Co., Ltd., Director & Manager of the subsidiary Dongfang Yineng International Holding Co., Ltd., and Supervisor of Dongfang Digicom Technology Co., Ltd.

Qiu Yezhi, female, Chinese, born in 1972, has no right of permanent residence abroad, MBA, National Model Worker, Member of the 12th People's Political Consultative Conference of Foshan City, Guangdong Province, and Deputy to the 17th People's Congress of Nanhai District, Foshan City, Guangdong Province. Served successively as the Company's Director of the General Manager's Office, General Manager of Operations and General Manager since 1996, and as the Company's General Manager and Board Secretary from July 2010 to October 2013. Currently the Company's Director and General Manager, Vice Chairman of the Board of the subsidiary Fosber S.p.A., Director of the subsidiary Fosber America, Inc., Director of the subsidiary Suzhou Parsun Power Machine Co., Ltd., and Chairman of the Board of the subsidiary Guangdong Fosber Intelligent Equipment Co., Ltd.

Xie Weiwei, male, Chinese, born in 1974, has no right of permanent residence abroad, MBA, Member of the 14th People's Political Consultative Conference of Nanhai District, Foshan City, Guangdong Province, graduated from Huazhong University of Science and Technology in 2008. Once served as the Standing Deputy General Manager of Foshan Multimodal Transport Corp., Chairman of the Board of Foshan Donghuochang Railway Logistics Co., Ltd., Deputy Chief of the Reform and Development Division of Foshan SASAC, and Deputy Head of the Investment Department and Head of the Asset Management Department of Foshan Financial Investment Holdings Co., Ltd. Currently the Company's Director and Deputy General Manager, Executive Director of the subsidiary Foshan Yinglian Digital Printing Equipment Co., Ltd., and Director of the joint-stock company Guangdong Jaten Robot & Automation Co., Ltd.

Zhou Wenhui, male, Chinese, born in 1973, has no right of permanent residence abroad, master. Once served as the Investment Director of Beijing Taiying Investment Management Co., Ltd., Head of the Fortune Centre of Beijing Administrative Headquarters of Guosen Securities, Investment Director of Beijing Zhongcai Venture Investment Co., Ltd., and Chief Manager of Avichina Industry And Technology Co., Ltd. Currently the Company's Director, Board Secretary, and Vice President.

Mai Zhirong, male, Chinese, born in 1971, has no right of permanent residence abroad, Certified public accountant, certified public assets estimator and certified tax agent. Graduated with a bachelor's degree from the Party School of Guangdong Provincial Committee of the Communist Party of China in 1999, and graduated from China Central Radio and Television University with a bachelor's degree in accounting in 2007. Once served as an accountant in Guangdong Development Bank Nanhai Branch, auditor of Nanhai Audit Office, and currently the Vice Director of FoShan JunLang Certified Public Accountants Firm Co., Ltd., Independent Director of Shenzhen Magic Decoration Co., Ltd., and Independent Director of Dongfang Precision.

Peng Xiaowei, male, Chinese, born in 1971, has no right of permanent residence abroad. Graduated from Shanghai University of

Electric Power with a bachelor's degree in industrial chemistry in 1995, assigned to work in the electric power authority in Foshan after graduation, rated as a chemical engineer in 2001, and passed the 1st national judicial examination in 2002. Served as a full-time lawyer and partner in Guangzhou Kingpound Law Firm. Currently a senior partner of Beijingshi Yingke Law Firm Guangzhou Office and Independent Director of Dongfang Precision.

He Weifeng, male, Chinese, born in 1961, has no right of permanent residence abroad. Master in mechanical engineering from Guangdong University of Technology, and currently an associate professor of Guangdong University of Technology, Independent Director of Guangdong Jinma Rides Co., Ltd., and Independent Director of Dongfang Precision. Engaged in teaching and research of packaging engineering and printing technology for 30 years. Designed and developed bag packing machine, pillow-type packing machine, box making machine and other packaging and printing machines and devices.

2. Members of the Supervisory Committee

Chen Huiyi, female, Chinese, born in 1985, with a university degree, has no right of permanent residence abroad. Once served as the assistant of the Quality Control Department of Dongfang Plastic Products Co., Ltd. Joined Dongfang Precision in 2010, and currently the Chairman of the Company's Supervisory Committee and Secretary to the Company's General Manager.

He Baohua, female, Chinese, born in 1982, with a university degree, has no right of permanent residence abroad. Joined Guangdong Dongfang Precision Science & Technology Co., Ltd. in 2002, engaged in after-sales management and project management, currently the Company's supervisor and Senior Project Manager of the Project Management Department.

Zhao Xiuhe, male, Chinese, born in 1971, with a technical secondary school degree, has no right of permanent residence abroad. Joined Dongfang Precision in February 2006, currently the Company's Director of the Administration Department. Served as the Company's Employee Supervisor since June 2016.

3. Senior management

Qiu Yezhi, currently the Company's General Manager. Her resume is detailed in "1. Members of the Board of Directors".

Xie Weiwei, currently the Company's Deputy General Manager. His resume is detailed in "1. Members of the Board of Directors".

Shao Yongfeng, male, Chinese, born in 1975, has no right of permanent residence abroad. Graduated with a bachelor's degree from Zhongnan University of Economics and Law, a PRC certified public accountant and PRC certified public assets estimator. Served as Financial Manager and Financial Director of TCL Multimedia Technology Holdings Limited from 2001 to 2010, joined Haier Europe in 2015 and served successively as the company's Financial Director and CFO of Europe, joined Shenzhen Smoore Technology Limited and served as Financial Director from 2016 to 2017, served as Vice President Finance in Shenzhen CIMC Tianda from 2017 to 2020, and joined Guangdong Dongfang Precision Science & Technology Co., Ltd. in April 2020 and currently the Company's Chief Financial Officer and Vice President.

Zhou Wenhui, currently the Company's Board Secretary. His resume is detailed in "1. Members of the Board of Directors".

Offices held concurrently in shareholding entities:

Applicable Not applicable

Offices held concurrently in other entities:

Applicable Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity or not
Tang Zhuolin	Dongfang Precision (HK)	Director	5 February 2013		Not
Tang Zhuolin	Dongfang Precision (Netherland)	Director	29 October 2013		Not
Tang Zhuolin	Fosber Group	Director	26 March 2014		Yes
Tang Zhuolin	Dongfang Precision (Europe)	Chairman of the Board	15 June 2016		Yes
Tang Zhuolin	Fosber Asia	Director	30 September 2014		Yes
Tang Zhuolin	Parsun Power	Director	24 May 2015		Not
Tang Zhuolin	Shunyi Investment	Legal Representative, Executive Director and General Manager	2 July 2015		Not
Tang Zhuolin	Yineng Investment	Legal Representative, Executive Director and General Manager	10 October 2020		Yes
Tang Zhuolin	Dongfang Digicom	Supervisor	26 October 2020		Yes
Tang Zhuolin	Dongfang Digicom (Guangdong)	Supervisor	26 February 2021		Not
Tang Zhuolin	Dongfang Yineng International Holding Co., Ltd.	Legal Representative, Executive Director and Manager	15 February 2022		Not
Tang Zhuolin	Shenzhen Xianglin Venture Capital Co., Ltd.	Legal Representative, Executive Director and General Manager	26 May 2016		Not
Tang Zhuolin	Shenzhen Zhiquan Venture Capital Co., Ltd.	Supervisor	26 May 2016		Not
Tang Zhuolin	Shenzhen Shenghui Venture Capital Co., Ltd.	Supervisor	16 May 2016		Not
Qiu Yezhi	Fosber Group	Vice Chairman of the Board	26 March 2014		Yes
Qiu Yezhi	Fosber America	Director	1 September 2017		Yes
Qiu Yezhi	Tiru ña Group	Director	30 May 2019		Yes
Qiu Yezhi	Tiru ña S.L.U.	Director	30 May 2019		Not
Qiu Yezhi	QCorr	Director	3 February 2020		Yes
Qiu Yezhi	Fosber Asia	Legal Representative and	15 July 2020		Yes

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity or not
		Chairman of the Board			
Qiu Yezhi	Dongfang Precision (Europe)	Director	15 June 2016		Yes
Qiu Yezhi	Parsun Power	Director	24 May 2015		Not
Qiu Yezhi	Yineng Investment	Supervisor	10 October 2020		Not
Qiu Yezhi	Dongfang Digicom	Legal Representative, Executive Director and General Manager	26 October 2020		Not
Qiu Yezhi	Dongfang Digicom (Guangdong)	Legal Representative and Executive Director	26 February 2021		Not
Qiu Yezhi	Shenzhen Xianglin Venture Capital Co., Ltd.	Supervisor	26 May 2016		Not
Qiu Yezhi	Shenzhen Shenghui Venture Capital Co., Ltd.	Legal Representative, Executive Director and General Manager	18 May 2015		Not
Qiu Yezhi	Foshan Jingmu Trading Co., Ltd.	Legal Representative, Executive Director and Manager	16 June 2021		Not
Xie Weiwei	Parsun Power	Director	24 May 2015	6 December 2021	Not
Xie Weiwei	Shunyi Investment	Supervisor	2 July 2015		Not
Xie Weiwei	Jaten Robot	Director	23 March 2016		Yes
Xie Weiwei	Yinglian Digital	Legal Representative and Executive Director	22 September 2020		Not
Xie Weiwei	Foshan Nanhai District Machinery Equipment Trade Association	Branch Secretary	23 November 2020		Yes
Mai Zhirong	FoShan JunLang Certified Public Accountants Firm Co., Ltd.	Deputy Director	1 January 2000		Yes
Mai Zhirong	Shenzhen Magic Design & Decoration Engineering Co., Ltd.	Independent Director	20 January 2021		Yes
Mai Zhirong	Foshan Xinshengda Tax Agents Co., Ltd.	Legal Representative, Executive Director and Manager	4 November 2002		Not

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity or not
Mai Zhirong	Foshan Tianshun Management Consulting Co., Ltd.	Legal Representative, Executive Director and Manager	9 January 2000		Not
Peng Xiaowei	Beijing Yingke (Guangzhou) Law Firm	Senior Partner	1 July 2015		Yes
Peng Xiaowei	Guilin Hengtong Energy Development Co., Ltd.	Vice Chairman of the Board	10 May 2016		Not
He Weifeng	Guangdong University of Technology	Associate Professor	1 July 1985	1 December 2021	Yes
He Weifeng	Guangdong Jinma Entertainment Corporation Limited	Independent Director	19 October 2020	19 October 2023	Yes
Zhou Wenhui	Nanjing Profeta Intelligent Technology Co., Ltd.	Director	15 September 2021	15 September 2024	Not
Zhou Wenhui	Yineng Investment	General Manager	1 January 2021		Yes
Shao Yongfeng	Dongfang Digicom	Chief Financial Officer	1 January 2021		Yes
Shao Yongfeng	Yineng Investment	Chief Financial Officer	1 January 2021		Yes
Note	Not applicable				

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

Following the approval of the Remuneration and Appraisal Committee, the remunerations for directors, supervisors and senior management are submitted to the Board of Directors and the Supervisory Committee for further approval. The remunerations of directors and supervisors are subject to final approval by the general meeting, and those of senior management are subject to the Board of Directors. The decision-making procedures are in compliance with the Company Law, the Company's Articles of Association, and the Company's Specific Implementation Rules for the Remuneration and Appraisal Committee under the Board of Directors. In the Reporting Period, the actual payments of remuneration for directors, supervisors and senior management were consistent with the resolutions of the general meeting and the Board of Directors.

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the	Remuneration from any related party or not

					Company	
Tang Zhuolin	Chairman of the Board	Male	59	Incumbent	405.62	Yes
Qiu Yezhi	Director and General Manager	Female	50	Incumbent	415.31	Yes
Xie Weiwei	Director and Deputy General Manager	Male	48	Incumbent	95.01	Yes
Zhou Wenhui	Director, Board Secretary and Vice President	Male	49	Incumbent	171.58	Not
Shao Yongfeng	Chief Financial Officer and Vice President	Male	47	Incumbent	118.14	Not
Mai Zhirong	Independent Director	Male	51	Incumbent	20.00	Not
Peng Xiaowei	Independent Director	Male	51	Incumbent	20.00	Not
He Weifeng	Independent Director	Male	61	Incumbent	20.00	Not
Chen Huiyi	Chairman of the Supervisory Committee	Female	37	Incumbent	27.87	Not
Zhao Xiuhe	Employee Supervisor	Male	51	Incumbent	24.25	Not
He Baohua	Supervisor	Male	40	Incumbent	34.35	Not
Total	--	--	--	--	1,352.13	--

VI Performance of Duty by Directors in the Reporting Period

1. Board Meetings Convened during the Reporting Period

Meeting	Date of the meeting	Disclosure date	Resolution
The 5 th Meeting of the 4 th Board of Directors	26 March 2021	29 March 2021	1. Reviewed and approved the Proposal on the Report on the Work of the Board of Directors for 2020 (including the Report of the Independent Directors for 2020); 2. Reviewed and approved the Proposal on the Report on the Work of the Supervisory Committee for 2020; 3. Reviewed and approved the Proposal on the Annual Report and its Summary for 2020; 4. Reviewed and approved the Proposal on the Report on the Financial Accounts for 2020; 5.

			Reviewed and approved the Proposal on the Financial Budget Report for 2021; 6. Reviewed and approved the Proposal on the Profit Distribution Proposal for 2020; 7. Reviewed and approved the Proposal on the Self-Evaluation Report on Internal Control for 2020; 8. Reviewed and approved the Proposal on the Summary Report of the Audit Committee of the Board of Directors on the Annual Audit Work of Ernst & Young Hua Ming Accounting Firm (Special General Partnership) for 2020 and the Proposed Appointment of the Audit Institution for 2021; 9. Reviewed and approved the Proposal on the Special Report on the Deposit and Use of Raised Funds for 2020; 10. Reviewed and approved the Proposal on the Use of Own Funds for Securities Investment; 11. Reviewed and approved the Proposal on Authorizing the Management to Apply for Comprehensive Credit from Banks for 2021; 12. Reviewed and approved the Proposal on the Deliberation of the Revised Rolling Draft of the Company's Five-Year Strategic Plan; 13. Reviewed and approved the Proposal on the Convening of the 2020 Annual General Meeting.
The 6 th (Extraordinary) Meeting of the 4 th Board of Directors	19 April 2021	20 April 2021	1. Reviewed and approved the Proposal on the Report for the First Quarter of 2021; 2. Reviewed and approved the Proposal on the Change of Accounting Policy.
The 7 th (Extraordinary) Meeting of the 4 th Board of Directors	7 June 2021	8 June 2021	Reviewed and approved the Proposal on Authorising the Management of the Company and its Subsidiary to Initiate Preliminary Preparation for the Spin-off and Domestic Listing of the Subsidiary.
The 8 th (Extraordinary) Meeting of the 4 th Board of Directors	18 June 2021	19 June 2021	1. Reviewed and approved the Proposal on the Satisfaction of Unlocking Conditions in the First Unlocking Period for the First Grant of the 2020 Restricted Share Incentive Plan; 2. Reviewed and approved the Proposal on the Repurchase and Retirement of Some Restricted Shares; 3. Reviewed and approved the Proposal on the Change of Registered Capital and the Revision of <Articles of Association>.
The 9 th Meeting of the 4 th Board of Directors	26 July 2021	27 July 2021	Reviewed and approved the Proposal on the Semi-Annual Report and its Summary for 2021.
The 10 th (Extraordinary) Meeting of the 4 th Board of Directors	31 August 2021	1 September 2021	1. Reviewed and approved, by item-by-item voting, the Proposal on the Repurchase of Some Public Shares; 2. Reviewed and approved the Proposal on the Request to the Company's General Meeting to Authorize the Board of Directors for Handling Matters Related to the Share Repurchase; 3. Reviewed and approved the Proposal on the Repurchase and Retirement of Some Restricted Shares; 4. Reviewed and approved the Proposal on the Change of

			Registered Capital and the Revision of <Articles of Association>. 5. Reviewed and approved the Proposal on the Convening of the Second Extraordinary General Meeting for 2021.
The 11 th (Extraordinary) Meeting of the 4 th Board of Directors	7 September 2021	8 September 2021	Reviewed and approved the Proposal on the Deferred Convening of the Second Extraordinary General Meeting for 2021.
The 12 th (Extraordinary) Meeting of the 4 th Board of Directors	28 October 2021	29 October 2021	Reviewed and approved the Proposal on the Report for the Third Quarter of 2021.

2. Attendance of Directors at Board Meetings and General Meetings

Attendance of directors at board meetings and general meetings							
Director	Total number of board meetings the director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the director failed to attend	The director failed to attend two consecutive board meetings or not	General meetings attended
Tang Zhuolin	8	3	5		0	Not	3
Qiu Yezhi	8	3	5		0	Not	3
Xie Weiwei	8	3	5		0	Not	3
Zhou Wenhui	8	3	5		0	Not	3
Mai Zhirong	8	2	5	1	0	Not	2
Peng Xiaowei	8	3	5		0	Not	3
He Weifeng	8	3	5		0	Not	3

Why any director failed to attend two consecutive board meetings:

3. Objections Raised by Directors on Matters of the Company

Indicate whether any directors raised any objections on any matter of the Company.

Yes No

No such cases in the Reporting Period.

4. Other Information about the Performance of Duty by Directors

Indicate whether any suggestions from directors were adopted by the Company.

Yes No

Suggestions from directors adopted or not adopted by the Company:

During the Reporting Period, the directors and independent directors of the Company worked in strict accordance with the requirements of the Company Law, the Securities Law, the Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange, the Articles of Association, the Rules of Procedure for the Board of Directors and other relevant laws and regulations, earnestly attended the Board meetings and the General Meetings, and were diligent and responsible. They have made relevant suggestions on the major governance and operation decisions of the Company. The independent directors actively got to know the operation of the Company and delivered different opinions on major matters of the Company, giving better play to their supervisory role and effectively maintaining the interests of the Company and its shareholders.

VII Performance of Duty by Special Committees under the Board in the Reporting Period

Committee	Members	Number of meetings convened	Date of meeting	Contents	Important opinion and suggestions	Other performance of duties	Particulars about objections (if any)
Audit Committee of the Board of Directors	Mai Zhirong, Qiu Yezhi, He Weifeng	1	30 March 2021	Reviewed Proposal on <2020 Audit Report of Guangdong Dongfang Precision Science & Technology Co., Ltd.>; reviewed Proposal on <Special Report on the Deposit and Use of Raised Funds 2020>; reviewed Proposal on <Self-evaluation Report on Internal Control 2020>; reviewed Proposal on <Summary Report of the Audit Committee of the Board of Directors on the Annual Audit of Ernst & Young Hua Ming Certified Public Accountants (Special General Partner) 2020>; reviewed Proposal on the Proposed Appointment of an Audit Institution 2021.			
Audit Committee of the Board of Directors	Mai Zhirong, Qiu Yezhi, He Weifeng	1	19 April 2021	Reviewed Proposal on <Report on the Work of the Audit Department for the First Quarter of 2021>; reviewed Proposal on the <Work Report of the Audit Committee for the First Quarter of 2021>; reviewed Proposal on the <Special Report on the Deposit and Use of Raised Funds for the First Quarter of 2021>; reviewed Proposal on the <Audit Report on the Financial Statements for the First Quarter of 2021>; reviewed Proposal on the <Work Plan of the Audit Department for the Second Quarter of 2021>.			
Remuneration and Appraisal Committee of the Board of Directors	Peng Xiaowei, Qiu Yezhi, He Weifeng	1	16 June 2021	Reviewed the Proposal on the Results of 2020 Annual Performance Appraisal for Awardees of the 2020 Restricted Share Incentive Plan; reviewed the Proposal on the Satisfaction of Conditions for the First Unlocking Period for the First Grant of the 2020 Restricted Share Incentive Plan; reviewed the Proposal on the Repurchase and Retirement of Some Restricted Shares.			
Audit Committee of the Board of Directors	Mai Zhirong, Qiu Yezhi, He Weifeng	1	26 July 2021	Reviewed Proposal on <Report on the Work of the Audit Department for the Second Quarter of 2021>; reviewed Proposal on the <Work Report of the Audit Committee for the Second Quarter of 2021>; reviewed Proposal on the <Audit			

				Report on the Financial Statements for the Second Quarter of 2021>; reviewed Proposal on the <Work Plan of the Audit Department for the Third Quarter of 2021>.			
Audit Committee of the Board of Directors	Mai Zhirong, Qiu Yezhi, He Weifeng		28 1 October 2021	Reviewed Proposal on <Report on the Work of the Audit Department for the Third Quarter of 2021>; reviewed Proposal on the <Work Report of the Audit Committee for the Third Quarter of 2021>; reviewed Proposal on the <Audit Report on the Financial Statements for the Third Quarter of 2021>; reviewed Proposal on the <Work Plan of the Audit Department for the Fourth Quarter of 2021>.			

VIII Performance of Duty by the Supervisory Committee

Indicate whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes No

No such cases in the Reporting Period.

IX Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent at the period-end	513
Number of in-service employees of principal subsidiaries at the period-end	1,339
Total number of in-service employees at the period-end	1,852
Total number of paid employees in the Reporting Period	2,140
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	3
Functions	
Function	Employees
Production&Operation	1,111
Marketing	211
Technical	284
Financial	67
Administrative	179
Total	1,852
Educational backgrounds	
Educational background	Employees
Senior high school and below	916
Junior college	475
Bachelor's degree	337
Master's degree and above	124
Total	1,852

2. Employee Remuneration Policy

Domestic business entities:

The remuneration policy in 2021 continued to be based on posts and performance and subject to total control.

A comprehensive remuneration system was established and further improved to retain and attract talents needed for the Company's sustainable development.

1. Paid remuneration based on posts: The relative value of a post was determined based on its duties, and the remuneration range of the post was determined based on the relative value and according to the Company's value orientation.

2. Paid remuneration based on performance: The Company determined the basic remuneration based on the relative value of a post and personal competence, determined the performance bonus in an employee's remuneration based on his/her performance, and adjusted the remuneration based on his/her personal competence and overall performance.

3. Changed remuneration with the change in post: The remuneration was strictly fitted to the post, and if the post changed, the remuneration changed, so that the remuneration system can support the career development of employees.

4. Total control: The total amount of remuneration was controlled within the scope recognized by the Company, and the growth rate of remuneration should be lower than that of sales revenue and profit. The Company's affordability was taken into account so that the Company's business performance can support the growth of the total labour cost.

5. The remuneration system of payment by piece is applied to first-line workers, so that they could be paid more by being more profession and working harder, so as to reflect an internally fair remuneration policy based on differential skill scoring.

Overseas business entities:

The remuneration system for each overseas business entity is put in place in accordance with the local labor law.

3. Training Plan

1. Overall status: 112 training sessions were carried out at the Group headquarters and domestic branches and subsidiaries in 2021, totaling 710 hours of lectures. The number of training hours per capita was about 8.6 hours, totaling 2,642 training attendees.

2. In 2021, the Company set up a team of more than 60 internal trainers to instruct and contribute to the team growth; meanwhile, the Company introduced external online and offline training resources to implement the training effectively and conveniently, empower core employees and share training resources in the Group.

3. The wisdom of Senior Management was shared to inherit the corporate culture of Dongfang Precision. The Company built an interactive platform between Senior Management and grassroots employees, and completed a series of six "Voice of Boss" sharing activities.

4. The Company empowered the team of internal trainers, improved their curriculum development and teaching skills, preparing instructors and curriculum database for internal training and talent team construction.

5. Operation of Talent Development Project: a total of 40 trainees with a year of hands-on learning and mentor coaching.

4. Labor Outsourcing

Applicable Not applicable

Total hours of labor outsourced	145,714
Total payment for labor outsourcing (RMB yuan)	1,844,312.02

X Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

The profit distribution policy for shareholders, especially the formulation, implementation and amendments to the cash dividend policy, in the Reporting Period:

Applicable Not applicable

Article 183 of the Articles of Association of Guangdong Dongfang Precision Science & Technology Co., Ltd. Has specified the method of profit distribution and the conditions, schedule and proportion of cash dividend, as well as the procedures to decide and adjust or change profit distribution, in order to fully protect the legitimate rights and interests of investors.

The profit distribution policy of the Company remained unchanged in the Reporting Period.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling shareholders are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	Not applicable

Indicate whether the Company fails to put forward a cash dividend proposal for shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to shareholders are positive.

Applicable Not applicable

Final dividend plan for the Reporting Period:

Applicable Not applicable

The Company planed not to distribute cash dividends, neither give away bonus shares, nor capitalize from public reserve

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable Not applicable

1. Equity Incentives

In order to refine its long-term incentive mechanism, boost the enthusiasm of management personnel and key employees of all

levels, effectively promote long-term development, and achieve the objective of “Promoting Team Stability and Morale, Attract Talent and Improve Operating Performance”, the Company launched the 2020 Restricted Share Incentive Plan in the first quarter of 2020. The plan was approved at the First Extraordinary General Meeting of 2020 on 27 March 2020. For details, see the Summary of the 2020 Restricted Share Incentive Plan (Draft) disclosed by the Company on www.cninfo.com.cn dated 12 March 2020.

1. On 27 March 2020, the Proposal on the Grant of Restricted Shares to Awardees was approved at the 44th (Extraordinary) Meeting of the 3rd Board of Directors. The date for the first grant of the restricted shares was 27 March 2020. In June 2020, the Company completed the ownership transfer of the 22,600,000 restricted shares granted to 40 awardees at RMB1.00/share in the first grant, the listing date of which is 24 June 2020. For details, see the Announcement on the Completion of the Ownership Transfer of the First Grant under the 2020 Restricted Share Incentive Plan disclosed by the Company on www.cninfo.com.cn dated 29 June 2020.

2. On 29 December 2020, the Proposal on the Grant of Reserved Restricted Shares to Awardees was approved at the Fourth (Extraordinary) Meeting of the Fourth Board of Directors. The date for the grant of the reserved restricted shares was 29 December 2020. In February 2021, the Company completed the ownership transfer of the 4,240,000 restricted shares to 18 awardees at RMB1.00/share, the listing date of which is 25 February 2021. For details, see the Announcement on the Completion of the Ownership Transfer of the Grant of Reserved Restricted Shares under the 2020 Restricted Share Incentive Plan disclosed by the Company on www.cninfo.com.cn dated 26 February 2021.

3. On 14 January 2021, the Proposal on the Repurchase and Retirement of Certain Restricted Shares was approved at the First Extraordinary General Meeting of 2021. As two awardees resigned from the Company and were disqualified for the equity incentives, the Company decided to repurchase and retire the 900,000 restricted shares that had been granted to them but were still locked up. The repurchase and retirement of these restricted shares was completed on 24 February 2021. For details, see the Announcement on the Completion of the Repurchase and Retirement of Certain Restricted Shares disclosed by the Company on www.cninfo.com.cn dated 26 February 2021.

4. On 18 June 2021, the Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the First Grant under the 2020 Restricted Share Incentive Plan and the Proposal on the Repurchase and Retirement of Certain Restricted Shares were approved at the 8th (Extraordinary) Meeting of the 4th Board of Directors and the 6th (Extraordinary) Meeting of the 4th Supervisory Committee. On 25 June 2021, 4,310,000 shares held by 37 awardees were unlocked for public trading in the first unlocking period for the first grant under the 2020 Restricted Share Incentive Plan.

5. On 18 June 2021, the Proposal on the Repurchase and Retirement of Certain Restricted Shares was approved at the 8th (Extraordinary) Meeting of the 4th Board of Directors. Due to an awardee failing to meet the 2020 performance appraisal standard, the Company decided to repurchase and retire the 30,000 restricted shares that had been granted to the awardee. The repurchase and

retirement of these restricted shares was completed on 26 October 2021. For details, see the Announcement on Completion of the Repurchase and Retirement of Certain Restricted Shares disclosed by the Company on www.cninfo.com.cn dated 28 October 2021.

6. On 31 August 2021, the Proposal on the Repurchase and Retirement of Certain Restricted Shares was approved at the 10th (Extraordinary) Meeting of the 4th Board of Directors. As one awardee resigned from the Company and were disqualified for the equity incentives, the Company decided to repurchase and retire the 120,000 restricted shares that had been granted to the awardee but were still locked up. The repurchase and retirement of these restricted shares was completed on 26 October 2021. For details, see the Announcement on the Completion of the Repurchase and Retirement of Certain Restricted Shares disclosed by the Company on www.cninfo.com.cn dated 28 October 2021.

Equity incentives received by directors and senior management:

Applicable Not applicable

Unit: share

Name	Office title	Exercisable shares in the Reporting Period	Exercised shares in the Reporting Period	Exercise price for exercised shares in the Reporting Period (RMB yuan/share)	Market price at the period-end (RMB yuan/share)	Opening restricted shares	Unlocked shares in the Reporting Period	Restricted shares newly granted in the Reporting Period	Grant price (RMB yuan/share)	Closing restricted shares
Qiu Yezhi	Director and General Manager					9,000,000	1,800,000	0	1	7,200,000
Xie Weiwei	Director and Deputy General Manager					1,000,000	200,000	0	1	800,000
Zhou Wenhui	Director, Board Secretary and Vice President					1,200,000	240,000	0	1	960,000
Shao Yongfeng	Chief Financial					0	0	800,000	1	800,000

	Officer and Vice President									
Total	--	0	0	--	--	11,200,000	2,240,000	800,000		9,760,000

Appraisal of and incentive for senior management:

The Company has established a sound performance appraisal and remuneration policy for senior managers, and determined key performance indicators (KPIs) matching different posts, which linked the income of the Company's managers and employees at different levels to their work performance. During the Reporting Period, the Company assessed and appraised the work ability, duty performance and completion of responsibility goals of senior managers based on the KPIs, and closely linked their remuneration levels with the Company's business performance.

2. Implementation of Employee Stock Ownership Plans

Applicable Not applicable

3. Other Incentive Measures for Employees

Applicable Not applicable

XII Formulation and Implementation of Internal Control System during the Reporting Period

1. Internal Control Formulation and Implementation

In accordance with the provisions of the Basic Code for Internal Control of Enterprises and its supporting guidelines and other regulatory requirements for internal control, the Company has set up a relatively complete corporate governance structure and internal control management system in line with its actual operation, which is in line with the needs of the Company's operation and management. The Company has established internal control over the businesses and matters included in the scope of evaluation for effective implementation. The objective of internal control has been basically achieved with no material weakness.

The Board of Directors of the Company is responsible for establishing sound and effective internal controls and evaluating their effectiveness in accordance with the provisions of the standard system for enterprise internal control. The Supervisory Committee supervised the establishment and implementation of internal controls by the Board of Directors.

The Company would ensure legal compliance in operation and management, assets safety, truthfulness and integrity of financial reports and related information through the sound and effective implementation of internal controls to improve operational efficiency and effect, and promote the development strategy.

2. Significant Defects in Internal Control Identified during the Reporting Period

Yes No

XIII Subsidiary Management during the Reporting Period

Subsidiary	Management plan	Progress	Problems	Solutions	Solution progress	Subsequent plan
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N/A	N/A	N/A	N/A	N/A	N/A	N/A
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XIV Self-Assessment Report and Independent Auditor's Report on Internal Control

1. Internal Control Self-Assessment Report

Date of full disclosure of the internal control assessment report	15 March 2022	
Index of full disclosure of the internal control assessment report	Published on www.cninfo.com.cn	
Ratio of the total assets of the organizations included in the assessment to the total assets in the Company's consolidated financial report	100.00%	
Ratio of the revenue of the organizations included in the assessment to the revenue in the Company's consolidated financial report	100.00%	
Defect identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	<p>1) Indications of significant defects in financial reports include:</p> <p>a. Fraudulent conduct by directors, supervisors and senior management of the Company; b. Correction of a published financial report by the Company; c. Significant misstatement in the current financial report identified by a certified public account but not identified during the Company's internal control audit; d. Invalid supervision of the Audit Committee and audit department over the Company's external financial reports and internal control of financial reports.</p> <p>2) Indications of important defects in financial reports included:</p> <p>a. Failure to select or apply accounting policies in accordance with GAAP; b. Failure to implement</p>	<p>The identification of defects in non-financial reports is mainly based on the degree of impact of the defects on the effectiveness of business procedures and the possibility of their occurrence.</p> <p>1) Significant defect If the possibility of the defect is high, it will seriously reduce the work efficiency or effectiveness, seriously increase the uncertainty of the effectiveness, or make the work result seriously deviate from the expected goal, the defect is a significant defect. The following usually indicates a significant defect in the internal control of non-financial reports:</p> <p>a. Violation of national laws and regulations; b. Outflow of managers or key technicians; c. Frequent negative news from media; d. Failure to correct the results, especially significant or important defects, in</p>

	<p>anti-fraud procedures and take control measures; c. Lack of corresponding control mechanism for accounting treatment of unconventional or special transactions or lack of corresponding compensatory control; d. One or more defects in the control of the period-end financial reporting process and failure to reasonably ensure true and complete financial reports.</p> <p>3) General defects refer to the control defects other than significant and important defects mentioned above.</p>	<p>internal control assessment; e. Lack of system control or systematic failure of system in important business.</p> <p>2) Important defect</p> <p>If the possibility of the defect is relatively high, it will significantly reduce the work efficiency or effectiveness, significantly increase the uncertainty of the effectiveness, or make the work result significantly deviate from the expected goal, the defect is an important defect. The following usually indicates an important defect in the internal control of non-financial reports:</p> <p>a. Defects in important business policies or systems; b. Important mistakes in the decision-making process; c. Serious outflow of business personnel in key posts; d. Failure to timely remedy the important defects identified in internal supervision of internal control; e. Other circumstances that have a negative impact on the Company. 3) General defects referred to the control defects other than significant and important defects mentioned above.</p>
<p>Quantitative criteria</p>	<p>A quantitative judgment was made based on the pretax profit of the Company. The misstatement exceeding 5% of the total pretax profit was determined as a significant misstatement, that exceeding 3% of the total pretax profit was determined as an important misstatement, and others were determined as general misstatements.</p>	<p>The revenue and total assets were the measuring indicators for the quantitative criteria. If the loss that may result from or results from an internal control defect is related to the profit report, it was measured by the revenue indicator. If the amount of misstatement in the financial report that may result from the defect alone or it together with other defects is less than 0.5% of the revenue, the defect was determined as a general defect. If it exceeds 0.5% and is less than 1% of the revenue, it was determined as an important defect. If it exceeds 1% of the revenue, it was determined as a significant defect.</p> <p>If the loss that may result from or results from an internal control defect is related to asset management, it was measured by the total asset indicator. If the amount of misstatement in the financial report that may result from the defect alone or it together with other defects is less than 0.5% of the total assets, the defect was determined as a general defect. If it exceeds 0.5% and is less than 1% of the total assets, it was determined as an important defect. If it exceeds 1% of the total assets, it was determined as a significant defect.</p>
<p>Number of significant</p>		<p>0</p>

defects in financial reports	
Number of significant defects in non-financial reports	0
Number of important defects in financial reports	0
Number of important defects in non-financial reports	0

2. Independent Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor's report on internal control	
In the opinion of Ernst & Young Hua Ming LLP, Guangdong Dongfang Precision Science & Technology Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as at 31 December 2021, based on the Basic Rules on Enterprise Internal Control and other applicable rules.	
Independent auditor's report on internal control disclosed or not	Yes
Disclosure date	15 March 2022
Index to such report disclosed	www.cninfo.com.cn
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

Yes No

Indicate whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board of Directors.

Yes No

XV Rectifications of Problems Identified by Self-inspection in the Special Action for Listed Company Governance

During the Reporting Period, the Company carried out special self-inspection activities on governance according to the unified deployment of regulatory authorities, and the results of the self-inspection are as follows:

(I) Overview of corporate governance

In strict accordance with the requirements of the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Listing Rules of Shenzhen Stock Exchange and other relevant laws and

regulations, the Company has continuously improved its corporate governance structure, established and improved its internal control system to standardize its operations and enhance information disclosure. It also actively developed investor relations management, and complied with the requirements of laws and regulations in all aspects of corporate governance.

(II) Problems in corporate governance and rectification

1. Due to other arrangements, there were circumstances where some directors or senior management did not attend (preside) the General Meeting as required.

Rectification: The Company strengthened training, educated the requirements of relevant laws and regulations to facilitate the participation of directors, supervisors and senior management in General Meetings via video, telephone and Internet.

2. There were circumstances where independent directors were unable to attend the board meeting in person

Rectification: The Company strengthened training, educated the requirements of relevant laws and regulations to facilitate the participation of independent directors in board meeting via video, telephone and Internet.

Part V Environmental and Social Responsibilities

I Significant Environmental Issues

Whether the listed company and its subsidiaries fell into major pollutant-discharge enterprises and institutions published by national environmental protection authorities.

Yes No

The Company and its subsidiaries did not fall into major pollutant-discharge enterprises and institutions published by national environmental protection authorities, and the Company was not administratively punished for environmental issues in the Reporting Period. For other environmental information, please refer to "II Social Responsibilities" below.

Measures taken to reduce carbon emissions in the Reporting Period and the impact:

Applicable Not applicable

Reason for the non-disclosure of other environmental information:

II Social Responsibilities

The Company attached importance to fulfil social responsibility in daily operations, intending to promote the harmony and co-prosperity between it and parties related to its interests. The Company also took active measures in the protection of the rights and interests of shareholders, creditors, employees, suppliers, customers and consumers, environmental protection, sustainable development, public relations and social public welfare undertakings, and strived to maximize comprehensive social benefits including the sustainable development of itself.

(1) Corporate governance: During the Reporting Period, the Company strictly abided by the Company Law, the Securities Law and Code of Corporate Governance for Listed Companies, continued to refine the corporate governance structure, improve the internal control system, formed the decision-making system comprising the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and the Management, and timely fulfilled its obligation of information disclosure according to laws and regulations and effectively safeguarded the rights and interests of all shareholders.

(2) Rights and interests of employees: The Company provided employees with welfare and care by providing holiday gifts and holding employee birthday parties, annual meetings and team building activities, improved employees' professional competence by offering regular or irregular training to employees in the headquarters and domestic and foreign branches and subsidiaries, and continued to improve the competitive comprehensive remuneration system to retain and attract talents needed for the Company's sustainable development.

(3) Relationship with customers and suppliers: Long adhering to the principle of "honest business" and "mutual benefit and win-win", the Company took the initiative to construct and develop strategic partnership with suppliers and customers and jointly built a platform of trust and cooperation, and earnestly fulfilled its social responsibilities to suppliers, customers and consumers. The Company has been well performing contracts with suppliers and customers and ensuring that the rights and interests of all parties are highly valued and duly protected.

(4) Production safety: The Company strictly abided by the Labour Law and the Labour Contract Law, adhered to the "people-oriented" principle, attached importance to the needs of employees, strived to improve the working and living environments of employees, and has set up a labour union to effectively protect the interests of employees. It also provided labour protection supplies according to the risk factors of different posts, organized occupational health examinations for employees (before taking the post, on the post and before leaving the post), and bought safety liability insurance for employees on highly risky posts. In 2020, Dongfang Precision extended its Grade II Production Safety Standardization Certificate for Machinery Enterprises, and Parsun Power and Fosber Asia were granted the Grade III Production Safety Standardization Certificate for Machinery Enterprises.

(5) Environmental protection: First, Dongfang Precision and Parsun Power were granted the National Pollutant Discharge Permit and met post-licensing regulatory requirements as required. Second, Dongfang Precision and Parsun Power commissioned the qualified third party environmental protection agencies to compile the Contingency Plans for Environmental Emergencies, and filed them. Third, the Company completed its environmental protection facilities (e.g., the waste gas treatment facility and the waste water treatment facility), and passed the qualification re-examination on OHSAS18001:2007 Occupational Health and Safety Management Systems and ISO14001:2005 Environmental Management System. Fourth, the Company commissioned a third party to install and operate 24h online wastewater flow monitoring equipment, and also commissioned a third party testing agency to test waste water, waste gas and noise every quarter. It also required environmental equipment operators to carry out regular inspections everyday. Fifth, Parsun Power commissioned a third party to implement annual environmental monitoring, and tested the activated carbon adsorption equipment before and after maintenance (including replacement of activated carbon). It also divided pollutants and wastes into industrial waste water, waste gas, solid waste, hazardous waste and domestic waste, and disposed of them, and earnestly fulfilled its responsibility of environmental protection.

(6) Anti-fraud: The Group compiled a thorough internal authorization manual that detailed provisions on internal authorization process of major matters to ensure appropriate internal control and reduce the risk of fraud. In order to create a fair, just, honest and non-corrupt internal business environment and strengthen internal monitoring, the Company also established and launched the anti-fraud reporting platform to encourage employees to report fraud findings.

(7) Social honour: Dongfang Precision won honorary titles including "Top 500 Private Manufacturing Enterprises in China", "Leading Enterprises in Subdivided Industries in Foshan", and "Guangdong Provincial Industrial Design Center"; Fosber Asia won honorary titles including "Guangdong Demonstration Enterprise of Intellectual Property"; and Parsun Power won honorary titles including "Leading Enterprise in China's Internal Combustion Engine Industry", "2021 China Shipbuilding Industry Best Technology Innovation Award", "2021 China Shipbuilding Industry Outstanding Contribution Award", and in July 2021 was shortlisted as a national "little giant" enterprise with the quality of specialization, refinement, characteristics and novelty.

III Efforts in Poverty Alleviation and Rural Revitalization

The Company did not conduct activities related to targeted poverty alleviation in the Reporting Year, nor did it develop any subsequent plan for targeted poverty alleviation.

Part VI Significant Events

I Fulfillment of Undertakings

1. Undertakings of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

√ Applicable □ Not applicable

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
Undertakings related to reform of shareholder structure						
Undertakings made in acquisition report of change of equity report						
Undertakings made in asset reorganization	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital	1. I will conduct all related-party transactions, unavoidable or arising from a reasonable reason, between me and companies controlled by me and Dongfang Precision and its controlling subsidiaries in a fair and reasonable manner and on an equal, mutually beneficial, equivalent and compensable basis in strict accordance with market principles. For all related-party transactions between me and companies controlled by me and Dongfang Precision and its controlling subsidiaries, I will sign agreements and go through procedures according to law and fulfil the obligation of information disclosure in accordance	25 April 2017	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
		occupation	with relevant laws, regulations, normative documents, Articles of Association of Dongfang Precision and other corporate governance provisions, and undertakes not to damage the legitimate rights or interests of the listed company and small and medium shareholders. 2. When any related-party transaction involving me and companies controlled by me is being deliberated by the authority of Dongfang Precision, I will proactively perform the obligation of evading according to law and conduct the transaction only with the approval of the competent authority. 3. I undertake not to obtain any improper benefits or cause Dongfang Precision and its controlling subsidiaries to assume any improper obligations through related-party transactions. In case of any losses to Dongfang Precision or its controlling subsidiaries as a result of any breach of the above undertakings, I will be liable for such losses.			
	Pulead; BAIC Capital; Foton; CATL; Qinghai Puren	Other undertakings	When the Company is conducting major asset reorganization by acquiring 100% of Beijing Pride's equity, former shareholders of Beijing Pride, namely Pulead, Qinghai Puren, BAIC Capital, Foton and CATL, undertake that: 1. None of them has signed any agreement on concerted action as of the date of signature of the Agreement to Purchase Assets by Issuing Shares and Paying Cash, nor will they do so in the future, although BAIC Capital and Foton are subject to a concerted action relation and so as Pulead and Qinghai Puren. 2. They will not attempt to change any member of the Board of Directors of Dongfang Precision through a general meeting of shareholders.	July 28, 2016	Long-term effective	In normal progress of fulfilment
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The undertaker and companies controlled by it are not engaging in any business the same as, similar to or competing with the business of the listed company and companies controlled by it, and they will neither, in any way, engage in or assist others in engaging in any business that competes or may compete with the business of the listed company and companies controlled by it, nor merge or substantially invest in (or jointly hold), directly or indirectly, other companies engaging in any business that competes or may compete with the business of the listed company and companies controlled by it. 2. If the listed company engages in a new business sector, the undertaker will not engage in any business that competes with such a new business of the listed company, except with the prior written consent of the listed company. 3. If any business opportunity obtained by the undertaker from any third	25 November 2019	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			party completes or may compete with the business of the listed company and companies controlled by it, the undertaker will immediately inform and make every effort to deliver the business opportunity to the listed company. 4. The undertaker will not, in any way, use the information or other resources obtained from the listed company to conduct any act that harms the interests of the listed company. 5. In case of any losses to the listed company as a result of breach of these undertakings by the undertaker, the undertaker will make thorough, timely and full compensation for all such losses and take active measures to eliminate the adverse effects caused thereby.			
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The undertaker will refrain from any illegal occupation of the funds and assets of the listed company, and will never require the listed company to provide any form of guarantee to it or companies controlled by it under any circumstances. 2. The undertaker will, to the extent possible, avoid and minimize related-party transactions with the listed company, and for all related-party transactions unavoidable or arising from a reasonable reason, it will conduct following the principle of voluntary, fair and reasonable market pricing and according to normal market trading conditions, sign agreements and go through procedures according to law, abide by relevant laws, regulations, normative documents and articles of association of the listed company, perform internal decision-making and approval procedures according to law, and timely perform the obligation of information disclosure, so as to ensure that the related-party transactions are fairly and reasonably priced and conducted under fair trading conditions and that it will not damage the legitimate rights or interests of the listed company and its shareholders through related-party transactions. 3. In case of any losses to the listed company as a result of breach of these undertakings by the undertaker, the undertaker will make thorough, timely and full compensation for all such losses and take active measures to eliminate the adverse effects caused thereby.	25 November 2019	Long-term effective	In normal progress of fulfilment
	Tang Zhuolin, Tang Zhuomian	Other undertakings	1. I will not overstep my authority to intervene in the operation and management of Dongfang Precision, will not occupy the interests of Dongfang Precision, and will earnestly take corresponding measures to fill up the diluted spot returns of Dongfang Precision. 2. After the CSRC and Shenzhen Stock Exchange otherwise release the measures to fill up diluted spot returns and opinions and	25 November 2019	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			implementation rules for its undertakings, if Dongfang Precision's corresponding policies and undertakings fail to meet such provisions, I will immediately submit a supplementary undertaking to the CSRC and Shenzhen Stock Exchange as required in order to be compliant. 3. I undertake to earnestly take the corresponding measures formulated by the listed company to fill up diluted spot returns and to earnestly fulfil my undertakings. If I violate such undertaking(s) and cause losses to the Company or investors, I am willing to bear the corresponding liability for compensation according to law.			
	Tang Zhuolin, Tang Zhuomian	Other undertakings	1. After this transaction, the undertaker will continue to maintain the independence of the listed company in terms of staffing, asset, business, organization and finance in accordance with relevant laws, regulations and normative documents, and will not conduct any act that affects such independence or damages the interests of the listed company and other shareholders, and will effectively safeguard the independence of the listed company in terms of staffing, asset, business, organization and finance. 2. This letter of undertaking shall be effective and irrevocable as of the date when it is officially signed by the undertaker. The undertaker warrants to fulfil the undertaking(s) in good faith, and the listed company has the right to supervise its fulfilment. Where the undertaker fails to fulfil the undertaking(s) in good faith of undertaking and thus cause actual losses to the listed company, the undertaker shall compensate the listed company for all director or indirect losses caused thereby.	25 November 2019	Long-term effective	In normal progress of fulfilment
	He Weifeng, Mai Zhirong, Peng Xiaowei, Qiu Yezhi, Tang Zhuolin, Xie Weiwei, Zhou Wenhui	Other undertakings	I, as a director/senior executive of the Company, will faithfully and diligently perform my duties, safeguard the legitimate rights and interests of the Company and all shareholders, and make the following undertakings to ensure that the Company's measures to fill up returns will be effectively implemented. 1. I will not transfer benefits to other organizations or individuals for free or under unfair conditions, nor will I damage the interests of the Company in other ways. 2. I will constrain my consumption behaviour on the position. 3. I will not use the Company's assets to engage in any investment or consumption activities unrelated to my performance of duties. 4. I will link the remuneration system	25 November 2019	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			formulated by the Board of Directors or the Remuneration Committee to the implementation of the Company's measures to fill up returns. 5. If the Company has an equity incentive program, I will link the exercise conditions of the equity incentive program to be announced to the implementation of the Company's measures to fill up returns. 6. After this undertaking is given, if the regulator puts forward other requirements for the measures to fill up returns and the undertaking and the undertaking fails to meet such requirements, I will give a supplementary undertaking according to the latest requirements of the regulator. 7. I will effectively implement the Company's measures to fill up returns and fully fulfil my corresponding undertakings, and I am willing to bear the corresponding liability for compensation according to law if I violate such undertaking(s) and cause losses to the Company or investors.			
Undertakings made in IPO or refinancing	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	Before the fact that I am (or the Company is) a major shareholder of the issuer is changed, I (or the Company) will not, directly or indirectly, in any way (including but not limited to sole proprietorship, joint venture and holding stocks or interests in other companies or enterprises), engage in any business or activity that competes or may compete with the business of the issuer. I (The Company) shall compensate the issuer for any loss caused to it as a result of the failure to fulfil the undertaking to avoid horizontal competition.	18 August 2010	Long-term effective	In normal progress of fulfilment
	Tang Zhuolin, Tang Zhuomian	Other undertakings	If relevant government or judicial authorities decide that Dongfang Precision or Weike Dongmeng need to make a supplementary payment for employees' public housing provision, or Dongfang Precision or Weike Dongmeng is subject to any late fee, fine or loses for failing to pay the public housing provision for some employees, I will unconditionally and in full bear such supplementary payment, late fees and fines.	14 August 2011	Long-term effective	In normal progress of fulfilment
Undertakings related to equity incentives						
Undertakings						

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
made to minority shareholders of the Company						
Whether the undertakings were timely performed	Yes					
Where the Company failed to fulfill an undertaking on time, it shall explain in detail the reasons for failing to do so and the subsequent plan	Not applicable					

2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

Applicable Not applicable

II Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

Applicable Not applicable

No such cases in the Reporting Period.

III Irregularities in Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

IV Explanations Given by the Board of Directors Regarding the Last "Modified Opinion" on Financial Statements

Applicable Not applicable

V Explanations Given by the Board of Directors, the Supervisory Committee and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

Applicable Not applicable

VI YoY Changes to Accounting Policies and Estimates and Correction of Material Accounting Errors

Applicable Not applicable

On 7 December 2018, the Ministry of Finance issued the Circular on the Revision and Issue of the Accounting Standard No. 21 for Business Enterprises—Leases (CK [2018] No. 35, hereinafter, the "New Lease Standard"). As required by the Ministry of Finance, companies listed both domestically and overseas, as well as those listed overseas and adopting the International Financial Reporting Standards or China's Accounting Standards for Business Enterprises in the preparation of their financial statements, shall adopt the New Lease Standard starting from 1 January 2019; while the other companies adopting China's Accounting Standards for Business Enterprises shall adopt the New Lease Standard starting from 1 January 2021.

Therefore, the Company has adopted the New Lease Standard starting from 1 January 2021. Regarding this accounting policy change, the Company shall adopt the revised Accounting Standard No. 21 for Business Enterprises—Leases issued by the Ministry of Finance on 7 December 2018. As for other unchanged accounting policies, the Company shall be subject to the Accounting Standards for Business Enterprises—Basic Standard, other accounting standards, the guide for the implementation of accounting standards, the

explanatory circular regarding the accounting standards, and other applicable regulations issued previously by the Ministry of Finance.

In April 2021, the Proposal on Change of Accounting Policy was approved at the 6th Extraordinary Meeting of the 4th Board of Directors.

Save as disclosed above, there were no other changes to the Company's accounting policies or estimates, nor there was correction of any material accounting error, during the Reporting Period.

VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

Dongfang Digicom Technology (Guangdong) Co., Ltd. ("Digicom Guangdong") has been incorporated by the Company in February 2021 with a registered capital of RMB8 million. The Company has its 100% ownership in an indirect way.

Suzhou Parsun Power Technology Co., Ltd. ("Parsun Power Technology") has been incorporated by the Company's subsidiary Parsun Power with a registered capital of RMB10 million. The Company has its 69.55% ownership in an indirect way.

Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership) ("Tianjin Hangchuang Fund") has been established jointly by the Company and AVIC Innovation Capital Management Co., Ltd. in March 2021. As the sole limited partner of the Fund, the Company has made a capital contribution of RMB20 million, equivalent to approximately 95% ownership. This investment is in line with the Company's development strategy considering the Fund's investment direction, decision-making, management, income distribution, loss allocation, etc. From the perspective of business nature, the Company provides the absolute majority of the capital of the Tianjin Hangchuang Fund, so it is reasonable to include the Fund in the Company's consolidated financial statements of the Reporting Period.

VIII Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Ernst & Young Hua Ming LLP
The Company's payment to the domestic independent auditor	RMB3.786 million
How many consecutive years the domestic independent auditor has provided audit service for the Company	2 years
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Feng Xingzhi and Lin Hongyan
How many consecutive years the certified public accountants have provided audit service for the Company	2 years

Indicate whether the independent auditor was changed for the Reporting Period.

Yes No

Independent auditor, financial advisor or sponsor hired for the audit of internal control:

Applicable Not applicable

Ernst & Young Hua Ming LLP was appointed as the independent auditor of internal control for the Company for 2021.

IX Possibility of Delisting after the Disclosure of this Report

Applicable Not applicable

X Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XI Significant Legal Matters

Applicable Not applicable

No such cases in the Reporting Period.

XII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

XIII Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

Applicable Not applicable

XIV Significant Related-Party Transactions**1. Continuing Related-Party Transactions**

Applicable Not applicable

No such cases in the Reporting Period.

2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Investments

Applicable Not applicable

No such cases in the Reporting Period.

3. Related-Party Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

4. Amounts Due to and from Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

5. Transactions between the Company and Related Financial Companies

Applicable Not applicable

No such cases in the Reporting Period.

6. Transactions between Financial Companies Controlled by the Company and Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

7. Other Significant Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

XV Significant Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

Applicable Not applicable

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)										
Obligor	Disclosure date of the	Line of guarantee	Actual occurrence	Actual guarantee	Type of guarantee	Security (if any)	Counter-guarant	Term of guarantee	Having expired or	Guarante e for a

	guarantee line announcement		date	amount			ees (if any)		not	related party or not
Guarantees provided by the Company as the parent for its subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Security (if any)	Counter-guarantees (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Dongfang Precision (Netherlands)	11 January 2020	32,402.01	16 March 2020	32,402.01	Joint liability	-	-	From the date when the guarantee took effect to 18 February 2021	Yes	Not
Dongfang Precision (Netherlands)	30 December 2020	17,760.46	4 February 2021	17,760.46	Joint liability; Pledge	Deposits	-	From the date when the guarantee took effect to 3 February 2022	Not	Not
Dongfang Precision (Netherlands)	5 June 2020	25,268.95	30 June 2020	24,186	Joint liability; Pledge	Deposits	-	From the date when the guarantee took effect to 29 June 2023	Not	Not
Total approved line for such guarantees in the Reporting Period (B1)		17,760.46		Total actual amount of such guarantees in the Reporting Period (B2)		17,760.46				
Total approved line for such guarantees at the end of the Reporting		75,431.42		Total actual balance of such guarantees at the end of the Reporting		43,029.41				

Period (B3)				Period (B4)							
Guarantees provided between subsidiaries											
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Security (if any)	Counter-guarantees (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not	
QCorr	15 May 2020	1,804.93	29 April 2020	1,804.93	Joint liability	-	-	From the date when the guarantee took effect to 15 February 2021	Yes	Not	
QCorr	15 May 2020	2,165.91	30 April 2020	2,165.91	Joint liability	-	-	From the date when the guarantee took effect to 30 June 2024	Not	Not	
Total approved line for such guarantees in the Reporting Period (C1)				Total actual amount of such guarantees in the Reporting Period (C2)						0	
Total approved line for such guarantees at the end of the Reporting Period (C3)		3,970.84		Total actual balance of such guarantees at the end of the Reporting Period (C4)						2,165.91	
Total guarantee amount (total of the three kinds of guarantees above)											
Total guarantee line approved in the Reporting Period (A1+B1+C1)		17,760.46		Total actual guarantee amount in the Reporting Period (A2+B2+C2)						17,760.46	
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		79,402.26		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)						45,195.32	
Total actual guarantee amount (A4+B4+C4) as % of the					12.27%						

Company's net assets	
Of which:	
Balance of guarantees provided for shareholders, the actual controller and their related parties (D)	0
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)	45,195.32
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)	0
Total of the three amounts above (D+E+F)	45,195.32
Joint liability possibly borne or already borne in the Reporting Period for outstanding guarantees (if any)	Not applicable
Guarantees provided in breach of prescribed procedures (if any)	Not applicable

Particulars about complex guarantees:

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overview of wealth management entrustments in the Reporting Period:

Unit: RMB'0,000

Type	Funding source	Amount	Undue amount	Unrecovered overdue amount	Impairment provision for unrecovered overdue amount
Bank's wealth management product	Self-funded	41,380	1,000	0	0
Securities firm's wealth management product	Self-funded	80,000	60,000	0	0
Trust product	Self-funded	50,000	662.07	0	0
Total		171,380	61,662.07	0	0

High-risk wealth management transactions with a significant single amount or with low security and low liquidity:

Applicable Not applicable

Wealth management transactions where the principal is expectedly irrecoverable or an impairment may be incurred:

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in the Reporting Period.

4. Other Significant Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVI Other Significant Events

Applicable Not applicable

XVII Significant Events of Subsidiaries

Applicable Not applicable

Part VII Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	242,746,130	15.71%	0	0	0	-1,570,000	-1,570,000	241,176,130	18.10%
1.1 Shares held by the government	0	0.00%	0	0	0	0	0	0	0.00%
1.2 Shares held by state-owned corporations	0	0.00%	0	0	0	0	0	0	0.00%
1.3 Shares held by other domestic investors	241,446,130	15.63%	0	0	0	-1,710,000	-1,710,000	239,736,130	17.99%
Including: Shares held by domestic corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic individuals	241,446,130	15.63%	0	0	0	-1,710,000	-1,710,000	239,736,130	17.99%
1.4 Shares held by overseas investors	1,300,000	0.08%	0	0	0	140,000	140,000	1,440,000	0.11%
Including: Shares held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas individuals	1,300,000	0.08%	0	0	0	140,000	140,000	1,440,000	0.11%
2. Unrestricted shares	1,302,380,827	84.29%	0	0	0	-211,618,790	-211,618,790	1,090,762,037	81.89%
2.1 RMB-denominated ordinary shares	1,302,380,827	84.29%	0	0	0	-211,618,790	-211,618,790	1,090,762,037	81.89%
2.2 Domestically listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%

2.3 Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
2.4 Others	0	0.00%	0	0	0	0	0	0	0.00%
3. Total shares	1,545,126,957	100.00%	0	0	0	-213,188,790	-213,188,790	1,331,938,167	100.00%

Reasons for share changes:

Applicable Not applicable

1. Repurchase and retirement of shares in the Reporting Period

The Company launched the 2020 Share Repurchase Plan in June 2020, with 212,138,790 shares cumulatively repurchased under the Plan. And the said shares were retired in June 2021.

2. Repurchase and retirement of certain restricted shares

In the first grant under the 2020 Restricted Share Incentive Plan, the Company repurchased and retired a total of 1,050,000 restricted shares that had been granted to four employees but were still in lockup due to the resignation of three of them and the other failing to meet the annual performance requirement for the first unlocking period.

3. Completion of the ownership transfer of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Plan

In February 2021, the Company completed the ownership transfer of the 4,240,000 reserved restricted shares under the 2020 Restricted Share Incentive Plan to 18 awardees.

4. Unlocking for public trading of shares in the first unlocking period for the first grant under the Restricted Share Incentive Plan

In June 2021, the shares were unlocked for public trading in the first unlocking period for the first grant under the 2020 Restricted Share Incentive Plan, which involved 4,310,000 shares held by 37 awardees.

Approval of share changes:

Applicable Not applicable

In the Reporting Period, with respect to share changes involved in the “unlocking for public trading of shares in the first unlocking period for the first grant under the 2020 Restricted Share Incentive Plan” and the “ownership transfer of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Plan”, the Company followed the applicable laws and regulations and its Articles of Association, executed the approval procedures with the general meeting and the Board of Directors, and obtained approval from the Shenzhen Stock Exchange.

Transfer of share ownership:

Applicable Not applicable

In the Reporting Period, with respect to the transfers of share ownership involved in the “repurchase and retirement of certain restricted shares” and the “ownership transfer of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Plan”, the Company completed the transfers with the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. after they were approved by the Shenzhen Stock Exchange.

Effects of share changes on the basic earnings per share, diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable Not applicable

2. Changes in Restricted Shares

√ Applicable □ Not applicable

Unit: share

Shareholder	Opening restricted shares	Increase in restricted shares in the period	Unlocked in the period	Closing restricted shares	Reason for restriction	Date of unlocking
Qiu Yezhi	25,632,388	0	1,800,000	23,382,388	Participated in the Restricted Share Incentive Plan of the Company	25 June 2021
Xie Weiwei	1,000,000	0	200,000	800,000	Participated in the Restricted Share Incentive Plan of the Company	25 June 2021
Zhou Wenhui	1,200,000	0	240,000	960,000	Participated in the Restricted Share Incentive Plan of the Company	25 June 2021
The other 35 awardees of the first grant of the 2020 Restricted Share Incentive Plan ^{Notes}	11,400,000	0	3,120,000	8,280,000	Participated in the Restricted Share Incentive Plan of the Company	25 June 2021
Shao Yongfeng	0	800,000		800,000	Participated in the Restricted Share Incentive Plan of the Company	09 March 2022
The other 17 awardees of the reserved grant of the 2020 Restricted Share Incentive Plan	0	3,440,000	0	3,440,000	Participated in the Restricted Share Incentive Plan of the Company	09 March 2022
Total	39,232,388	4,240,000	5,360,000	37,662,388	--	--

Notes:

Explanation of changes in the restricted shares held by “the other awardees of the first grant of the 2020 Restricted Share Incentive Plan”:

1. There were a total of 40 awardees in the first grant of the 2020 Restricted Share Incentive Plan, including three director and senior management, as well as 37 other awardees.

2. On 24 February 2021, the Company repurchased and retired the 900,000 restricted shares of two resigned awardees. Therefore, the total awardees in the first grant of the 2020 Restricted Share Incentive Plan changed to 38, including three director and senior management, as well as 35 other awardees.

3. In June 2021, the Company unlocked the 20% shares for the first unlocking period in the first grant of the 2020 Restricted Share Incentive Plan. Among the 35 awardees, one employee didn't satisfy the unlocking conditions, 30,000 restricted shares of whom were not unlocked.

II Issuance and Listing of Securities

1. Securities (Exclusive of Preference Shares) Issued in the Reporting Period

Applicable Not applicable

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable Not applicable

Following the repurchase and retirement of 212,138,790 public shares in the Reporting Period, the total share capital of the Company decreased from 1,544,226,957 shares to 1,332,088,167 shares.

In the first grant under the 2020 Restricted Share Incentive Plan, the Company repurchased and retired a total of 1,050,000 restricted shares that had been granted to four employees but were still in lockup due to the resignation of three of them and the other failing to meet the annual performance requirement for the first unlocking period.

Affected by the matters above, the closing net assets experienced a decreased compared to the beginning of the period.

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders at the period-end	54,863	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	52,442	Number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)	0	Number of preference shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0
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5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge, marked or frozen	
							Status	Shares
Tang Zhuolin	Domestic individual	20.33%	270,737,568		203,053,176	67,684,392	质押	187,000,000
Tang Zhuomian	Domestic individual	7.27%	96,885,134	-39,000,000	0	96,885,134		
Pulead Technology Industry Co., Ltd.	State-owned corporation	3.96%	52,749,558	-16,704,820	0	52,749,558		
Luzhou Industrial Development Investment Group Co., Ltd.	State-owned corporation	2.39%	31,770,010		0	31,770,010		
Contemporary Amperex Technology Co., Ltd.	Domestic non-state-owned corporation	2.36%	31,438,168	-15,052,200	0	31,438,168		
Huarong Securities – China Merchants Securities – Huarong Youzhi Collective Asset Management Plan No. 1	Other	2.36%	31,372,549		0	31,372,549		
Hong Kong Securities Clearing Company Limited	Overseas corporation	2.13%	28,366,536	18,241,867	0	28,366,536		
Qinghai Puren	Domestic non-state-owned	2.00%	26,628,340		0	26,628,340		

Intelligent Technology R & D Center (Limited Partnership)	d corporation							
Qiu Yezhi	Domestic individual	1.76%	23,382,388	-7,794,130	23,382,388	0		
Shengji Equity Investment Fund (Shanghai) Co., Ltd.	State-owned corporation	1.47%	19,607,843		0	19,607,843	质押	19,607,843
Strategic investor or general corporation becoming a top-10 shareholder in a rights issue (if any) (see note 3)	None							
Related or acting-in-concert parties among the shareholders above	Mr. Tang Zhuolin and Mr. Tang Zhuomian are brothers. On 18 August 2010, they signed the Agreement on Acting in Concert. Pulead Technology Industry Co., Ltd. and Qinghai Puren Intelligent Technology R & D Center (Limited Partnership) are acting-in-concert parties. Apart from that, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.							
Above shareholders entrusting or entrusted with voting rights, or waiving voting rights	None							
Top 10 shareholders including the special account for repurchase (if any) (see note 10)	As of 31 December 2021, there were 64,957,798 shares in the Company's special account for repurchase, accounting for 4.88% of its total share capital.							
Top 10 unrestricted shareholders								
Name of shareholder	Unrestricted shares held at the period-end	Shares by type						
		Type	Shares					
Tang Zhuomian	96,885,134	RMB-denominated ordinary stock	96,885,134					
Tang Zhuolin	67,684,392	RMB-denominated ordinary stock	67,684,392					
Pulead Technology Industry Co., Ltd.	52,749,558	RMB-denominated ordinary stock	52,749,558					
Luzhou Industrial Development Investment Group Co., Ltd.	31,770,010	RMB-denominated ordinary stock	31,770,010					

Contemporary Ampere Technology Co., Ltd.	31,438,168	RMB-denominated ordinary stock	31,438,168
Huarong Securities—China Merchants Securities—Huarong Youzhi Collective Asset Management Plan No. 1	31,372,549	RMB-denominated ordinary stock	31,372,549
Hong Kong Securities Clearing Company Limited	28,366,536	RMB-denominated ordinary stock	28,366,536
Qinghai Puren Intelligent Technology R & D Center (Limited Partnership)	26,628,340	RMB-denominated ordinary stock	26,628,340
Shengji Equity Investment Fund (Shanghai) Co., Ltd.	19,607,843	RMB-denominated ordinary stock	19,607,843
JIC Investment Co., Ltd.	12,984,216	RMB-denominated ordinary stock	12,984,216
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Mr. Tang Zhuolin and Mr. Tang Zhuomian are brothers. On 18 August 2010, they signed the Agreement on Acting in Concert. Pulead Technology Industry Co., Ltd. and Qinghai Puren Intelligent Technology R & D Center (Limited Partnership) are acting-in-concert parties. Apart from that, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.		

Indicate whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by an individual

Type of the controlling shareholder: individual

Name of the controlling shareholder	Nationality	Residency in other countries or regions or not
Tang Zhuolin	Chinese	Not
Main occupation and position	Chairman of the Board of Dongfang Precision	
Interests held in other domestically and overseas listed companies in the Reporting Period	Not applicable	

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Acting-in-Concert Parties

Nature of the actual controller: domestic individual

Type of the actual controller: individual

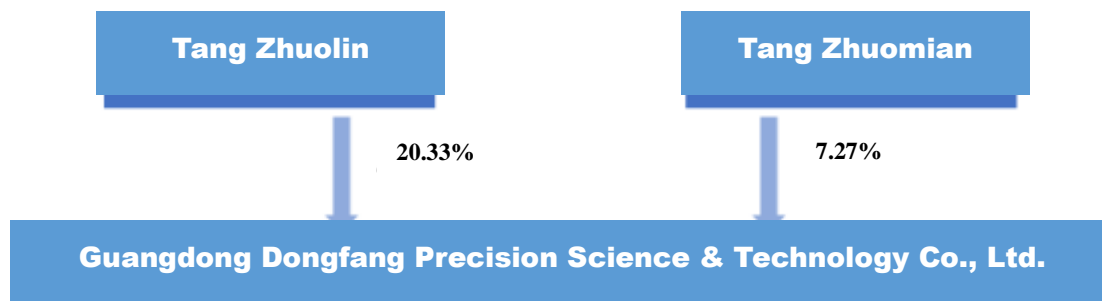
Name of the actual controller	Relationship with the actual controller	Nationality	Residency in other countries or regions or not
Tang Zhuolin	Actual controller himself	Chinese	Not
Tang Zhuomian	Acting-in-concert party (contractual, kinship-based, and common control-based)	Chinese	Not
Main occupation and position	Mr. Tang Zhuolin serves as the Chairman of the Board of Dongfang Precision as his main occupation.		
Controlling interests in other domestically and overseas listed companies in the past 10 years	Not applicable		

Change of the actual controller in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Ownership and control relationship between the actual controller and the Company:



Indicate whether the actual controller controls the Company via trust or other ways of asset management.

Applicable Not applicable

4. Shares Cumulatively Put in Pledge by the Company's Controlling Shareholder or Biggest Shareholder and Its Acting-in-Concert Parties Accounting for 80% of Their Shareholdings in the Company

Applicable Not applicable

5. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

6. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable Not applicable

IV Share Repurchase in the Reporting Period

Progress on any share repurchase:

Applicable Not applicable

Disclosure date of the repurchase plan	Number of shares to be repurchased	As % of total share capital	Amount to be used	Repurchase period	Purpose	Shares repurchased (share)	Shares repurchased as % of total shares under the equity incentive plan (if any)
17 June 2020			Not lower than RMB500 million (inclusive) and no more than RMB1 billion (inclusive)	26 June 2020-24 June 2021	Retirement	212,138,790	
1 September 2021			Not lower than RMB500 million (inclusive) and no more than RMB1 billion (inclusive)	23 September 2021-22 September 2022	Shares of not lower than 80% of the repurchased number are to be retired, which will reduce the Company's registered capital accordingly; and shares of no more than 20% of the repurchased number are to be used for equity incentives or employee stock ownership plans.	56,797,735	

Progress on reducing the repurchased shares by way of centralized bidding:

Applicable Not applicable

Part VIII Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

Part IX Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full

Not applicable.

Part X Corporate Financial Statement

一、 Auditor's Report

Type of Audit Opinion	Standard Unreserved opinion
Signing date of the Auditor's Report	24 March 2022
Name of the Audit Institution	Ernst & Young Hua Ming LLP
Document number of the Auditor's report	Ernst & Young Hua Ming (2022) Auditor's Report No. 61276890_G01
Name of the Chinese Certified Public Accountant	Feng Xingzhi, Lin Hongyan

Auditor's Report

Ernst & Young Hua Ming (2022) Auditor's Report No. 61276890_G01
Guangdong Dongfang Precision Science & Technology Co., Ltd.

To the Shareholders of Guangdong Dongfang Precision Science & Technology Co., Ltd.:

I. Opinion

We have audited the financial statements of Guangdong Dongfang Precision Science & Technology Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2021, the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2021, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

II. Basis for Opinion

We conducted our audit in accordance with China's Standards on Auditing "CSAs". Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the Current Period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. The results of our audit procedures, including procedures performed to address the matter below, provide the basis for our opinion on the accompanying financial statements.

III. Key Audit Matter (Cont'd)

Key audit matter:	How our audit addressed the key audit matter:
Impairment of goodwill	

The carrying amount of goodwill amounted to The procedures performed to address this

RMB432,207,416.82 as at 31 December 2021 and the impairment allowance for goodwill was RMB125,238,269.06.

The Group's management performs goodwill impairment testing at the end of each year. The assessment of goodwill impairment testing was based on the recoverable amount of the relevant asset groups to which the goodwill is allocated, and the recoverable amount of such asset groups was determined by the present value of the asset groups' expected future cash flows. In a goodwill impairment test, the forecasting of future cash flows involved significant judgments and estimates, including sales growth rate, gross margin and discount rate. Because goodwill had a large carrying value and exerted a significant impact on the financial statements, we identified goodwill impairment as a key audit matter.

The accounting policies on and disclosures of goodwill were set out in Item 16 of Note III, Item 33 of Note III, and Item 19 of Note V to the financial statements.

matter are as follows:

- (1) Assessing the identification of asset groups by the Group's management and the goodwill allocated to the asset groups;
- (2) Obtaining reports on the assessment of goodwill impairment issued by the independent third-party asset appraisal institution engaged by the management with securities and futures-related business qualification;
- (3) Assessing the rationality of the major assumptions and assessment methods used by the Group's management when forecasting the recoverable amount of asset groups, including the discount rate and long-term growth rate;
- (4) Assessing the forecast sales revenue and operating performance for future years and comparing them with historical operating performance; and
- (5) Checking the adequacy of the Group's disclosures in the notes to the financial statements.

IV. Other Information

The management of the Company is responsible for the other information. The other information comprises all of the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to ensure the preparation of financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, and if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (cont'd)

- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements of the Current Period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Feng Xingzhi
(Engagement Partner)

Chinese Certified Public Accountant: Lin Hongyan

Beijing, China

14 March 2022

Important Notice

This auditor's report is an English translation of the auditor's report for the audit engagements which adopt CSAs. In case the English version does not conform to the Chinese version, the Chinese version prevails.

<u>Assets</u>	<u>Note V</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Current assets			
Cash and bank balances	1	1,664,336,339.35	885,711,053.88
Financial assets held for trading	2	788,185,521.57	1,636,296,430.31
Notes receivable	3	13,272,025.04	12,744,582.88
Accounts receivable	4	741,135,648.09	469,635,423.58
Receivables financing	5	30,692,449.25	56,737,978.04
Prepayments	6	34,177,802.36	29,109,416.21
Other receivables	7	71,363,166.84	79,103,472.64
Inventories	8	867,280,013.47	734,120,595.26
Contract assets	9	24,414,117.64	29,504,693.97
Current portion of non-current assets	10	108,385,000.00	2,556,000.00
Other current assets	11	32,124,006.99	22,271,217.65
Total current assets		<u>4,375,366,090.60</u>	<u>3,957,790,864.42</u>
Non-current assets			
Long-term receivables	12	143,750.00	1,475,000.00
Long-term equity investments	13	84,777,596.67	72,671,204.73
Other non-current financial assets	14	162,523,519.41	5,948,588.15
Fixed assets	15	544,180,159.09	571,413,480.14
Construction in progress	16	12,298,259.58	9,062,038.52
Right-of-use assets	17	80,386,832.91	-
Intangible assets	18	293,718,987.62	332,387,182.69
Goodwill	19	306,969,147.76	324,904,239.97
Long-term prepaid expenses	20	11,962,127.07	12,096,981.78
Deferred tax assets	21	180,245,522.94	98,947,059.25
Other non-current assets	22	304,596,841.54	936,540,047.40
Total non-current assets		<u>1,981,802,744.59</u>	<u>2,365,445,822.63</u>
Total assets		<u><u>6,357,168,835.19</u></u>	<u><u>6,323,236,687.05</u></u>

The accompanying notes to the financial statements form an integral part of the financial statements.

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Current liabilities			
Short-term borrowings	23	228,312,880.73	39,533,281.84
Financial liabilities held for trading	24	110,746,939.04	41,408,109.80
Notes payable	25	149,191,690.00	104,855,187.97
Accounts payable	26	619,265,856.18	503,042,561.05
Contract liabilities	27	405,842,932.51	362,792,713.35
Employee benefits payable	28	103,809,783.58	92,623,562.93
Tax payable	29	60,701,346.24	36,369,777.05
Other payables	30	100,018,273.09	81,743,851.64
Current portion of non-current liabilities	31	38,495,724.83	226,597,528.74
Other current liabilities	32	<u>12,836,473.00</u>	<u>20,532,046.04</u>
Total current liabilities		<u>1,829,221,899.20</u>	<u>1,509,498,620.41</u>
Non-current liabilities			
Long-term borrowings	33	325,026,188.49	353,412,388.29
Lease liabilities	34	65,213,555.87	-
Long-term employee benefits payable	35	16,083,170.32	18,451,652.74
Provisions	36	117,932,721.59	105,450,257.63
Deferred income	37	12,190,311.66	16,861,488.27
Deferred tax liabilities	21	1,747,137.95	19,296,386.16
Other non-current liabilities	38	<u>136,178,304.44</u>	<u>68,737,415.25</u>
Total non-current liabilities		<u>674,371,390.32</u>	<u>582,209,588.34</u>
Total liabilities		<u>2,503,593,289.52</u>	<u>2,091,708,208.75</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Equity			
Share capital	39	1,331,938,167.00	1,545,126,957.00
Capital surplus	40	3,238,765,859.94	4,002,393,061.81
Less: Treasury stock	41	494,335,503.94	579,403,185.12
Other comprehensive income	42	(33,322,662.98)	20,026,089.70
Special reserve	43	11,252,639.19	10,057,438.97
Surplus reserves	44	51,830,974.45	51,830,974.45
Retained earnings	45	<u>(424,159,175.27)</u>	<u>(891,492,837.06)</u>
Total equity attributable to owners of the parent		3,681,970,298.39	4,158,538,499.75
Non-controlling interests		<u>171,605,247.28</u>	<u>72,989,978.55</u>
Total equity		<u>3,853,575,545.67</u>	<u>4,231,528,478.30</u>
Total liabilities and equity		<u>6,357,168,835.19</u>	<u>6,323,236,687.05</u>

The financial statements have been signed by:

Legal representative: Tang Zhuolin
 Chief Financial Officer: Shao Yongfeng
 Head of Accounting Department: Yao Bin

The accompanying notes to the financial statements form an integral part of the financial statements.

	<u>Note V</u>	<u>2021</u>	<u>2020</u>
Operating revenue	46	3,524,734,783.94	2,916,270,143.13
Less: Cost of sales	46	2,555,072,059.79	2,099,148,826.36
Taxes and surcharges	47	11,496,506.72	10,253,512.61
Selling expenses	48	185,327,678.18	181,549,459.69
Administrative expenses	49	272,090,728.08	246,973,016.40
R&D expenses	50	99,557,565.46	82,082,274.75
Finance costs	51	(5,996,474.46)	7,919,670.28
Including: Interest expenses		13,182,088.01	15,535,719.53
Interest income		24,674,196.61	20,887,321.27
Add: Other income	52	14,892,566.89	10,894,164.69
Investment income	53	98,673,106.02	55,115,521.94
Including: Share of profit of joint ventures and associates		3,880,256.70	2,889,349.81
Gain/loss on changes in fair value	54	(21,357,785.81)	45,122,771.27
Credit impairment loss	55	(12,726,636.46)	(7,964,362.42)
Asset impairment loss	56	(10,936,754.10)	(5,368,019.60)
Gain/loss on disposal of assets	57	424,968.29	(17,854.18)
Operating profit		476,156,185.00	386,125,604.74
Add: Non-operating income	58	5,750,547.04	35,801,786.91
Less: Non-operating expenses	59	1,462,018.81	1,746,731.36
Gross profit		480,444,713.23	420,180,660.29
Less: Income tax expenses	61	(11,946,472.42)	23,083,339.30
Net profit		<u>492,391,185.65</u>	<u>397,097,320.99</u>
Net profit classified by continuing operations			
Net profit from continuing operations		492,391,185.65	397,097,320.99
Net profit classified by attribution of ownership			
Net profit attributable to owners of the parent		467,333,661.79	389,180,624.08
Net profit attributable to non-controlling interests		25,057,523.86	7,916,696.91

The accompanying notes to the financial statements form an integral part of the financial statements.

	<u>Note V</u>	<u>2021</u>	<u>2020</u>
Other comprehensive income, net of tax		(58,062,617.01)	(4,890,047.66)
Other comprehensive income attributable to owners of the parent, net of tax		(53,348,752.68)	(4,944,995.62)
Other comprehensive income that will not be reclassified to profit or loss		(368,435.04)	(471,953.04)
Changes caused by remeasurements on defined benefit schemes	42	<u>(368,435.04)</u>	<u>(471,953.04)</u>
Other comprehensive income that will be reclassified to profit or loss		(52,980,317.64)	(4,473,042.58)
Differences arising from the translation of foreign currency-denominated financial statements	42	<u>(52,980,317.64)</u>	<u>(4,473,042.58)</u>
Other comprehensive income attributable to non-controlling interests, net of tax	42	<u>(4,713,864.33)</u>	<u>54,947.96</u>
Total comprehensive income		<u>434,328,568.64</u>	<u>392,207,273.33</u>
Including:			
Total comprehensive income attributable to owners of the parent		413,984,909.11	384,235,628.46
Total comprehensive income attributable to non-controlling interests		20,343,659.53	7,971,644.87
Earnings per share	62		
Basic earnings per share		<u>0.35</u>	<u>0.26</u>
Diluted earnings per share		<u>0.35</u>	<u>0.26</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

2021

		Equity attributable to owners of the parent							Non-controlling	Total equity	
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Retained earnings	Subtotal	interests	
I.	At 31 December 2020 and 1 January 2021	1,545,126,957.00	4,002,393,061.81	579,403,185.12	20,026,089.70	10,057,438.97	51,830,974.45	(891,492,837.06)	4,158,538,499.75	72,989,978.55	4,231,528,478.30
II.	Changes for the year										
(I)	Total comprehensive income	-	-	-	(53,348,752.68)	-	-	467,333,661.79	413,984,909.11	20,343,659.53	434,328,568.64
(II)	Owner's contributions and reduction in capital										
1.	Share-based payments included in equity	-	15,243,506.90	-	-	-	-	-	15,243,506.90	-	15,243,506.90
2.	Others	(213,188,790.00)	(778,870,708.77)	(85,067,681.18)	-	-	-	-	(906,991,817.59)	78,271,609.20	(828,720,208.39)
(III)	Special reserve										
1.	Provision in the period	-	-	-	-	4,513,399.49	-	-	4,513,399.49	-	4,513,399.49
2.	Utilisation in the period	-	-	-	-	(3,318,199.27)	-	-	(3,318,199.27)	-	(3,318,199.27)
III.	At 31 December 2021	<u>1,331,938,167.00</u>	<u>3,238,765,859.94</u>	<u>494,335,503.94</u>	<u>(33,322,662.98)</u>	<u>11,252,639.19</u>	<u>51,830,974.45</u>	<u>(424,159,175.27)</u>	<u>3,681,970,298.39</u>	<u>171,605,247.28</u>	<u>3,853,575,545.67</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

2020

		Equity attributable to owners of the parent							Non-controlling	Total equity	
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Retained earnings	Subtotal	interests	
I.	At 31 December 2019 and 1 January 2020	1,838,647,096.00	3,862,377,838.84	160,088,925.60	24,971,085.32	-	51,830,974.45	(1,280,673,461.14)	4,337,064,607.87	65,018,333.68	4,402,082,941.55
II.	Changes for the year										
(I)	Total comprehensive income	-	-	-	(4,944,995.62)	-	-	389,180,624.08	384,235,628.46	7,971,644.87	392,207,273.33
(II)	Owner's contributions and reduction in capital										
1.	Share-based payments included in equity	-	25,070,406.59	-	-	-	-	-	25,070,406.59	-	25,070,406.59
2.	Others	(293,520,139.00)	114,944,816.38	419,314,259.52	-	-	-	-	(597,889,582.14)	-	(597,889,582.14)
(III)	Special reserve										
1.	Provision in the period	-	-	-	-	11,315,076.12	-	-	11,315,076.12	-	11,315,076.12
2.	Utilisation in the period	-	-	-	-	(1,257,637.15)	-	-	(1,257,637.15)	-	(1,257,637.15)
III.	At 31 December 2020	<u>1,545,126,957.00</u>	<u>4,002,393,061.81</u>	<u>579,403,185.12</u>	<u>20,026,089.70</u>	<u>10,057,438.97</u>	<u>51,830,974.45</u>	<u>(891,492,837.06)</u>	<u>4,158,538,499.75</u>	<u>72,989,978.55</u>	<u>4,231,528,478.30</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

	<u>Note V</u>	<u>2021</u>	<u>2020</u>
I. Cash flows from operating activities			
Proceeds from sale of goods and rendering of services		3,421,895,227.97	3,103,763,332.58
Receipts of taxes and surcharges refunds		45,064,378.48	124,817,383.44
Cash generated from other operating activities	63	<u>39,334,554.11</u>	<u>45,814,939.62</u>
Subtotal of cash generated from operating activities		<u>3,506,294,160.56</u>	<u>3,274,395,655.64</u>
Payments for goods and services		2,241,460,975.24	1,711,801,451.73
Cash payments to and on behalf of employees ¹		602,036,898.56	556,619,112.99
Payments of all types of taxes and surcharges		135,039,721.24	183,936,558.09
Cash used in other operating activities	63	<u>221,097,289.50</u>	<u>271,042,501.08</u>
Subtotal of cash used in operating activities		<u>3,199,634,884.54</u>	<u>2,723,399,623.89</u>
Net cash generated from/used in operating activities	64	<u>306,659,276.02</u>	<u>550,996,031.75</u>
II. Cash flows from investing activities			
Proceeds from disinvestment		7,023,027,591.06	2,240,344,499.76
Investment income		93,945,208.58	79,136,616.01
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		928,029.29	2,379,184.74
Cash generated from other investing activities	63	<u>2,419,748.09</u>	<u>-</u>
Subtotal of cash generated from investing activities		<u>7,120,320,577.02</u>	<u>2,321,860,300.51</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		66,321,945.54	150,682,489.97
Payments for investments		5,718,640,747.18	3,341,970,650.85
Net payments for the acquisition of subsidiaries and other business units	64	30,000,000.00	11,529,999.39
Cash used in other investing activities	63	<u>-</u>	<u>1,203,750.03</u>
Subtotal of cash used in investing activities		<u>5,814,962,692.72</u>	<u>3,505,386,890.24</u>
Net cash generated from/used in investing activities		<u>1,305,357,884.30</u>	<u>(1,183,526,589.73)</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

	<u>Note V</u>	<u>2021</u>	<u>2020</u>
III. Cash flows from financing activities			
Borrowings raised		405,333,187.33	395,061,988.80
Cash generated from other financing activities	63	<u>193,525,797.34</u>	<u>162,750,024.15</u>
Subtotal of cash generated from financing activities		<u>598,858,984.67</u>	<u>557,812,012.95</u>
Repayment of borrowings		390,598,473.42	470,644,665.84
Interest and dividends paid		9,707,118.35	15,149,309.55
Cash used in other financing activities	63	<u>1,357,057,613.48</u>	<u>825,811,857.34</u>
Subtotal of cash used in financing activities		<u>1,757,363,205.25</u>	<u>1,311,605,832.73</u>
Net cash generated from/used in financing activities		<u>(1,158,504,220.58)</u>	<u>(753,793,819.78)</u>
IV. Effect of foreign exchange rates changes on cash and cash equivalents		<u>(54,810,400.78)</u>	<u>20,200,877.15</u>
V. Net increase/(decrease) in cash and cash equivalents		398,702,538.96	(1,366,123,500.61)
Add: Cash and cash equivalents, beginning of the period		<u>860,601,236.78</u>	<u>2,226,724,737.39</u>
VI. Cash and cash equivalents, end of the period	64	<u>1,259,303,775.74</u>	<u>860,601,236.78</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

<u>Assets</u>	<u>Note XV</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Current assets			
Cash and bank balances		526,602,901.98	134,020,813.88
Financial assets held for trading		652,931,497.75	1,539,762,030.97
Accounts receivable	1	154,703,065.67	153,517,438.90
Receivables financing		14,939,923.99	53,245,689.47
Prepayments		8,893,984.77	2,641,946.74
Other receivables	2	444,140,266.79	68,388,543.22
Inventories		145,283,359.74	123,156,907.36
Contract assets		17,681,315.64	4,470,173.25
Current portion of non-current assets		108,385,000.00	2,556,000.00
Other current assets		713,296.22	18,942.75
Total current assets		<u>2,074,274,612.55</u>	<u>2,081,778,486.54</u>
Non-current assets			
Long-term receivables		143,750.00	1,475,000.00
Long-term equity investments	3	566,779,845.04	464,794,856.81
Other non-current financial assets		110,672,495.38	-
Fixed assets		316,780,357.65	329,230,669.84
Construction in progress		2,040,059.06	351,261.61
Right-of-use assets		17,226,122.41	-
Intangible assets		58,297,372.40	58,215,631.98
Long-term prepaid expenses		4,449,274.82	3,475,004.06
Deferred tax assets		109,447,418.03	32,570,759.90
Other non-current assets		300,150,000.00	935,660,189.00
Total non-current assets		<u>1,485,986,694.79</u>	<u>1,825,773,373.20</u>
Total assets		<u>3,560,261,307.34</u>	<u>3,907,551,859.74</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

<u>Liabilities and equity</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Current liabilities		
Trading financial liabilities	5,861,200.00	-
Notes payable	45,445,513.50	55,312,772.43
Accounts payable	61,109,554.88	53,044,344.90
Contract liabilities	21,697,782.14	22,116,154.74
Employee benefits payable	13,205,296.64	16,961,090.03
Tax payable	2,850,207.94	5,181,895.95
Other payables	195,636,226.94	50,884,934.80
Non-current liabilities that mature within one year	4,875,266.03	-
Other current liabilities	<u>1,275,327.99</u>	<u>2,253,619.05</u>
Total current liabilities	<u>351,956,376.06</u>	<u>205,754,811.90</u>
Non-current liabilities		
Lease liabilities	13,331,936.29	-
Provisions	1,635,363.75	-
Deferred income	12,190,311.66	13,306,971.66
Deferred tax liabilities	-	3,894,304.65
Other non-current liabilities	<u>12,262,010.40</u>	<u>-</u>
Total non-current liabilities	<u>39,419,622.10</u>	<u>17,201,276.31</u>
Total liabilities	<u>391,375,998.16</u>	<u>222,956,088.21</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

<u>Liabilities and equity</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Equity		
Share capital	1,331,938,167.00	1,545,126,957.00
Capital surplus	3,162,960,902.13	3,846,323,477.68
Less: Treasury stock	494,335,503.94	579,403,185.12
Special reserve	5,067,104.62	3,835,986.08
Surplus reserves	51,830,974.45	51,830,974.45
Retained earnings	<u>(888,576,335.08)</u>	<u>(1,183,118,438.56)</u>
Total Equity	<u>3,168,885,309.18</u>	<u>3,684,595,771.53</u>
Total liabilities and Equity	<u>3,560,261,307.34</u>	<u>3,907,551,859.74</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

	<u>Note XV</u>	<u>2021</u>	<u>2020</u>
Operating revenue	4	486,757,300.91	357,820,756.14
Less: Cost of sales	4	256,366,100.99	216,587,418.89
Taxes and surcharges		5,401,743.28	6,495,820.00
Selling expenses		19,942,732.31	23,483,006.93
Administrative expenses		84,898,110.60	91,133,067.04
R&D expenses		21,950,643.65	19,296,267.24
Finance costs		(11,086,061.90)	(1,835,233.85)
Including: Interest expenses		2,969,649.37	2,455,764.90
Interest income		17,285,245.87	13,510,226.63
Add: Other income		4,618,346.17	5,823,069.02
Investment income	5	58,085,312.56	112,497,262.90
Including: Share of profit or loss of joint ventures and associates		3,880,256.70	2,889,349.81
Gain on changes in fair value		34,139,842.44	53,243,450.97
Credit impairment loss		613,952.31	(2,413,082.66)
Asset impairment loss		43,279.19	1,060,243.12
Gain/loss on disposal of assets		275,491.34	22,458.25
Operating profit		207,060,255.99	172,893,811.49
Add: Non-operating income		4,248,968.31	3,530,930.90
Less: Non-operating expenses		188,495.98	1,282,131.90
Gross profit		211,120,728.32	175,142,610.49
Less: Income tax expenses		(83, 421,375.16)	(24,252,321.59)
Net profit		<u>294,542,103.48</u>	<u>199,394,932.08</u>
Including: Net profit from continuing operations		294,542,103.48	199,394,932.08
Total comprehensive income		<u>294,542,103.48</u>	<u>199,394,932.08</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

2021

		Share capital	Capital surplus	Less: Treasury stock	Special reserve	Surplus reserves	Retained earnings	Total equity
I.	At 31 December 2020 and 1 January 2021	1,545,126,957.00	3,846,323,477.68	579,403,185.12	3,835,986.08	51,830,974.45	(1,183,118,438.56)	3,684,595,771.53
II.	Changes for the year							
(I)	Total comprehensive income	-	-	-	-	-	294,542,103.48	294,542,103.48
(II)	Owner's contributions and reduction in capital							
1.	Share-based payments included in equity	-	14,068,075.26	-	-	-	-	14,068,075.26
2.	Others	(213,188,790.00)	(697,430,650.81)	(85,067,681.18)	-	-	-	(825,551,759.63)
(III)	Special reserve	-	-	-	-	-	-	-
1.	Provision in the period	-	-	-	1,615,641.49	-	-	1,615,641.49
2.	Amount utilised in the period	-	-	-	(384,522.95)	-	-	(384,522.95)
III.	At 31 December 2021	<u>1,331,938,167.00</u>	<u>3,162,960,902.13</u>	<u>494,335,503.94</u>	<u>5,067,104.62</u>	<u>51,830,974.45</u>	<u>(888,576,335.08)</u>	<u>3,168,885,309.18</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

2020

		Share capital	Capital surplus	Less: Treasury stock	Special reserve	Surplus reserves	Retained earnings	Total equity
I.	At 31 December 2019 and 1 January 2020	<u>1,838,647,096.00</u>	<u>3,608,591,602.42</u>	<u>160,088,925.60</u>	-	<u>51,830,974.45</u>	<u>(1,382,513,370.64)</u>	<u>3,956,467,376.63</u>
II.	Changes for the year							
(I)	Total comprehensive income	-	-	-	-	-	199,394,932.08	199,394,932.08
(II)	Owner's contributions and reduction in capital							
1.	Share-based payments included in equity	-	24,893,737.26	-	-	-	-	24,893,737.26
2.	Others	(293,520,139.00)	212,838,138.00	419,314,259.52				(499,996,260.52)
(III)	Special reserve							
1.	Provision in the period	-	-	-	3,835,986.08	-	-	3,835,986.08
III.	At 31 December 2020	<u>1,545,126,957.00</u>	<u>3,846,323,477.68</u>	<u>579,403,185.12</u>	<u>3,835,986.08</u>	<u>51,830,974.45</u>	<u>(1,183,118,438.56)</u>	<u>3,684,595,771.53</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

	<u>2021</u>	<u>2020</u>
I. Cash flows from operating activities		
Proceeds from sale of goods and rendering of services	535,230,797.30	378,382,646.38
Receipts of taxes and surcharges refunds	13,605,552.69	98,380,978.71
Cash generated from other operating activities	<u>31,866,204.03</u>	<u>17,427,644.21</u>
Subtotal of cash generated from operating activities	<u>580,702,554.02</u>	<u>494,191,269.30</u>
Payments for goods and services	293,904,947.16	225,072,281.14
Cash payments to and on behalf of employees	84,307,393.88	87,707,753.20
Payments of all types of taxes and surcharges	11,302,053.75	95,006,648.05
Cash used in other operating activities	<u>15,808,751.20</u>	<u>70,685,343.49</u>
Subtotal of cash used in operating activities	<u>405,323,145.99</u>	<u>478,472,025.88</u>
Net cash generated from/used in operating activities	<u>(175,379,408.03)</u>	<u>15,719,243.42</u>
II. Cash flows from investing activities		
Proceeds from disinvestment	2,866,282,671.15	2,227,653,619.05
Investment income	63,507,216.86	96,889,333.09
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	<u>449,580.00</u>	<u>498,906.24</u>
Subtotal of cash generated from investing activities	<u>2,930,239,468.01</u>	<u>2,325,041,858.38</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	6,558,484.63	8,426,821.45
Payments for investments	1,888,592,448.78	3,226,936,725.61
Net payments for the acquisition of subsidiaries and other business units	<u>120,000,001.00</u>	<u>11,529,999.39</u>
Subtotal of cash used in investing activities	<u>2,015,150,934.41</u>	<u>3,246,893,546.45</u>
Net cash generated from/used in investing activities	<u>915,088,533.60</u>	<u>(921,851,688.07)</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

	<u>2021</u>	<u>2020</u>
III. Cash flows from financing activities		
Borrowings raised	129,418,000.00	-
Cash generated from other financing activities	<u>254,961,825.36</u>	<u>155,256,887.17</u>
Subtotal of cash generated from financing activities	<u>384,379,825.36</u>	<u>155,256,887.17</u>
Repayment of borrowings	129,418,000.00	90,000,000.00
Interest and dividends paid	2,005,101.64	2,336,895.39
Cash used in other financing activities	<u>1,313,154,399.85</u>	<u>800,939,572.04</u>
Subtotal of cash used in financing activities	<u>1,444,577,501.49</u>	<u>893,276,467.43</u>
Net cash generated from/used in financing activities	<u>(1,060,197,676.13)</u>	<u>(738,019,580.26)</u>
IV. Net increase/(decrease) in cash and cash equivalents	30,270,265.50	(1,644,152,024.91)
Add: Cash and cash equivalents, beginning of the period	<u>126,339,870.71</u>	<u>1,770,491,895.62</u>
V. Cash and cash equivalents, end of the period	<u>156,610,136.21</u>	<u>126,339,870.71</u>

The accompanying notes to the financial statements form an integral part of the financial statements.

I. Corporate Background

Guangdong Dongfang Precision Science & Technology Co., Ltd. (the "Company"), a joint stock company with limited liability registered in Guangdong Province of the People's Republic of China and established on 9 December 1996, obtained a Business License for Enterprise Legal Person with a registration number of 440682000040868.

In August 2011, upon the approval by the China Securities Regulatory Commission (CSRC) in the Reply on Approving the Initial Public Offering of Shares by Guangdong Dongfang Precision Science & Technology Co., Ltd. (ZH.J.X.K. [2011] No. 1237), the Company issued Renminbi-denominated ordinary shares to the public, and was listed on the Shenzhen Stock Exchange in the same month. The Company started to use the unified social credit code (914406002318313119) in 2016. The Company is headquartered in 2 Qiangshi Road, Shishan Town, Nanhai District, Foshan City, Guangdong Province, China.

Business scope of the Company:

General items: Network and information security software development; manufacturing of special printing equipment; computer system services; information system integration services; information consulting services (excluding licensing information consulting services); manufacturing of material handling equipment; manufacturing of special equipment for pulping and papermaking; manufacturing of industrial robots; manufacturing of special-purpose equipment (excluding manufacturing of special licensing equipment); manufacturing of industrial control computers and systems; sales of intelligent material handling equipment; software sales; intelligent control system integration; AI universal application system; domestic freight forwarding; information technology consulting services; socio-economic consulting services; environmental protection consulting services; technology intermediary services. (Except for items subject to approval according to law, business activities shall be conducted independently in accordance with the business license) Licensed items: import and export agency; import and export of goods; import and export of technologies. (Business activities that require approval according to law shall be subject to the approval by relevant authorities. Specific business items are indicated in the approval documents or permit documents of relevant authorities.) The Company belongs to the special-purpose equipment manufacturing industry.

The actual controllers of the Company are Tang Zhuolin and Tang Zhuomian.

These financial statements were authorized for issue by the Board of Directors of the Company on 14 March 2022.

The consolidation scope for consolidated financial statements is determined based on the concept of control. For details of changes during the period, please refer to Note VI.

II. Basis of Preparation of the Financial Statements

These financial statements have been prepared in accordance with China's "Accounting Standards for Business Enterprises — Basic Standards" promulgated by the Ministry of Finance and the specific accounting standards, application guidance, interpretations and other relevant regulations issued or amended thereafter (hereafter collectively referred to as "Accounting Standards for Business Enterprises" or "CAS").

The financial statements are prepared on a going concern basis.

In the preparation of the financial statements, all items are recorded by using historical cost as the basis of measurement except for some financial instruments. Impairment allowance is made according to relevant regulations if the assets are impaired.

III. Principal Accounting Policies and Accounting Estimates

1. Statement of compliance

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2021, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The Group's functional currency and the currency used in preparing the financial statements were Renminbi. The amounts in the financial statements were denominated in Renminbi yuan, unless otherwise stated.

4. Business combination

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The acquirer is the entity that obtains control of the other entities participating in the combination at the combination date, and the other entities participating in the combination are the acquirees. The combination date is the date on which the combining party effectively obtains control of the parties being combined.

Assets and liabilities obtained by combining party in the business combination involving entities under common control (including goodwill arising from the acquisition of the merged party by the ultimate controller) are recognized on the basis of their carrying amounts at the combination date recorded on the financial statements of the ultimate controlling party. The difference between the carrying amount of the consideration paid for the combination (or aggregate face values of the shares issued) and the carrying amount of the net assets obtained is adjusted to capital surplus. If the capital surplus are not sufficient to absorb the difference, any excess is adjusted to retained earnings.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

4. Business combination (cont'd)

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the entity that obtains control of the other entities participating in the combination at the acquisition date, and the other entities participating in the combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

The excess of the sum of the consideration paid (or equities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or equities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or equity issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or equities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in profit or loss.

Where a business combination not involving entities under common control realized step by step through multiple transactions, the long-term equity investments held by the acquiree prior to the purchase date shall be remeasured at the fair value of the long-term equity investments on the purchase date, and the difference between the fair value and their carrying value shall be recognized in profit or loss. For other comprehensive income of the long-term equity investments under the equity method held by the acquiree prior to the purchase date, accounting treatment shall be performed on the same basis as the direct disposal of relevant assets or liabilities by the invested entity, and other changes in equity than net profit and loss, other comprehensive income and the distribution of profits shall be converted into current profits and losses on the purchase date. The changes in the fair value of the equity instrument investments held by the acquiree prior to the purchase date and accumulated in other comprehensive income prior to the purchase date shall be transferred to retained profits and losses.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

5. Consolidated financial statements

The consolidation scope for consolidated financial statements is determined based on the concept of control, including the Company and all subsidiaries' financial statements. Subsidiaries are those enterprises or entities which the Company has control over (including enterprises, separable components of investee units and structured entities controlled by the Company).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Any inconsistent accounting policies have been adjusted to become consistent with the Company's accounting policies. All assets, liabilities, equities, revenues, costs and cash flows arising from intercompany transactions are eliminated on consolidation.

The excess of current loss attributable to non-controlling shareholders of a subsidiary over their entitlements to the opening balance of equity shall be charged to non-controlling interests.

For subsidiaries obtained through a business combination not involving entities under common control, the operating results and cash flows of the acquirees will be recognized in consolidated financial statements from the date the Group effectively obtains the control until the date that control is terminated. When consolidated financial statement is prepared, the subsidiaries' financial statements will be adjusted based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries acquired through combination of entities under common control, the business results and cash flows of the combined entities are included in the consolidated financial statements from the beginning of the period in which the combination occurred. When preparing and comparing the consolidated financial statements, the Group makes adjustments to relevant items of the financial statements of the previous period, deeming the reporting entity formed through combination as existing since initial implementation of control by the ultimate controlling party.

In the event of the change in one or more elements of control as a result of changes in relevant facts and conditions, the Group reassesses whether it has control over the investee.

6. Cash and cash equivalents

Cash comprises cash on hand and deposits readily available for payments. Cash equivalents represent short-term highly liquid investments which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

7. Foreign currency translation

For foreign currency transactions, the Group translates the foreign currency into its functional currency.

Upon initial recognition, foreign currency transactions are translated into the functional currency using the spot exchange rate of the dates on which transactions occur. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The translation differences arising from the settlement and foreign currency monetary items are recognized in profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and it does not change its carrying amount in functional currency. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate. The differences arising from the above translations are recognized in current profit or loss or other comprehensive income according to the nature of foreign currency non-monetary items.

The Group translates the functional currencies of foreign operations into Renminbi when preparing the financial statements. Asset and liability items in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date. Equity items, except for retained earnings, are translated at the spot exchange rates at the date when such items arose. Revenue and expense items in the income statement are translated using the average exchange rate for the periods when transactions occur. Translation differences arising from the aforesaid translation of financial statements denominated in foreign currency shall be recognized as other comprehensive income. When foreign operations are disposed, other comprehensive income relating to the foreign operation is transferred to current profit or loss. Partial disposal shall be recognized on a pro-rata basis.

Cash flows denominated in foreign currencies and foreign subsidiaries' cash flows are translated using the average exchange rate for the period when cash flows occur. The impact on cash by the fluctuation of exchange rates is presented as a separate line item of reconciliation in the statement of cash flows.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

8. Financial instruments

Financial instruments refer to the contracts which give rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

A financial asset (or part of it, or a part of a group of similar financial asset) is derecognized when one of the following criteria is met, that is, when a financial asset is written off from its account and balance sheet:

- (1) The right of receiving the cash flow generated from the financial asset has expired;
- (2) The right of receiving cash flow generated by the financial assets is transferred, or an obligation of paying the full amount of cash flow received to third parties in a timely manner has been undertaken under “pass-through” agreements, where (a) substantially all risks and rewards of the ownership of such type of financial assets have been transferred, or (b) control over such type of financial assets has not been retained even though substantially all risks and rewards of the ownership of such type of financial assets have been neither transferred nor retained.

If the obligation of financial liability has been fulfilled, cancelled or expired, the financial liability is derecognized. If the present financial liability is substituted by the same debtee with another liability differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising differences recognized in profit or loss.

Conventional dealings in financial assets are recognized or derecognized under the trade day accounting method. Conventional dealings refer to the receipt or delivery of financial assets within periods stipulated by the law and according to usual practices. The trade day is the date on which the Group undertakes to buy or sell a financial asset.

Classification and measurement of financial assets

At initial recognition, the Group classifies its financial assets into: financial assets at fair value through profit or loss, financial assets at amortized cost, or financial assets at fair value through other comprehensive income, according to the Group's business model for managing financial assets and the contract cash flow characteristics of the financial assets. When and only when the Group changes its business model of managing financial assets, all relevant financial assets affected will be re-classified.

Financial assets are measured at fair value on initial recognition, but if the accounts receivable or notes receivable generated from the sales of goods or provision of services do not contain significant financing components or do not consider financing components of no longer than one year, the initial measurement will be based on the transaction price.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

8. Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd)

For financial assets at fair value through profit or loss, the relevant transaction costs are directly recognized in profit or loss; for other financial assets, the relevant transaction costs are recognized in their initial recognition amount.

The subsequent measurement of financial assets is dependent on its classification:

Debt instruments measured at amortized cost

Financial assets fulfilling all of the following conditions are classified as financial assets at amortized cost: the objective of the Group's business management model in respect of such type of financial assets is to generate contract cash flow; the contract terms of such type of financial assets provide that cash flow generated on specific dates represents interest payment in relation to principal amounts based on outstanding principal amounts only. Interest income from such type of financial assets are recognized using the effective interest rate method, and any profit or loss arising from derecognition, amendments or impairment shall be charged to current profit or loss.

Debt instruments at fair value through other comprehensive income

Financial assets fulfilling all of the following conditions are classified as financial assets at fair value through other comprehensive income: the objective of the Group's business management model in respect of such type of financial assets is both to generate contract cash flow and to sell such type of financial assets; the contract terms of such type of financial assets provide that cash flow generated on specific dates represents interest payment in relation to principal amounts based on outstanding principal amounts only. Interest income from this type of financial assets is recognized using the effective interest rate method. Other than interest income, impairment loss and exchange differences which shall be recognized as current profit or loss, other fair value changes shall be included in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to current profit or loss.

Financial assets at fair value through profit or loss

Other than financial assets measured at amortized cost and financial assets at fair value through other comprehensive income as aforementioned, all financial assets are classified as financial assets at fair value through profit or loss, which are subsequently measured at fair value, any changes of which are recognized in current profit or loss.

Classification and measurement of financial liabilities

The Group classifies its financial liabilities at initial recognition: financial liabilities at fair value through profit or loss, and other financial liabilities. For financial liabilities at fair value through profit or loss, the relevant transaction costs are directly recognized in profit or loss; for other financial liabilities, the relevant transaction costs are recognized in their initial recognition amount.

The subsequent measurement of financial liabilities is dependent on its classification:

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

8. Financial instruments (cont'd)

Classification and measurement of financial liabilities (cont'd)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include mainly financial liabilities held for trading (comprising derivatives classified as financial liabilities). Financial liabilities held for trading (comprising derivatives classified as financial liabilities) are subsequently measured at fair value and all changes are recognized in current profit or loss.

Other financial liabilities

Subsequent to initial recognition, these financial liabilities are carried at amortized cost using the effective interest method.

Impairment of financial instruments

The Group performs impairment treatment on financial assets at amortized cost, debt instruments at fair value through other comprehensive income and contract assets based on expected credit losses (ECL) and recognizes allowances for losses.

For receivables and contract assets that do not contain significant financing components, the Group adopts a simplified measurement method to measure allowances for losses based on an amount equivalent to the lifetime expected credit losses.

Financial assets other than those measured with simplified valuation methods, the Group evaluates at each balance sheet date whether its credit risk has significantly increased since initial recognition. The period during which credit risk has not significantly increased since initial recognition is considered the first stage, at which the Group shall measure loss allowance based on the amount of expected credit loss for the next 12 months and shall compute interest income according to the book balance and effective interest rate; the period during which credit risk has significantly increased since initial recognition although no credit impairment has occurred is considered the second stage, at which the Group shall measure loss allowance based on the amount of expected credit loss for the entire valid period and shall compute interest income according to the book balance and effective interest rate; The period during which credit impairment has occurred after initial recognition is considered the third stage, at which the Group shall measure loss allowance based on the amount of the lifetime expected credit loss and shall compute interest income according to the amortized cost and effective interest rate.

The Group estimates the expected credit loss of financial instruments individually and on a group basis. The Group considers the credit risk features of different customers and estimates the expected credit losses of financial instruments based on aging portfolio.

For the Group's criteria for judging whether credit risks have significantly increased, the definition of assets subjected to credit impairment, and assumptions underlying the measurement of expected credit losses, please refer to Note VIII.3.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

8. Financial instruments (cont'd)

Impairment of financial instruments (cont'd)

When the Group no longer reasonably expects to be able to fully or partially recover the contract cash flow of financial assets, the Group directly writes down the book balance of such financial assets.

Derivative financial instruments

The Group uses derivative financial instruments. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Gains or losses arising from changes in the fair value of derivative instruments shall be directly recognized in current profit or loss.

Transfer of financial assets

If the Group has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognized. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognized.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may either derecognize the financial asset and recognize any associated assets and liabilities if control of the financial asset has not been retained; or recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability if control has been retained.

Assets formed by the continuing involvement by way of the provision of financial guarantee in respect of the transferred financial assets shall be recognized as the lower of the carrying value of the financial asset and the amount of financial guarantee. The amount of financial guarantee means the maximum amount among considerations received to be required for repayment.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

9. Inventories

Inventories include raw materials, work-in-progress, finished goods, product deliveries, semi-finished goods, materials consigned for processing, etc.

Inventories are initially recorded at costs. Inventories' costs include purchasing costs, processing costs and other costs. Actual costs of product deliveries are recognized using the weighted average method. Turnover materials include low-value consumables, packaging materials, etc., which are expensed in full.

The Group adopts the perpetual inventory system.

Inventories on the balance sheet date are stated at the lower of cost or net realisable value. Inventory valuation allowance is made and recognized in profit or loss when the net realisable value is lower than cost. If the factors that give rise to the allowance in prior years are not in effect in the current period, as a result that the net realisable value of the inventories is higher than cost, allowance should be reversed within the impaired cost, and recognized in profit or loss.

Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Valuation allowances for raw materials are established by category, and those for finished goods by individual item. For inventories that relate to products produced and sold in the same region, have the same or similar ultimate purpose, and are difficult to separate in measurement, valuation allowances are established on a combined basis.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

10. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

Long-term equity investments were recorded at initial investment cost on acquisition. For long-term equity investments acquired through the business combination of entities under common control, the initial investment cost shall be the share of carrying value of the equity of the merged party at the date of combination as stated in the consolidated financial statements of the ultimate controlling party. Any difference between the initial investment cost and the carrying value of the consideration for the combination shall be dealt with by adjusting the capital surplus (if the capital surplus are insufficient for setting off the difference, such difference shall be further set off against retained earnings). Upon disposal of the investment, other comprehensive income prior to the date of combination shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Equity recognized as a result of changes in equity other than the set-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. For long-term equity investments acquired through the business combination of entities not under common control, the initial investment cost shall be the cost of combination (for business combinations of entities not under common control achieved in stages through multiple transactions, the initial investment cost shall be the sum of the carrying value of the equity investment in the acquired party held at the date of acquisition and new investment cost incurred as at the date of acquisition). The cost of combination shall be the sum of assets contributed by the acquiring party, liabilities incurred or assumed by the acquiring party and the fair value of equity securities issued. Upon disposal of the investment, other comprehensive income recognized under the equity method held prior to the date of acquisition shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Equity recognized as a result of changes in equity other than the set-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. The initial investment cost of long-term equity investments other than those acquired through business combination shall be recognized in accordance with the following: for those acquired by way of cash payments, the initial investment cost shall be the consideration actually paid plus expenses, tax amounts and other necessary outgoings directly related to the acquisition of the long-term equity investments. For long-term equity investments acquired by way of debt restructuring, the initial investment cost shall be determined in accordance with "CAS No. 12 — Debt Restructuring."

In the financial statements of the Company, the cost method is used for long term equity investments in investees over which the Company exercises control. Control is defined as the power exercisable over the investee, the entitlement to variable return through involvement in the activities of the investee and the ability to influence the amount of return using the power over the investee.

When the cost method is used, long-term equity investments are measured at initial cost on acquisition. When additional investments are made or investments are recouped, the cost of longterm equity investments shall be adjusted. Cash dividend or profit distribution declared by the investee shall be recognized as investment income for the period.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

10. Long-term equity investments (cont'd)

The equity method is used to account for long-term equity investments when the Group can jointly control or has significant influence over the invested entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence means having the authority to take part in the decision over the financial and operational policies but not the authority to control or jointly control with other parties the formulation of such policies.

Under the equity method, any excess of the initial investment cost over the Company's share of the net fair value of the investment's identifiable assets and liabilities is included in the initial investment cost of the long-term equity investment. When the carrying amount of the investment is less than the Company's share of the fair value of the investment's identifiable net assets, the difference is recognized in profit or loss of the current period and debited to long-term equity investments.

Under the equity method, after the long-term equity investments are acquired, investment gains or losses and other comprehensive income are recognized according to the entitled share of net profit or loss and other comprehensive income of the investee and the carrying amount of the long-term equity investment is adjusted accordingly. When recognising the Group's share of the net profit or loss of the invested entity, the Group makes adjustments based on fair values of the investees' identifiable assets and liabilities at the acquisition date in accordance with the Group's accounting policy and accounting period to investee's net profits, eliminating pro-rata profit or loss from internal transactions with associates and joint ventures attributed to investor (except that loss from inter-group transactions deemed as asset impairment loss shall be fully recognized), provided that invested or sold assets constituting businesses shall be excluded. When the invested enterprise declares profit distribution or cash dividends, the carrying amount of investment is adjusted down by the Group's share of the profit distribution and dividends. The Group shall derecognize its share of the losses of the investee after the long-term equity investment together with any long-term interests that in substance forms part of the Group's net investment in the investee are reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group also adjusts the carrying amount of long-term equity investments for other changes in owner's equity of the investees (other than the net-off of net profits or losses, other comprehensive income and profit distribution of the investee), and includes the corresponding adjustment in equity.

On disposal of the long-term equity investments, the difference between carrying value and market price is recognized in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Equity recognized as a result of changes in equity other than the net-off of profit and loss, other comprehensive income and profit distribution of the investee shall be transferred in full to current profit and loss. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee and transferred to current profit and loss on a pro-rata basis. Equity recognized as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit distribution of the investee shall be transferred to current profit and loss on a pro-rata basis.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

11. Fixed assets

A fixed asset is recognized when, and only when, it is probable that future economic benefits that are associated with the fixed asset will flow to the Group and the cost can be measured reliably. Subsequent expenditures related to a fixed asset are recognized in the carrying amount of the fixed asset if the above recognition criteria are met, and the carrying value of the replaced part is derecognized; otherwise, those expenditures are recognized in profit or loss as incurred.

Fixed assets are initially recognized at cost. Cost of purchased fixed assets includes purchasing price, relevant taxes, and any directly attributable expenditure for bringing the asset to working conditions for its intended use.

Except for those incurred by using the accrued expenses for safety production, fixed assets are depreciated on a straight-line basis, and the respective estimated useful lives, estimated residual value ratios and annual depreciation rates are as follows:

	Useful life	Estimated residual value ratio	Annual depreciation rate
Buildings and constructions	20-40 years	5.00%	2.38%-4.75%
Machinery	5-18 years	5.00%	5.28%-19.00%
Transportation equipment	5-10 years	5.00%	9.5%-19.00%
Electronic equipment	3-10 years	5.00%	9.5%-31.67%
Office equipment	3-10 years	5.00%	9.5%-31.67%
Other equipment	5-10 years	5.00%	9.5%-19.00%

The Group reviews, at least at each year end, useful lives, estimated residual values and depreciation methods of fixed assets and makes adjustments if necessary.

12. Construction in progress

Construction in progress is measured at the actual construction expenditures, including necessary project work expenses incurred during the period while construction is in progress, and other related fees.

Construction in progress is transferred into fixed assets when it is ready for its intended use.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

13. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowings of funds, which include borrowing interest, amortisation of discount or premium on debt, other supplementary costs and certain foreign exchange differences that occurred from the borrowings in foreign currencies.

14. Right-of-use assets

The right-of-use assets of the Group mainly include buildings and vehicles

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made at or before the commencement date less any lease incentives received; (3) any initial direct cost incurred; (4) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If ownership of the leased asset transfers to the Group at the end of the lease term, depreciation is calculated using the estimated useful life of the asset. Otherwise, the right-of-use assets are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

When the Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, if the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognize the remaining amount of the remeasurement in profit or loss.

15. Intangible assets

Intangible assets are recognized only when it is probable that economic benefits relating to such intangible assets would flow into the Group and that their cost can be reliably measured. Intangible assets are initially measured at cost, provided that intangible assets which are acquired in a business combination not under common control and whose fair value can be reliably measured shall be separately recognized as intangible assets at fair value.

Useful life of an intangible asset is determined by the period over which it is expected to bring economic benefits to the Group. For an intangible asset with no foreseeable limit to the period over which it is expected to bring economic benefits to the Group, it is treated as an intangible asset with indefinite useful life.

Useful life of respective intangible assets is as follows:

	Useful life
Land use rights	40-50 years
Land ownership (overseas)	Indefinite
Trademarks	5-10 years
Trademarks (overseas)	Uncertain
Patents	5-10 years

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

15. Intangible assets (cont'd)

Property in land acquired by the Group is normally accounted for as intangible assets. Property in land and buildings relating to plants constructed by the Group are accounted for as intangible assets and fixed assets, respectively. The costs for acquiring land and buildings are apportioned between the property in land and buildings, or accounted for as fixed assets if they cannot be apportioned.

The straight-line amortisation method is used during the useful life period for intangible assets with definite useful lives. The Group reviews, at least at each year end, useful lives and amortization method for intangible assets with definite lives and makes adjustment when necessary.

For intangible assets with indefinite useful life, impairment tests shall be conducted annually regardless of whether there are indications of impairment. Such intangible assets shall not be amortized and their useful life shall be reviewed during each accounting period. If there is evidence suggesting that their useful life is limited, accounting treatment will be performed according to the above policy on intangible assets with definite useful life.

The land ownership of Fosber S.p.A. ("Fosber Group"), a subsidiary of the Company, in Italy has a permanent term, and the Company believes that the land ownership will be used and will bring expected inflows of economic benefits to the Company in the foreseeable future, so its useful life is regarded as indefinite. The trademarks registered by subsidiaries Fosber Group and Fosber America, Inc. ("Fosber America") have a useful life in accordance with the law, but at the expiration of the protection period, Fosber Group and Fosber America can apply for an extension at low service charges, so the Company will benefit from the above trademarks in the long term. Thus, the Company recognized the trademark use right as intangible assets with indefinite useful life. The useful life of intangible assets with indefinite useful life will be reviewed at the end of each year. After review, the useful life of the above intangible assets is still uncertain.

The Group classifies the expenses for internal research and development as research costs and development costs. All research costs are charged to the current profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits (including demonstration that the product derived from the intangible asset or the intangible asset itself will be marketable or, in the case of internal use, the usefulness of the intangible asset as such), the availability of technical and financial resources to complete the project and procure the use or sale of the intangible asset, and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria is recognized in profit or loss when incurred.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

16. Impairment

The Group assesses impairment of assets other than inventories, contract assets and assets related to contract costs, deferred tax assets and financial assets, using the methods described below:

The Group assesses at each balance sheet date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and performs a test of impairment for the asset. For goodwill generated from business consolidation and intangible assets with indefinite useful lives, tests for impairment are performed at least annually regardless of whether there are indications of impairment. Intangible assets which are not yet ready for use are also tested annually for impairment.

The recoverable amount is the higher of the asset's fair value less costs to sell and its present value of estimated future cash flows. The Group estimates recoverable value for individual assets. When it is difficult to estimate individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The definition of cash generating units is determined on the basis of whether the cash generating units generate cash flows which are largely independent of those from other cash generating units.

Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount. The difference between the carrying amount and recoverable amount is recognized in profit or loss and allowance for impairment is made accordingly.

In connection with impairment tests for goodwill, the carrying value of goodwill arising from business combination is allocated to relevant cash generating units ("CGU") from the date of acquisition on a reasonable basis. If it is difficult to allocate such goodwill to a relevant CGU, it should be allocated to a relevant CGU group. A relevant CGU or CGU group is defined as one which can benefit from the synergies of the business combination and is not larger than the reporting segments determined by the Group.

In connection with impairment tests for CGUs or CGU groups that comprise goodwill, where indications of impairment exists in a CGU or CGU group related to goodwill, impairment tests should be performed first on CGUs or CGU groups that do not comprise goodwill and recognize impairment loss after estimating the recoverable amount. Then impairment tests on CGUs or CGU groups that comprise goodwill should be performed and the carrying value and recoverable amount should be compared. Where the recoverable amount is lower than the carrying value, the impairment loss should first be offset against the carrying value of the goodwill allocated to CGUs or CGU groups and then against assets in the CGUs or CGU groups other than goodwill in proportion to the weighting of these assets.

Previously recognized impairment losses are not reversed in subsequent periods.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

17. Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight-line method, with the amortization periods as follows:

	Amortization period
Decoration expenditures	3-5 years
Amortization of moulds	3 years
Other expenditures	3-5 years

18. Employee benefits

Employee benefits include all kinds of rewards or compensation incurred by the Group in exchange for service rendered by employees or in the termination of employment, other than share-based payment. Employee benefits include short-term benefits, retirement benefits, dismissal benefits and other long-term employees' benefits. Benefits provided by the Group to the spouses, children and dependents of employees and families of deceased employees are also a part of employee benefits.

Short-term benefits

For accounting periods during which services are rendered by employees, short-term benefits that will incur is recognized as liability and included in profit and loss or related capital costs.

Retirement benefits (defined contribution schemes)

Employees of the Group participated in pension insurance and unemployment insurance schemes managed by the local government. The contribution costs are charged as asset cost or to profit or loss when incurred.

Retirement benefits (defined benefit schemes)

The Group operates a defined benefit pension scheme, which requires payments to an independently operated fund. No funds have been injected into the scheme. The cost of benefits provided under the defined benefit scheme is calculated using the expected benefit accrual unit approach.

Remeasurement arising from defined benefit pension schemes, including actuarial gains or losses, changes in the asset cap effect (deducting amounts included in net interest on net liabilities of the defined benefit schemes) and return on scheme assets (deducting amounts included in net interest on net liabilities of the defined benefit schemes) are instantly recognized in the balance sheet and charged to equity through other comprehensive income for the period during which it is incurred. It will not be reversed to profit and loss in subsequent periods.

Previous service costs are recognized as current expenses when: the defined benefit scheme is revised, or relevant restructuring costs or dismissal benefits are recognized by the Group, whichever earlier.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

18. Employee benefits (cont'd)

Retirement benefits (defined benefit schemes) (cont'd)

recognizerecognize

Net interest is arrived at by multiplying net liabilities or net assets of defined benefits with a discount rate. Changes in net obligations of defined benefits are recognized as cost of sales, administrative expenses, R&D expenses, selling expenses and finance costs in the income statement. Service costs included current services costs, past service costs and settlement of profit or loss. Net interest included interest income from scheme assets, interest expenses for scheme obligations and interest of the asset cap effect.

19. Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss, except those that in the related asset costs as required. Variable lease payments that are not included in the measurement of the lease assets are recognized in profit or loss as incurred, except those that shall be included in the related asset costs as required.

After the commencement date, in the event of any change to the substantial constant payments, the estimated payables of guaranteed residual value, the index or ratio used to determine lease payments, the assessment results or actual vesting of the purchase option, the renewal option or the termination option, the Group remeasures the lease liability at the present value of the modified lease payments.

20. Provisions

Other than contingent consideration and assumed contingent liabilities in a business combination not involving entities under common control, the Group recognizes as provision an obligation that is related to contingent matters when all of the following criteria are fulfilled:

- (1) the obligation is a present obligation of the Group;
- (2) the obligation would probably result in an outflow of economic benefits from the Group;
- (3) the obligation could be reliably measured.

Provisions are initially measured according to the best estimate of expenses on fulfilling the current liabilities, in connection with the risk, uncertainty and timing value of the currency. The carrying value of the provisions would be reassessed on every balance sheet date. The carrying value will be adjusted to the best estimated value if there is certain evidence that the current carrying value is not the best estimate.

The contingent liabilities obtained from a business combination not involving entities under common control shall be measured at fair value at the time of initial recognition. After the initial recognition, according to the amount confirmed by provisions and the balance of the initial recognition amount after deducting the accumulated amortization determined by the revenue recognition principle, the higher of the two shall prevail for subsequent measurements.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

21. Share-based payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital surplus are credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognising services rendered during the period in relevant costs or expenses and crediting the capital surplus accordingly at the fair value on the date of grant according to the best estimates of the number of exercisable equity instruments conducted by the Group at each balance sheet date during the pending period. The fair value of equity instruments is determined using the closing price of the Company's stock on the date of grant.

No expenses are recognized for awards that do not ultimately vest due to non-fulfillment of nonmarket conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

22. Revenue generating from contracts with customers

The Group recognizes its revenue upon the fulfilment of contractual performance obligations under a contract, namely, when the customer obtains control over the relevant products or services. The acquisition control over relevant products or services shall mean the ability to direct the use of the products or the provision of the services and receive substantially all economic benefits derived therefrom.

Contract for the sales of products

The product sales contract between the Group and its customers typically includes different contractual performance obligations for the transfer of products and the rendering of services. With respect to the sales of products, the Group typically recognizes its revenue at the time when the customer takes control over the products, taking into account the following factors: the acquisition of the current right to receive payments for the products, the transfer of major risks and rewards of ownership, the transfer of the legal title of the products, the transfer of the physical assets of the products, and customers' acceptance of the products.

Contract for the rendering of installation services

The service contract between the Group and its customers includes contractual performance obligations for installation services. As the customer is able to forthwith obtain and consume the economic benefits brought by the Group's contractual performance when the Group performs a contract, the Group considers such contractual performance obligations to be obligations performed over a period of time, and revenue shall be recognized on each balance sheet date according to the progress of installation.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

22. Revenue generating from contracts with customers (cont'd)

Significant financing component

Where a contract contains a significant financing component, the Group determines transaction prices based on amounts payable assumed to be settled in cash by customers immediately upon the acquisition of control over the products or services. The difference between such transaction price and contract consideration is amortized over the contract period using the effective interest method based on a ratio that discounts the nominal contractual consideration to the current selling price of the products or services. The Group shall not give consideration to any significant financing component in a contract if the gap between the customer's acquisition of control over the products or services and payment of consideration is expected to be less than 1 year.

Warranty clauses

The Group provides quality assurance for products sold in accordance with contract terms and laws and regulations. The accounting treatment of quality assurance in the form of warranty assuring customers products sold are in compliance with required standards is set out in Note III.20. Where the Group provides a service warranty for a standalone service in addition to the assurance of compliance of products with required standards, such warranty is treated as a standalone contractual performance obligation, and a portion of the transaction price shall be allocated to the service warranty based on a percentage of the standalone price for the provision of product and service warranty. When assessing whether a warranty is rendering a standalone service in addition to providing guarantee to customers that all sold goods are in compliance with required standards, the Group will consider whether or not such warranty is a statutory requirement, the term of the warranty and the nature of the Group's undertaking to perform its obligations.

Principal/agent

When the Group obtains control of trade goods or services from a third party and then transfers it to a customer, or has the ability to direct the third party to provide the service to the customer on the Group's behalf, the Group is entitled to determine the transaction price of the goods or services by itself, i.e., the Group controls the trade goods or services before they are transferred to the customer. Thus, the Group is a principal and recognizes revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue in the amount of any fee or commission to which it expects to be entitled from the customer. The amount is the net amount of the gross consideration received or receivable after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

23. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities on the balance sheet according to the relationship between contractual performance obligations and customer payments.

Contract assets

Contract assets are the right to receive consideration following the transfer of products or services to customers which is dependent on factors other than the passage of time.

For details of the Group's determination and accounting treatment of expected credit losses from contract assets, please refer to Note III.8.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

23. Contract assets and contract liabilities (Cont'd)

Contract liabilities

Contract liabilities are the obligation to pass products or services to customers in connection with customer consideration received or receivable, for example, amounts received prior to the transfer of the promised products or services.

24. Assets relating to contract cost

The Group's assets relating to contract costs include the contract acquisition costs and contract performance costs. The costs are presented in inventory, other current assets or other non-current assets based on liquidity of the assets.

Where the Group expects the incremental costs for acquiring a contract to be recoverable, such contract acquisition costs are recognized as an asset (unless the amortisation period of the asset is not more than 1 year).

Costs incurred by the Group for the performance of a contract are recognized as an asset as contract performance costs if they do not fall under the scope of the relevant standards for inventories, fixed assets or intangible assets but meet all the following conditions:

- (1) they are directly related to a current or anticipated contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), to be borne by customers as specifically stipulated, and otherwise incurred solely in connection with the contract;
- (2) they will increase the resources to be utilized in the Company's future performance of its contractual obligations;
- (3) they are expected to be recoverable.

25 Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The grant is measured as the amount received or receivable where it takes the form of a cash asset, or at fair value where it is not a cash asset. Where the fair value cannot be reliably obtained, it should be measured at the nominal value.

In accordance with the stipulations of the government instruments, government grants applied towards acquisition or the formation of long-term assets in other manners are asset-related government grants; the instruments unspecifically refer to the exercise of judgement based on the basic conditions for receiving the asset-related grant applied towards or the formation of long-term assets in other manners. All other grants are recognized as income-related government grants.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

25. Government grants (cont'd)

Government grants relating to income and applied to make up for related costs or losses in future periods shall be recognized as deferred income, and shall be recognized in profit or loss of the period for which related costs or loss are recognized. Government grants specifically applied for the reimbursement of incurred related costs and expenses shall be directly recognized in profit or loss.

Government grants relating to assets shall offset the carrying amount of related assets, or be recognized as deferred income and credited to profit or loss over the useful life of the asset concerned by reasonable and systematic instalments (provided that government grants measured at nominal value shall be directly recognized in profit or loss). Where the asset concerned is disposed of, transferred, retired or damaged prior to the end of its useful life, the balance of the deferred income yet to be allocated shall be transferred to "asset disposal" under current profit or loss.

26. Income tax

Income taxes include current and deferred tax. Income taxes are recognized in current profit or loss as income tax expenses or income tax benefit, except for the adjustment made for goodwill in a business combination and income tax from transactions or items that directly related to equity.

For the current period's deferred tax assets and liabilities arising in current and prior periods, the Group measures them at the amount expected to be paid or recovered according to the relevant taxation regulations.

The Group recognizes deferred tax assets and liabilities based on temporary differences using the balance sheet liability method. Temporary differences are differences between the carrying amount of assets or liabilities in the balance sheet and their tax base on the balance sheet date. Temporary differences also include the differences between the carrying values and tax bases of items not recognized as assets or liabilities where the tax base can be calculated according to the relevant tax regulations.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (1) where the taxable temporary difference arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

26. Income tax (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- (1) where the deductible temporary difference arises from transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (2) deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are recognized when all following conditions are met: it is probable that the temporary differences will reverse in the foreseeable future, it is probable that taxable profit against the deductible temporary differences will be available.

As at balance sheet date, deferred tax assets and liabilities are measured in accordance with relevant tax laws at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and reflects the tax consequences that would follow the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and liabilities are offset and presented as a net amount if all of the following conditions are met: the Group has the legal right to set off the current income tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, provided that the taxable entity concerned intends either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

27. Leases

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Identification of separate lease components

For a contract that contains multiple separate lease components, the Group separates the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both:

- (1) The lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee;
- (2) The underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

Assessment of lease term

The lease term is the non-cancellable period for which the Group has the right to use an underlying asset. The Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. The Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affect whether the Group is reasonably certain to exercise the corresponding option.

As lessee

For general accounting practice of the Group as a lessee, please see Items 14 and 19 of Note III.

Lease modifications

A change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

27. Leases (Cont'd)

(1) the modification increases the scope of the lease by adding the right to use one or more underlying assets;
(2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.
(2) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term leases and leases of low-value assets

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less, and does not contain any purchase option. The Group does not recognize the right-of-use assets and lease liabilities for buildings short-term leases. The Group recognizes lease payments on short-term leases and leases of low-value assets in the related asset costs or profit or loss on a straight-line basis over the lease term.

As a lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset on its commencement date is a finance lease. And all the other leases are operating leases.

As a lessor of operating leases

Rental income of operating leases is recognized in current profit or loss over the respective periods during the lease term on a straight-line basis, while variable lease payment not included in lease receipts is charged to profit or loss as and when incurred.

For any modification to an operating lease, the Group treats it as a new lease from the effective date of the modification, and the received or receivable lease payments related to the lease prior to the modification are treated as lease payments of the new lease.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

28. Share repurchase

The consideration and transaction costs paid to repurchase equity instruments are charged against owner's equity. Except for share-based payments, the issue (including refinancing), repurchase, disposal or retirement of the Company's own equity instruments are accounted for as changes in equity.

29. Profit distribution

The Company's cash dividends are recognized as liabilities upon the approval by the general meeting.

30. Expenses for safety production

The expenses for safety production set aside as stipulated shall be included in the cost of relevant products or current profits and losses, and included in the special reserve at the same time. When such expenses are used, accounting treatment will be performed according to whether fixed assets are formed. If identified as expense expenditures, the special reserve will be written down directly; if fixed assets are formed, the expenses incurred will be collected, fixed assets will be recognized when they reach a predetermined usable state, and the equivalent amount of special reserve will be written down and the equivalent accumulated depreciation will be recognized.

31. Put option related to non-controlling interests

In the process of acquiring majority equity of subsidiaries, the Group grants to minority shareholders the option to sell the shares of subsidiaries held by them to the Group (put option). The Group recognizes the shares of subsidiaries held by minority shareholders as non-controlling interests in its consolidated financial statements; for the put option, the Group undertakes the obligation to redeem the shares of the subsidiaries held by minority shareholders in cash. The Group removes the present value of the amount payable to redeem the put option from its equity (excluding non-controlling interests) and classifies it as financial liability, which is remeasured in subsequent periods at the present value of the the amount payable to redeem the put option and recognized in profit or loss.

32. Fair value measurement

At each balance sheet date, the Group measures the fair value of derivative financial instruments and equity instrument investments. Fair value means the price receivable from the disposal of an asset or required to be paid for the transfer of a liability in an orderly transaction incurred by market participants on the measurement date. The Group measures assets or liabilities at fair value with the assumption that the orderly transaction of asset disposal or the transfer of liabilities takes place in the major market for the relevant assets or liabilities. Where there is no major market, the Group assumes such transaction takes place in the most favourable market for the relevant assets or liabilities. The major market (or most favourable market) is a trading market which the Group has access to on the measurement date. The Group adopts assumptions used by market participants when they price the asset or liability with the aim of maximising its economic benefits.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

32. Fair value measurement (cont'd)

The Group adopts valuation techniques that are appropriate in the current circumstances and supported by sufficient usable data and other information. Observable input will be used first and foremost. Unobservable input will only be used when it is not possible or practicable to obtain observable input.

The fair value hierarchy to which an asset or liability measured or disclosed in the financial statements at fair value will be determined on the basis of the lowest level of input which is significant for the fair value measurement as a whole. Input at the first level represents unadjusted quoted prices in an active market for the acquisition of the same asset or liability on the measurement date. Input at the second level represents directly or indirectly observable assets or liabilities apart from input at the first level. Input at the third level represents unobservable input for the asset or liability.

At each balance sheet date, the Group reassesses assets and liabilities measured at fair value on an ongoing basis recognized in the financial statements to determine whether the level of fair value measurement should be changed.

33. Significant accounting judgements and estimates

The preparation of financial statements requires judgement and estimation of the management. Such judgement and estimation will affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities as at the balance sheet date. However, the consequence arising from the uncertain nature of such estimation may result in significant adjustment to the carrying value of the asset or liability affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Determination of standalone contractual performance obligations

The intelligent packaging equipment (printers and corrugators) business of the Group includes four kinds of product or service commitments, i.e. the sale, installation, transportation and insurance services of machinery. As the customer can benefit from the individual use of the four kinds of products or services or their use together with other readily available resources and such product or service commitments are distinctly separable from other products or service commitments, the aforesaid product or service commitments constitute standalone contractual performance obligations respectively.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

33. Significant accounting judgements and estimates (cont'd)

Judgement (cont'd)

Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise valuation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contract cash flow, the Group is required to analyse and exercise judgment in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

Characteristics of contract cash flow

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flow of such type of financial assets. Judgement is required to determine whether the contract cash flow represents interest payment in relation to principal amounts based on outstanding principal amounts only, including judgement of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies, and judgement of whether the fair value of early repayment features is minimal where the financial assets include such early repayment features.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent financial years, are discussed below.

Impairment of financial instruments and contract assets

The Group has adopted the expected credit loss model to evaluate the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgement and estimates and the consideration of all reasonable and soundly based information, including forward-looking information. In making such judgement and estimates, the Group estimates the projected movements of the debtor's credit risk according to past repayment records, economic policies, macro-economic indicators and industry risks. Different estimates may affect impairment allowances, and established impairment allowances may not equal the actual impairment loss amount in the future.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

33. Significant accounting judgements and estimates (cont'd)

Estimation uncertainty (cont'd)

Impairment of non-current assets other than financial assets (exclusive of goodwill)

The Group assesses at each balance sheet date whether there is an indication that a non-current asset other than financial assets may be impaired. For an intangible asset with an indefinite useful life, in addition to the annual impairment test, it is also tested when there is an indication that it may be impaired. Non-current assets other than financial assets are tested for impairment when there is an indication that the carrying amount is irrecoverable. Where the carrying amount of an asset or an asset group exceeds its recoverable amount—the higher of the asset or asset group's fair value less costs to sell and its present value of estimated future cash flows, it is considered impaired. The net amount of the fair value less costs to sell is determined based on the price of a similar asset's sales contract in a fair transaction or the observable market price less the incremental cost directly attributable to the disposal of the asset. When estimating the present value of future cash flows, the management must choose a proper discount rate.

Impairment of goodwill

Goodwill must be tested for impairment at least annually. It requires estimating the present value of future cash flows of an asset group or asset group portfolio allocated with goodwill. When estimating the present value of future cash flows, the Group needs to estimate future cash flows generating from the asset group or asset group portfolio, and at the same time choose a proper discount rate to determine the present value of future cash flows. For details, see Note V.19.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses, to the extent that it is likely that taxable profit will be available to utilize these unused tax losses. Significant judgments are needed from management to estimate the timing and amount of taxable profit in the future, with tax planning strategies, to determine the amount of the deferred tax assets that should be recognized.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The Group discounted the lease payments using the lessee's incremental borrowing rate. The Group determines the incremental borrowing rate based on the economic environment by reference to the observable interest rate. Then the Group adjusts the reference interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

33. Significant accounting judgements and estimates (cont'd)

Provisions

The Group estimates and makes corresponding provision for product quality guaranty according to contract terms, existing knowledge and past experience. When such contingencies have formed a present obligation and it is probable that an outflow of economic benefits from the Group will be required to settle the obligation, the Group recognizes the contingencies as provisions based on the best estimate of the expenditure required to settle the related present obligation. The recognition and measurement of provisions largely depend on the judgment of management. In the process of making judgment, the Group is required to assess the risks, uncertainties, time value of money and other factors related to such contingencies.

Provisions (cont'd)

The Group will undertake the provisions for post-sale quality maintenance provided to customers for the sale, maintenance and renovation of the sold goods. The provisions have been made taking into account the Group's recent data of maintenance experience, and taking into account the risks, uncertainties and other factors related to maintenance matters. Any increase or decrease in this provision may affect the profit and loss in future years.

34. Changes to accounting policies and accounting estimates

Changes to accounting policies

New leases standard

In 2018, the Ministry of Finance issued the revised "CAS No. 21—Leases" (hereinafter, the "New Leases Standard". The New Leases Standard introduces a single model similar to current accounting treatment of finance leases, requiring the lessor to recognize right-of-use assets and lease liabilities for all the leases, except for short-term leases and leases of low-value assets, and recognize depreciation and interest expense, respectively. The Group has adopted the New Leases Standard since 1 January 2021. For contracts signed prior to the date of initial application, the Group did not reassess whether they were, or contained, a lease. According to the transitional requirements, data of the comparable periods shall not be adjusted.

- (1) The Group recognized lease liabilities based on the present value of the remaining lease payments discounted at incremental borrowing rate at the date of initial application for lease previously classified as operating leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized;
- (2) The Group performed impairment tests and corresponding accounting treatment on the right-of-use assets in accordance with Note III 16.

For operating leases of low-value assets and operating leases for which the lease term ends within 12 months, the Group applied a simplified approach and did not recognize the right-of-use assets and lease liabilities. For leases previously classified as operating leases, the Group also applied the available practical expedients wherein it:

- (1) Used a single discount rate to a portfolio of leases with reasonably similar characteristics; and Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- (2) The Group accounted for the changes in leases before the date of initial application based on the final arrangement for such changes.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

34. Changes to accounting policies and accounting estimates (cont'd)

Changes to accounting policies (cont'd)

New leases standard (cont'd)

For the outstanding minimum lease payments for significant operating leases disclosed in 2020 financial statements, the Group adjusted its difference with lease liabilities included in the balance sheet as at 1 January 2021 based on the present value of the minimum lease payments discounted using the incremental borrowing rate as the lessee.

Present value of minimum lease payments for significant operating leases as at 31 December 2020	112,179,044.42
Less: Simplification	206,887.72
Including: Short-term leases	<u>206,887.72</u>
Weighted average incremental borrowing rate	<u>1.91%</u>
Present value of operating lease payments as at 1 January 2021	98,612,229.28
Lease liabilities as at 1 January 2021	<u><u>98,612,229.28</u></u>

The effects of the adoption of the New Leases Standard on the balance sheet as of 1 January 2021 are as follows:

Consolidated balance sheet

	Carrying amount	As per the former standard	Effect
Right-of-use assets	98,686,849.28	-	98,686,849.28
Prepayments	74,620.00	-	74,620.00
Non-current liabilities that mature within one year	15,806,339.65	-	15,806,339.65
Lease liabilities	<u>82,805,889.63</u>	<u>-</u>	<u>82,805,889.63</u>

III. Principal Accounting Policies and Accounting Estimates (Cont'd)**34. Changes to accounting policies and accounting estimates (cont'd)**

Company balance sheet

	Carrying amount	As per the former standard	Effect
Right-of-use assets	22,526,467.81	-	22,526,467.81
Prepayments	4,319,265.50	-	4,319,265.50
Non-current liabilities that mature within one year	<u>18,207,202.31</u>	<u>-</u>	<u>18,207,202.31</u>

The effects of the adoption of the New Leases Standard on the financial statements of 2021 are as follows:

Consolidated balance sheet

	Carrying amount	As per the former standard	Effect
Right-of-use assets	80,386,832.91	-	80,386,832.91
Prepayments	17,153,078.58	-	17,153,078.58
Non-current liabilities that mature within one year	<u>65,213,555.87</u>	<u>-</u>	<u>65,213,555.87</u>

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

34. Changes to accounting policies and accounting estimates (cont'd)

Changes to accounting policies (cont'd)

New leases standard (cont'd)

Consolidated income statement

	Carrying amount	As per the former standard	Effect
Cost of sales	7,483,805.24	7,291,186.88	192,618.36
Selling expenses	202,204.69	190,864.07	11,340.62
G&A	9,356,585.13	9,114,584.99	242,000.14
Financial cost	<u>2,127,250.02</u>	-	<u>2,127,250.02</u>
	<u>19,169,845.08</u>	<u>16,596,635.94</u>	<u>2,573,209.14</u>

Company balance sheet

	Carrying amount	As per the former standard	Effect
Right-of-use assets	17,226,122.41	-	17,226,122.41
Prepayments	4,875,266.03	-	4,875,266.03
Non-current liabilities that mature within one year	<u>13,331,936.29</u>	-	<u>13,331,936.29</u>

Company income statement

	Carrying amount	As per the former standard	Effect
G&A	5,300,345.40	5,276,574.33	23,771.07
Financial cost	<u>957,308.84</u>	-	<u>957,308.84</u>
	<u>6,257,654.24</u>	<u>5,276,574.33</u>	<u>981,079.91</u>

In addition, the cash paid by the Group for repayment of the principal and interest of the lease liability is included in the statements of cash flows as cash outflows from financing activities, and the payments for short-term leases and leases of low-value assets accounted for using the simplified approach and variable lease payments not included in the measurement of the lease liability are still included in cash outflows from operating activities.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)

34. Changes to accounting policies and accounting estimates (cont'd)

Changes to accounting policies (cont'd)

New leases standard (cont'd)

Adjustment of scope of application for COVID-19-related rent concessions

The Group does not have any rent concessions applicable to the Provisions on the Accounting Treatment for COVID-19-Related Rent Concessions and any rent concessions subject to the Notice on the Adjustment of Scope of Application for the Provisions on the Accounting Treatment for COVID-19-Related Rent Concessions issued in May 2021.

Accounting treatment on lease modification due to benchmark interest rate reform

According to the Accounting Standards for Business Enterprises Interpretation No.14, if the basis for determining the contractual cash flows of financial assets or financial liabilities accounted for using the effective interest method is changed only because of benchmark interest rate reform, and the basis of determination before and after the change is economically equivalent, the Group will recalculate the effective interest rate based on the future cash flows after the change and make subsequent measurement on this basis. The Group's implementation of the above standards since 1 January 2021 had no significant effect during the reporting period.

Changes to accounting estimates

No changes occurred to the major accounting estimates of the Company in the Reporting Period.

IV. Taxation

1. Principal tax items and tax rates

Value-added tax (VAT) –	The output tax of the taxable income is calculated at the rate of 13% and 6% and VAT is levied according to the difference after deducting the input tax which is allowed to be deducted in the current period.
City maintenance and construction tax –	Levied at 7% of the turnover tax actually paid
Education surcharge –	Levied at 3% of the turnover tax actually paid
Local education Surcharge –	Levied at 2% of the turnover tax actually paid
Corporate income tax –	Corporate income tax of the Group's subsidiaries located in Mainland China shall be levied at 25% of the taxable income (except for the preferential taxation as described in Note IV 2). Subsidiaries located in Hong Kong shall calculate and pay the corporate income tax at 16.5% of the taxable income, and subsidiaries registered overseas shall apply the corporate income tax rate as required by the local tax law. The details are as follows:

IV. Taxation (Cont'd)

1. Principal tax items and tax rates (Cont'd)

Name of subsidiaries	Income tax rate
Dong Fang Precision (Netherland) Cooperatief U.A. (“Dongfang Precision (Netherland)”)	20%
Fosber S.p.A. (“Fosber Group”)	24%
Fosber America, Inc. (“Fosber America”)	21%
EDF Europe s.r.l. (“Italy EDF”)	24%
Tiru ña Group Industrial, S.L. (“Tiru ña Group”)	28%
Tiru ña America inc. (“Tiru ña America”)	21%
Quantum Corrugated S.r.l. (Italy QCorr)	24%
Tiru ña S.L.U.	28%
Tratatamientos Industriales Tiru ña S.A.U.	28%
Tiru ña France SARL	15%
SCI Candan	15%

Property tax – Ad valorem tax: levied at 1.2% of the remaining value after deducting 30% from the original value of the property; Tax levied from rent: levied at 12% of the rental income.

2. Tax concessions

On 9 December 2020, the Company passed the high-tech enterprise review by the Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service of State Taxation Administration and Guangdong Provincial Local Taxation Bureau and obtained a High-tech Enterprise Certificate (certificate no.: GR202044007667) jointly issued by the above authorities, with a validity of three years, during which the Company paid the corporate income tax at a reduced rate of 15%, so the preferential tax rate of 15% was applicable to the Company's corporate income tax as at 31 December 2021.

Suzhou Parsun Power Machine Co., Ltd. ("Parsun Power"), a subsidiary of the Company, passed the high-tech enterprise review by the Department of Science and Technology of Jiangsu Province, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service of State Taxation Administration on 7 November 2019 and obtained a High-tech Enterprise Certificate (certificate no.: GR201932000339) jointly issued by the above authorities, with a validity of three years, during which the subsidiary paid the corporate income tax at a reduced rate of 15%, so the preferential tax rate of 15% was applicable to the corporate income tax of Parsun Power as at 31 December 2021.

Guangdong Fosber Intelligent Equipment Co., Ltd. ("Fosber Asia"), a subsidiary of the Company, passed the high-tech enterprise review by the Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province and Guangdong Provincial Tax Service of State Taxation Administration on 20 December 2021 and obtained a High-tech Enterprise Certificate (certificate no.: GR202144003984) jointly issued by the above authorities, with a validity of three years, during which the subsidiary paid the corporate income tax at a reduced rate of 15%, so the preferential tax rate of 15% was applicable to the corporate income tax of Fosber Asia as at 31 December 2021.

V. Notes to the Consolidated Financial Statements

1. Cash and bank balances

	2021	2020
Cash on hand	233,281.32	217,540.96
Cash at banks	999,389,151.51	860,383,695.82
Other cash balances	<u>664,713,906.52</u>	<u>25,109,817.10</u>
	<u>1,664,336,339.35</u>	<u>885,711,053.88</u>
Of which: total restricted amount as collateral, pledge or frozen	<u>405,032,563.61</u>	<u>25,109,817.10</u>

As at 31 December 2021, cash and bank balances of the Group amounting to RMB456,521,434.93 (31 December 2020: RMB514,387,073.67) were deposited outside Mainland China. The fund deposited abroad with restrictions on repatriation was equivalent to RMB16,374,076.37 (31 December 2020: RMB6,556,936.03).

Current bank deposits earn interest income based on interest rates for current deposits. The period for short-term time deposits is usually 7 days, based on the Group's cash requirement. The short-term time deposits earn interest income based on the corresponding interest rates for time deposits.

2. Financial assets held for trading

	2021	2020
Financial assets at fair value through profit or loss		
Asset management plans	628,007,924.74	619,890,000.00

Investments in bank's wealth management products	140,609,523.19	510,808,068.35
Investments in trust products	6,631,573.01	504,767,340.61
Derivative financial assets	12,936,500.63	831,021.35
	<u>788,185,521.57</u>	<u>1,636,296,430.31</u>

V. Notes to the Consolidated Financial Statements (cont'd)

3. Notes receivable

	2021	2020
Bank acceptance notes	<u>13,272,025.04</u>	<u>12,744,582.88</u>

Notes receivable that were endorsed or discounted but undue at the balance sheet date are as follows:

	2021		2020	
	Derecognized	Un-derecognized	Derecognized	Un-derecognized
Bank acceptance notes	-	<u>9,391,823.29</u>	-	<u>12,744,582.88</u>

As at 31 December 2021, there's no need to establish impairment allowances for notes receivable in the management's opinion.

4. Accounts receivable

Accounts receivable are interest-free. The aging of accounts receivable is analyzed as follows:

	2021	2020
Within 1 year	688,188,131.13	370,599,129.84
1-2 years	51,234,902.10	98,325,978.68
2-3 years	12,623,284.90	11,243,789.03
3-4 years	8,127,517.87	3,745,116.89
4-5 years	2,115,679.86	2,233,437.77
Over 5 years	<u>5,074,242.03</u>	<u>7,280,302.29</u>
	767,363,757.89	493,427,754.50
Less: allowances for doubtful accounts receivable	26,228,109.80	23,792,330.92
	<u>741,135,648.09</u>	<u>469,635,423.58</u>

V. Notes to the Consolidated Financial Statements (cont'd)

4. Accounts receivable (cont'd)

	2021				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	7,038,180.40	0.92	7,038,180.40	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>760,325,577.49</u>	<u>99.08</u>	<u>19,189,929.40</u>	<u>2.52</u>	<u>741,135,648.09</u>
	<u><u>767,363,757.89</u></u>	<u><u>100.00</u></u>	<u><u>26,228,109.80</u></u>		<u><u>741,135,648.09</u></u>
	2020				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	6,914,949.57	1.40	6,914,949.57	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>486,512,804.93</u>	<u>98.60</u>	<u>16,877,381.35</u>	<u>3.47</u>	<u>469,635,423.58</u>
	<u><u>493,427,754.50</u></u>	<u><u>100.00</u></u>	<u><u>23,792,330.92</u></u>		<u><u>469,635,423.58</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)**4. Accounts receivable (cont'd)**

As at 31 December 2021, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 1	4,027,086.20	4,027,086.20	100.00	Customer's inability to settle the amount due
Customer 2	939,000.00	939,000.00	100.00	Customer's inability to settle the amount due
Customer 3	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due
Customer 4	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due
Customer 5	515,595.00	515,595.00	100.00	Customer's inability to settle the amount due
Other companies	306,099.20	306,099.20	100.00	Customer's inability to settle the amount due
	<u>7,038,180.40</u>	<u>7,038,180.40</u>		

As at 31 December 2020, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 2	981,949.40	981,949.40	100.00	Customer's inability to settle the amount due
Customer 3	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due
Customer 4	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due
Customer 5	515,595.00	515,595.00	100.00	Customer's inability to settle the amount due
Customer 11	283,000.00	283,000.00	100.00	Customer's inability to settle the amount due
Other companies	3,884,005.17	3,884,005.17	100.00	Customer's inability to settle the amount due
	<u>6,914,949.57</u>	<u>6,914,949.57</u>		

V. Notes to the Consolidated Financial Statements (cont'd)

4. Accounts receivable (cont'd)

Accounts receivable for which allowances are established by group with similar credit risk characteristics are as follows:

	2021			2020		
	Gross amount estimated to be in default	ECL (%)	Lifetime ECL	Gross amount estimated to be in default	ECL (%)	Lifetime ECL
Within 1 year	688,188,131.13	1.02	7,024,121.70	370,599,129.84	1.47	5,441,450.45
1-2 years	51,234,902.10	3.93	2,011,112.67	98,325,978.68	2.77	2,728,063.22
2-3 years	8,596,198.70	4.90	421,019.36	8,134,737.57	3.76	305,603.55
3-4 years	8,127,517.87	69.96	5,686,380.04	2,247,572.49	70.63	1,587,572.49
4-5 years	661,084.86	80.10	529,552.80	2,233,437.77	82.51	1,842,743.05
Over 5 years	3,517,742.83	100.00	3,517,742.83	4,971,948.58	100.00	4,971,948.59
	<u>760,325,577.49</u>		<u>19,189,929.40</u>	<u>486,512,804.93</u>		<u>16,877,381.35</u>

Movements in allowances for doubtful accounts receivable are as follows:

	Opening balance	Established in the period	Reversed in the period	Written off in the period	Effect of exchange rate movements	Closing balance
2021	23,792,330.92	10,210,960.55	(1,713,874.29)	(5,062,385.81)	(998,921.57)	26,228,109.80
2020	17,373,408.69	9,075,792.17	(239,910.02)	(3,513,686.10)	1,096,726.18	23,792,330.92

In 2021, provision for bad debts of RMB10,210,960.55 (2020: RMB9,075,792.17), and write-off of bad debts of RMB5,062,385.81 (2020: RMB3,513,686.10). The reason for the write-off was that the receivables were recognized as uncollectible.

Top 5 of accounts receivable are as follows:

	2021	As a % of the closing balance of total accounts receivable	Allowance
Customer 6	71,357,633.89	9.30	632,103.65
Customer 7	57,526,895.71	7.50	393,080.22
Customer 8	45,503,030.02	5.93	423,960.57
Customer 9	18,669,670.80	2.43	295,183.15
Customer 10	18,391,174.99	2.40	187,589.98
	<u>211,448,405.41</u>	<u>27.56</u>	<u>1,931,917.57</u>

V. Notes to the Consolidated Financial Statements (cont'd)**4. Accounts receivable (cont'd)**

Top 5 of accounts receivable are as follows:

	2020	As a % of the closing balance of total accounts receivable	Allowance
Customer 15	25,622,677.43	5.19	378,382.84
Customer 16	19,590,573.00	3.97	5,877.17
Customer 6	15,235,021.13	3.09	224,983.15
Customer 8	13,085,372.40	2.65	193,238.21
Customer 17	12,611,094.90	2.56	186,234.32
	<u>86,144,738.86</u>	<u>17.46</u>	<u>988,715.69</u>

5. Receivables financing

	2021	2020
Bank acceptance notes	<u>30,692,449.25</u>	<u>56,737,978.04</u>

Notes receivable that were endorsed or discounted but undue at the balance sheet date are as follows:

	2021		2020	
	Derecognized	Un-derecognized	Derecognized	Un-derecognized
Bank acceptance notes	24,598,786.91	-	25,235,099.85	-

6. Prepayments

The aging of prepayments is analyzed as follows:

	2021		2020	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	33,901,158.84	99.19	28,618,261.25	98.31
1-2 years	38,710.83	0.11	374,977.19	1.29
2-3 years	144,972.14	0.43	34,633.52	0.12
Over 3 years	92,960.55	0.27	81,544.25	0.28
	<u>34,177,802.36</u>	<u>100.00</u>	<u>29,109,416.21</u>	<u>100.00</u>

V. Notes to the Consolidated Financial Statements (cont'd)

6 Prepayments (cont'd)

Top 5 of prepayments are as follows:

	2021	As a % of total prepayments
Supplier 1	6,146,589.78	17.98
Supplier 2	5,383,577.05	15.75
Supplier 3	5,297,682.90	15.50
Supplier 4	3,702,992.69	10.83
Supplier 5	<u>1,859,780.28</u>	<u>5.44</u>
	<u>22,390,622.70</u>	<u>65.50</u>
	2020	As a % of total prepayments
Supplier 6	4,128,436.87	14.18
Supplier 1	2,385,384.54	8.19
Supplier 5	2,076,789.75	7.13
Supplier 2	1,927,579.27	6.62
Supplier 7	<u>1,129,647.15</u>	<u>3.88</u>
	<u>11,647,837.58</u>	<u>40.00</u>

7. Other receivables

	2021	2020
Interest receivables	-	587,074.81
Other receivable	<u>71,363,166.84</u>	<u>78,516,397.83</u>
	<u>71,363,166.84</u>	<u>79,103,472.64</u>
<u>Interest receivables</u>		
	<u>2021</u>	<u>2020</u>
Other interest	<u>-</u>	<u>587,074.81</u>

V. Notes to the Consolidated Financial Statements (cont'd)**7. Other receivables (cont'd)**Other receivables

The aging of other receivables is analyzed as follows:

	2021	2020
Within 1 year	29,975,763.18	30,013,923.50
1-2 years	6,571,130.64	5,888,491.67
2-3 years	178,398.25	43,587,563.89
3-4 years	38,260,742.08	2,032,852.58
4-5 years	1,495,285.41	153,038.14
Over 5 years	<u>168,531.88</u>	<u>202,302.18</u>
	76,649,851.44	81,878,171.96
Less: allowances for doubtful other receivables	<u>5,286,684.60</u>	<u>3,361,774.13</u>
	<u><u>71,363,166.84</u></u>	<u><u>78,516,397.83</u></u>

Other receivables are classified by nature as follows:

	2021	2020
Amount for transfer of equity investments	37,903,425.00	42,131,250.00
Prepaid service charges	10,386,867.47	11,152,973.97
Security deposits	5,452,788.82	6,202,941.33
Export tax refunds	912,287.93	3,079,666.37
Employee loans and petty cash	4,537,207.00	2,579,209.29
Others	<u>17,457,275.22</u>	<u>16,732,131.00</u>
	<u><u>76,649,851.44</u></u>	<u><u>81,878,171.96</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)**7 Other receivables (cont'd)**

Movements in allowances for doubtful other receivables that are established based on the 12-month ECL and the lifetime ECL are as follows:

2021

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening balance	2,861,774.13	500,000.00	-	3,361,774.13
Established in the period	4,229,550.20	-	-	4,229,550.20
Written off in the period	(1,969,247.27)	-	-	(1,969,247.27)
Other changes	<u>(335,392.46)</u>	<u>-</u>	<u>-</u>	<u>(335,392.46)</u>
Closing balance	<u>4,786,684.60</u>	<u>500,000.00</u>	<u>-</u>	<u>5,286,684.60</u>

2020

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening balance	2,779,738.01	2,460,000.00	-	5,239,738.01
Established in the period	137,497.51	-	-	137,497.51
Reversed in the period	(110,541.29)	(1,960,000.00)	-	(2,070,541.29)
Other changes	<u>55,079.90</u>	<u>-</u>	<u>-</u>	<u>55,079.90</u>
Closing balance	<u>2,861,774.13</u>	<u>500,000.00</u>	<u>-</u>	<u>3,361,774.13</u>

V. Notes to the Consolidated Financial Statements (cont'd)

7 Other receivables (cont'd)

Movements in allowances for doubtful other receivables are as follows:

	Opening balance	Established in the period	Reversed in the period	Decrease due to disposal of subsidiaries	Effect of exchange rate movements	Closing balance
2021	3,361,774.13	4,229,550.20		(1,969,247.27)	(335,392.46)	5,286,684.60
2020	5,239,738.01	137,497.51	(2,070,541.29)	-	55,079.90	3,361,774.13

In 2021, the Group accrued RMB4,229,550.20 of provision (2020: RMB137,497.51), wrote off RMB1,969,247.27 of provision (2020: RMB0) because other receivables were confirmed uncollectable.

As at 31 December 2021, top 5 of other receivables are as follows:

	2021	As a % of total other receivables	Nature	Age	Closing balance of allowance
Entity 1	37,903,425.00	49.45	Amount for transfer of equity investments	3-4 years	1,899,115.81
Entity 2	1,630,000.00	2.13	Warranty deposits	1-2 years	-
Entity 3	1,500,000.00	1.96	Prepaid service charges	Within 1 year	-
Entity 4	1,000,020.00	1.30	Prepaid service charges	Within 1 year	-
Entity 5	919,717.58	1.20	Security deposits	Within 1 year	-
	<u>42,953,162.58</u>	<u>56.04</u>			<u>1,899,115.81</u>

V. Notes to the Consolidated Financial Statements (cont'd)**7 Other receivables (cont'd)**

As at 31 December 2020, top 5 of other receivables are as follows:

	2021	As a % of total other receivables	Nature	Age	Closing balance of allowance
Entity 1	42,131,250.00	51.46	Amount for transfer of equity investments	2-3 years	2,110,947.04
Entity 6	3,233,312.63	3.95	Amount in insurance	Within 1 year	-
Entity 7	1,934,522.55	2.36	Security deposits	Within 1 year	-
Entity 2	1,630,000.00	1.99	Warranty deposits	Within 1 year	-
Entity 8	1,494,884.38	1.83	Compensation	Within 1 year	-
	<u>50,423,969.56</u>	<u>61.59</u>			<u>2,110,947.04</u>

V. Notes to the Consolidated Financial Statements (cont'd)**8. Inventories**

	2021		
	Gross amount	Valuation allowance	Carrying amount
Work-in-progress	332,359,371.92	16,467,899.02	315,891,472.90
Raw materials	365,907,967.74	9,445,201.52	356,462,766.22
Finished goods	80,356,852.12	7,117,802.59	73,239,049.53
Product deliveries	48,592,282.34	-	48,592,282.34
Semi-finished goods	72,050,412.10	1,004,893.76	71,045,518.34
Materials consigned for processing	2,048,924.14	-	2,048,924.14
	<u>901,315,810.36</u>	<u>34,035,796.89</u>	<u>867,280,013.47</u>
	2020		
	Gross amount	Valuation allowance	Carrying amount
Work-in-progress	347,787,856.58	27,512,393.21	320,275,463.37
Raw materials	313,339,147.74	8,477,773.27	304,861,374.47
Finished goods	80,477,465.24	2,209,825.73	78,267,639.51
Product deliveries	15,786,304.74	-	15,786,304.74
Semi-finished goods	14,676,986.94	114,428.27	14,562,558.67
Materials consigned for processing	367,254.50	-	367,254.50
	<u>772,435,015.74</u>	<u>38,314,420.48</u>	<u>734,120,595.26</u>

V. Notes to the Consolidated Financial Statements (cont'd)**8 Inventories (cont'd)**

Movements in inventory valuation allowances are as follows:

2021

	Opening balance	Established in the period	Decrease in the period		Closing balance
			Reversed or written off	Others	
Raw materials	8,477,773.27	4,613,526.07	(3,923,240.80)	277,142.98	9,445,201.52
Work-in-progress	27,512,393.21	467,938.75	(11,312,154.94)	(200,278.00)	16,467,899.02
Finished goods	2,209,825.73	5,107,721.38	(199,744.52)	-	7,117,802.59
Semi-finished goods	<u>114,428.27</u>	<u>1,004,893.76</u>	<u>(114,428.27)</u>	-	<u>1,004,893.76</u>
	<u>38,314,420.48</u>	<u>11,194,079.96</u>	<u>(15,549,568.53)</u>	<u>76,864.98</u>	<u>34,035,796.89</u>

2020

	Opening balance	Established in the period	Decrease in the period		Closing balance
			Reversed or written off	Others	
Raw materials	13,394,596.44	2,492,323.28	(7,602,705.84)	193,559.39	8,477,773.27
Work-in-progress	25,945,105.34	2,389,567.83	(893,336.11)	71,056.15	27,512,393.21
Finished goods	103,897.01	2,105,928.72	-	-	2,209,825.73
Semi-finished goods	<u>244,188.37</u>	<u>-</u>	<u>(129,760.10)</u>	-	<u>114,428.27</u>
	<u>39,687,787.16</u>	<u>6,987,819.83</u>	<u>(8,625,802.05)</u>	<u>264,615.54</u>	<u>38,314,420.48</u>

31 December 2021	Basis for determining the net realizable value	Basis for provision for write-down of inventories	Reasons for reversal of provision for write-down of inventories in the period
Raw materials	Market prices of raw materials	Scrapped, defective and unpopular materials	Market prices of related finished goods rebounded
Work-in-progress	Market prices of related finished goods	Market prices of related finished goods declined	Market prices of related finished goods rebounded
Finished goods	Market price/contract price	Market price declined	Market price rebounded

As at 31 December 2021, the Group has no inventories with restricted ownership (31 December 2020: Nil).

V. Notes to the Consolidated Financial Statements (cont'd)

9. Contract assets

	2021			2020		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Contract assets	<u>25,144,462.49</u>	<u>730,344.85</u>	<u>24,414,117.64</u>	<u>30,566,218.02</u>	<u>1,061,524.05</u>	<u>29,504,693.97</u>

When the Group hands over equipment to customers, the control over the equipment is considered transferred and the final payment for the equipment is recorded in contract assets.

Movements in impairment allowances for contract assets are as follows:

	Opening balance	Established in the period	Reversed in the period	Other decreases	Closing balance
2021	1,061,524.05	-	(257,325.86)	(73,853.84)-	730,344.85
2020	-	1,061,524.05	-	-	1,061,524.05

Contract assets for which impairment allowances are established by aging analysis are as follows:

	2021			2020		
	Gross amount estimated to be in default	ECL (%)	Lifetime ECL	Gross amount estimated to be in default	ECL (%)	Lifetime ECL
Within 1 year	24,414,117.64	-	-	28,834,169.15	2.98	859,913.56
1-2 years	<u>730,344.85</u>	<u>100</u>	<u>730,344.85</u>	<u>1,732,048.87</u>	<u>11.64</u>	<u>201,610.49</u>
	<u>25,144,462.49</u>		<u>730,344.85</u>	<u>30,566,218.02</u>		<u>1,061,524.05</u>

V. Notes to the Consolidated Financial Statements (cont'd)**10. Current portion of non-current assets**

	2021	2020
Current portion of long-term receivables	<u>4,595,000.00</u>	<u>2,556,000.00</u>
Current portion of large-amount deposit certificates	<u>103,790,000.00</u>	<u>-</u>
	<u>108,385,000.00</u>	<u>2,556,000.00</u>

As at 31 December 2021, there's no need to establish impairment allowances for the current portion of non-current assets in the management's opinion.

V. Notes to the Consolidated Financial Statements (cont'd)**11. Other current assets**

	2021	2020
Overpaid value-added tax (VAT)	18,681,339.03	13,120,049.59
Tax repayments	8,202,256.30	4,547,579.26
Input VAT to be deducted	3,358,040.70	1,041,284.86
Others	1,882,370.96	3,562,303.94
	<u>32,124,006.99</u>	<u>22,271,217.65</u>

12. Long-term receivables

	2021			2020		
	Gross amount	Provision for bad debts	Carrying amount	Gross amount	Provision for bad debts	Carrying amount
Amounts receivable by installment for selling goods	143,750.00	-	143,750.00	1,475,000.00	-	1,475,000.00
	<u>143,750.00</u>	<u>-</u>	<u>143,750.00</u>	<u>1,475,000.00</u>	<u>-</u>	<u>1,475,000.00</u>

As at 31 December 2021, there's no need to establish impairment allowances for long-term receivables in the management's opinion.

13. Long-term equity investments

2021

	Opening balance	Change in the period			Closing balance
		Additional investment	Return on investment under the equity method	Other equity changes	
Associates					
Jaten Robot	70,900,088.92	-	3,880,256.70	-	74,780,345.62
Talleres Tapre	1,771,115.81	-		(177,733.72)	1,593,382.09
Profeta (Note)	-	8,403,868.96	-	-	8,403,868.96
	<u>72,671,204.73</u>	<u>8,403,868.96</u>	<u>3,880,256.70</u>	<u>(177,733.72)</u>	<u>84,777,596.67</u>

Note: The Group invested in Nanjing Profeta Intelligent Technology Co., Ltd. ("Profeta") in September 2021, and the Group has appointed one of the five members in Profeta's Board of Directors, and owned a substantive participation right of 20%, having a significant impact on accounting as a joint venture.

V. Notes to the Consolidated Financial Statements (cont'd)**13. Long-term equity investments(cont'd)**

2020

	Opening balance	Change in the period			Closing balance
		Additional investment	Return on investment under the equity method	Other equity changes	
Joint venture					
Yinglian Digital	10,510,735.47	-	(173,998.13)	(10,336,737.34)	-
Associates					
Jaten Robot	60,136,740.98	7,700,000.00	3,063,347.94	-	70,900,088.92
Talleres Tapre	1,724,878.58	-	-	46,237.23	1,771,115.81
	<u>72,372,355.03</u>	<u>7,700,000.00</u>	<u>2,889,349.81</u>	<u>(10,290,500.11)</u>	<u>72,671,204.73</u>

As at 31 December 2021, there's no need to establish impairment allowances for long-term equity investments in the management's opinion.

14. Other non-current financial assets

	2021	2020
Financial assets at fair value through profit or loss	<u>162,523,519.41</u>	<u>5,948,588.15</u>

Other non-current financial assets mainly refer to the Group's investment in equity instrument investments, long-term wealth management product investments and long-term derivative financial assets.

V. Notes to the Consolidated Financial Statements (cont'd)**15. Fixed assets**Fixed assets

2021

	Buildings and constructions	Machinery	Transportation facility	Other equipment	Total
Gross amount					
Opening balance	589,751,776.97	450,190,483.35	29,625,946.16	54,535,783.13	1,124,103,989.61
Purchases	1,189,374.97	14,276,894.12	5,288,470.83	6,120,000.21	26,874,740.13
Transfers from construction in progress		8,331,019.81			8,331,019.81
Disposal or retirement	(901,617.54)	(2,788,942.24)	(3,467,463.79)	(2,680,584.25)	(9,838,607.82)
Effect of exchange rate movements	<u>(15,055,595.51)</u>	<u>(21,959,177.72)</u>	<u>(611,771.38)</u>	<u>(103,743.20)</u>	<u>(37,730,287.81)</u>
Closing balance	<u>574,983,938.89</u>	<u>448,050,277.32</u>	<u>30,835,181.82</u>	<u>57,871,455.89</u>	<u>1,111,740,853.92</u>
Accumulated depreciation					
Opening balance	170,382,986.59	335,115,748.64	19,447,337.09	27,744,437.15	552,690,509.47
Provision	17,854,660.74	21,711,968.56	2,982,429.17	6,792,822.21	49,341,880.68
Disposal or retirement	(901,613.73)	(2,321,838.53)	(3,216,478.16)	(2,410,169.00)	(8,850,099.42)
Effect of exchange rate movements	<u>(7,420,388.13)</u>	<u>(17,723,492.54)</u>	<u>(185,551.49)</u>	<u>(292,163.74)</u>	<u>(25,621,595.90)</u>
Closing balance	<u>179,915,645.47</u>	<u>336,782,386.13</u>	<u>19,027,736.61</u>	<u>31,834,926.62</u>	<u>567,560,694.83</u>
Carrying amount					
Closing	<u>395,068,293.42</u>	<u>111,267,891.19</u>	<u>11,807,445.21</u>	<u>26,036,529.27</u>	<u>544,180,159.09</u>
Opening	<u>419,368,790.38</u>	<u>115,074,734.71</u>	<u>10,178,609.07</u>	<u>26,791,345.98</u>	<u>571,413,480.14</u>

As at 31 December 2021, the Group has no fixed assets subject to operating leases.

As at 31 December 2021, the Group has no fixed assets without certificates of title.

V. Notes to the Consolidated Financial Statements (cont'd)**15. Fixed assets (cont'd)**

2020

	Buildings and constructions	Machinery	Transportation facility	Other equipment	Total
Gross amount					
Opening balance	574,397,960.97	445,755,180.38	24,705,378.27	51,277,596.06	1,096,136,115.68
Purchases	18,554,719.59	6,955,576.72	6,139,464.77	4,762,868.47	36,412,629.55
Transfers from construction in progress	217,313.22	1,366,637.17	-	-	1,583,950.39
Business combinations not involving entities under common control	533,490.07	-	57,954.86	335,446.46	926,891.39
Disposal or retirement	(2,095,875.70)	(356,538.41)	(1,067,149.73)	(1,258,232.95)	(4,777,796.79)
Effect of exchange rate movements	<u>(1,855,831.18)</u>	<u>(3,530,372.51)</u>	<u>(209,702.01)</u>	<u>(581,894.91)</u>	<u>(6,177,800.61)</u>
Closing balance	<u>589,751,776.97</u>	<u>450,190,483.35</u>	<u>29,625,946.16</u>	<u>54,535,783.13</u>	<u>1,124,103,989.61</u>
Accumulated depreciation					
Opening balance	152,930,326.96	316,051,462.47	17,885,349.67	23,514,075.83	510,381,214.93
Provision	16,573,413.49	20,824,324.68	1,464,543.61	4,871,188.93	43,733,470.71
Disposal or retirement	(830,361.22)	(222,091.59)	(383,473.93)	(1,163,823.40)	(2,599,750.14)
Effect of exchange rate movements	<u>1,709,607.36</u>	<u>(1,537,946.92)</u>	<u>480,917.74</u>	<u>522,995.79</u>	<u>1,175,573.97</u>
Closing balance	<u>170,382,986.59</u>	<u>335,115,748.64</u>	<u>19,447,337.09</u>	<u>27,744,437.15</u>	<u>552,690,509.47</u>
Carrying amount					
Closing	<u>419,368,790.38</u>	<u>115,074,734.71</u>	<u>10,178,609.07</u>	<u>26,791,345.98</u>	<u>571,413,480.14</u>
Opening	<u>421,467,634.01</u>	<u>129,703,717.91</u>	<u>6,820,028.60</u>	<u>27,763,520.23</u>	<u>585,754,900.75</u>

V. Notes to the Consolidated Financial Statements (cont'd)

16. Construction in progress

Construction in progress

	2021			2020		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Plants and buildings	11,582,347.78	-	11,582,347.78	384,832.84	-	384,832.84
Equipment installation	715,911.80	-	715,911.80	8,431,327.70	-	8,431,327.70
Software installation	-	-	-	245,877.98	-	245,877.98
	<u>12,298,259.58</u>	<u>-</u>	<u>12,298,259.58</u>	<u>9,062,038.52</u>	<u>-</u>	<u>9,062,038.52</u>

Movements in substantial construction in progress in 2021 are as follows:

	Budget	Opening balance	Increase in the period	Transferred to fixed assets in the period	Other decrease	Closing balance	Funding source	Input as a % of budget
Equipment installation of Fosber Group	12,021,450.00	8,426,602.70	-	8,087,962.73	-338,639.97	-	Self-funded	-
Dongfang Precision - Plant Construction Project	7,759,142.53	-	2,035,342.08	-	-	2,035,342.08	Self-funded	26.23
Yinglian - Plant Construction Project	50,000,000.00	-	8,548,699.09	-	-	8,548,699.09	Self-funded	17.10
Others	-	635,435.82	1,324,587.30	243,057.08	-2,747.63	1,714,218.41	Self-funded	-
	<u>69,780,592.53</u>	<u>9,062,038.52</u>	<u>11,908,628.47</u>	<u>8,331,019.81</u>	<u>341,387.60</u>	<u>12,298,259.58</u>		

Movements in substantial construction in progress in 2020 are as follows:

	Budget	Opening balance	Increase in the period	Transferred to fixed assets in the period	Closing balance	Funding source	Input as a % of budget
Equipment installation of Fosber Group	12,021,450.00	3,481,834.40	4,944,768.30	-	8,426,602.70	Self-funded	97.27
Electromobile parking canopy	71,825.45	-	71,825.45	71,825.45	-	Self-funded	100.00
Equipment installation and renovation of Dongfang Precision	6,331,807.41	83,070.80	9,230.09	92,300.89	-	Self-funded	101.99
Equipment installation and engineering of Parsun Power	3,501,238.53	1,274,336.28	-	1,274,336.28	-	Self-funded	136.40
Triangle stud advertising board of Dongfang Precision	38,360.21	-	38,360.21	38,360.21	-	Self-funded	100.00
5 flagpoles and base	107,127.56	-	107,127.56	107,127.56	-	Self-funded	100.00
Others	-	-	635,435.82	-	635,435.82	Self-funded	-
	<u>22,071,809.16</u>	<u>4,839,241.48</u>	<u>5,806,747.43</u>	<u>1,583,950.39</u>	<u>9,062,038.52</u>		

V. Notes to the Consolidated Financial Statements (cont'd)**17. Right-of-use assets**

2021

	Buildings	Vehicles	Total
Cost			
Opening balance	-	-	-
Changes to accounting policies (Note)	92,921,046.07	5,765,803.21	98,686,849.28
Increase	-	5,381,480.29	5,381,480.29
Effect of exchange rate movements	<u>(6,665,691.06)</u>	<u>(578,592.08)</u>	<u>(7,244,283.14)</u>
Closing balance	<u>86,255,355.01</u>	<u>10,568,691.42</u>	<u>96,824,046.43</u>
Accumulated depreciation			
Opening balance	-	-	-
Provision	12,822,890.19	4,219,704.87	17,042,595.06
Effect of exchange rate movements	<u>(377,997.79)</u>	<u>(227,383.75)</u>	<u>(605,381.54)</u>
Closing balance	<u>12,444,892.40</u>	<u>3,992,321.12</u>	<u>16,437,213.52</u>
Carrying amount			
Closing	<u>73,810,462.61</u>	<u>6,576,370.30</u>	<u>80,386,832.91</u>
Opening	<u>-</u>	<u>-</u>	<u>-</u>

Note: As described in Note III. 34, the Group has initially implemented the new lease standard since January 1, 2021.

V. Notes to the Consolidated Financial Statements (cont'd)**18. Intangible assets**

2021

	Land use rights	Land ownership	Patented technologies	Trademarks and	Total
Gross amount					
Opening balance	114,739,730.08	17,169,515.99	94,087,773.87	188,146,579.45	414,143,599.39
Purchases	-	-	270,088.07	7,126,949.32	7,397,037.39
Effect of exchange rate movements	-	(1,722,942.21)	(10,544,336.46)	(16,071,668.93)	(28,338,947.60)
Closing balance	<u>114,739,730.08</u>	<u>15,446,573.78</u>	<u>83,813,525.48</u>	<u>179,201,859.84</u>	<u>393,201,689.18</u>
Accumulated depreciation					
Opening balance	19,772,711.70	-	44,892,936.80	17,090,768.20	81,756,416.70
Provision	2,446,243.21	-	12,676,060.37	8,714,845.76	23,837,149.34
Effect of exchange rate movements	-	-	(5,155,276.21)	(955,588.27)	(6,110,864.48)
Closing balance	<u>22,218,954.91</u>	<u>-</u>	<u>52,413,720.96</u>	<u>24,850,025.69</u>	<u>99,482,701.56</u>
Carrying amount					
Closing	<u>92,520,775.17</u>	<u>15,446,573.78</u>	<u>31,399,804.52</u>	<u>154,351,834.15</u>	<u>293,718,987.62</u>
Opening	<u>94,967,018.38</u>	<u>17,169,515.99</u>	<u>49,194,837.07</u>	<u>171,055,811.25</u>	<u>332,387,182.69</u>

V. Notes to the Consolidated Financial Statements (cont'd)**18. Intangible assets (cont'd)**

2020

	Land use rights	Land ownership	Patented technologies	Trademarks and	Total
Gross amount					
Opening balance	98,846,238.53	16,721,290.00	64,977,998.71	143,285,687.75	323,831,214.99
Purchases	-	-	16,817,293.95	2,084,555.61	18,901,849.56
Business combination not involving entities under common control	15,893,491.55	-	10,049,768.04	42,454,332.31	68,397,591.90
Disposal	-	-	-	(1,863,472.69)	(1,863,472.69)
Effect of exchange rate movements	-	448,225.99	2,242,713.17	2,185,476.47	4,876,415.63
Closing balance	<u>114,739,730.08</u>	<u>17,169,515.99</u>	<u>94,087,773.87</u>	<u>188,146,579.45</u>	<u>414,143,599.39</u>
Accumulated depreciation					
Opening balance	17,530,690.04	-	38,222,325.59	18,195,769.83	73,948,785.46
Provision	2,242,021.66	-	13,354,915.20	7,696,803.78	23,293,740.64
Disposal	-	-	-	(1,828,439.08)	(1,828,439.08)
Effect of exchange rate movements	-	-	(6,684,303.99)	(6,973,366.33)	(13,657,670.32)
Closing balance	<u>19,772,711.70</u>	<u>-</u>	<u>44,892,936.80</u>	<u>17,090,768.20</u>	<u>81,756,416.70</u>
Carrying amount					
Closing	<u>94,967,018.38</u>	<u>17,169,515.99</u>	<u>49,194,837.07</u>	<u>171,055,811.25</u>	<u>332,387,182.69</u>
Opening	<u>81,315,548.49</u>	<u>16,721,290.00</u>	<u>26,755,673.12</u>	<u>25,089,917.92</u>	<u>249,882,429.53</u>

As at 31 December 2021, intangible assets arising from internal R&D accounted for 5.15% of the carrying amount of total intangible assets (31 December 2020: 8.13%).

As at 31 December 2021, the Group has no intangible assets without certificates of title.

V. Notes to the Consolidated Financial Statements (cont'd)**19. Goodwill**

	2021	2020
Gross amount of goodwill	432,207,416.82	457,212,401.52
Less: impairment allowances	<u>125,238,269.06</u>	<u>132,308,161.55</u>
	<u><u>306,969,147.76</u></u>	<u><u>324,904,239.97</u></u>

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
		Business acquisition	Exchange rate movements	
Fosber Group	164,757,896.55	-	(16,533,272.97)	148,224,623.58
Parsun Power	208,031,946.10	-		208,031,946.10
Italy EDF	70,453,107.20	-	(7,069,892.49)	63,383,214.71
Italy QCorr	<u>13,969,451.67</u>	-	<u>(1,401,819.24)</u>	<u>12,567,632.43</u>
	<u>457,212,401.52</u>	-	<u>(25,004,984.70)</u>	<u>432,207,416.82</u>

2020

	Opening balance	Increase in the period	Increase in the period	Closing balance
		Business acquisition	Exchange rate movements	
Fosber Group	160,456,740.18	-	4,301,156.37	164,757,896.55
Parsun Power	208,031,946.10	-	-	208,031,946.10
Italy EDF	68,613,864.09	-	1,839,243.11	70,453,107.20
Italy QCorr	-	<u>13,969,451.67</u>	-	<u>13,969,451.67</u>
	<u>437,102,550.37</u>	<u>13,969,451.67</u>	<u>6,140,399.48</u>	<u>457,212,401.52</u>

V. Notes to the Consolidated Financial Statements (cont'd)**19. Goodwill (cont'd)**

Movements in impairment allowances for goodwill are as follows:

2021

	Opening balance	Decrease in the period Exchange rate movements	Closing balance
Parsun Power	61,855,054.35	-	61,855,054.35
Italy EDF	<u>70,453,107.20</u>	<u>(7,069,892.49)</u>	<u>63,383,214.71</u>
	<u>132,308,161.55</u>	<u>(7,069,892.49)</u>	<u>125,238,269.06</u>

2020

	Opening balance	Increase in the period Exchange rate movements	Closing balance
Parsun Power	61,855,054.35	-	61,855,054.35
Italy EDF	<u>68,613,864.09</u>	<u>1,839,243.11</u>	<u>70,453,107.20</u>
	<u>130,468,918.44</u>	<u>1,839,243.11</u>	<u>132,308,161.55</u>

Goodwill acquired in business combinations is allocated to the following asset groups or asset group portfolios for impairment testing:

- Corrugator line business asset group of Fosber Group
- Power machine business asset group of Parsun Power
- Corrugator line business asset group of Italy QCorr
- Corrugated carton printer business asset group of Italy EDF

According to the impairment test results of goodwill, the Group did not need to establish impairment allowances for goodwill for the period under review.

V. Notes to the Consolidated Financial Statements (cont'd)

19. Goodwill (cont'd)

Corrugator line business asset group of Fosber Group

The corrugator line business asset group is an asset group owned by Fosber Group, consistent with the asset group combination determined on the purchase date and during impairment tests of the previous years. The carrying amount of the corrugator line business asset group was RMB 454.59 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The perpetual cash flows are determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 17.68% (18.14% in 2020).

Power machine business asset group of Parsun Power

The power machine business asset group is the asset group owned by Parsun Power, consistent with the asset group combination determined on the purchase date and during impairment tests of the previous years. The carrying amount of the power machine business asset group was RMB 283.51 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The perpetual cash flows will be determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 14.35% (15.22% in 2020).

Corrugator line business asset group of Italy QCorr

The corrugator line business asset group of Italy QCorr is the only asset group owned by Italy QCorr, consistent with the asset group combination determined on the purchase date. The carrying amount of the corrugator line asset group was RMB 71.36 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The perpetual cash flows will be determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 17.02% (17.54% in 2020).

Corrugated carton printer business asset group of Italy EDF

For the corrugated carton printer business asset group of Italy EDF, impairment allowances for goodwill were established in full amount in 2019.

The following describes the key assumptions made by the management in determining cash flow forecasting for goodwill impairment testing:

Budget gross margin	—	Developed based on the average gross margin of historical operating results and expectations for market development.
Discount rate	—	The discount rate used is the pre-tax discount rate that reflects the specific risks of the relevant asset group or asset group combination.

The amount of the key assumptions allocated to the above asset group or asset group portfolio is consistent with the Group's historical experience and external information.

V. Notes to the Consolidated Financial Statements (cont'd)

20. Long-term prepaid expenses

2021

	Opening balance	Increase in the period	Amortization in the period	Other decreases	Closing balance
Plant decoration expenditures	3,502,191.47	1,304,963.59	(1,190,005.86)	(546,189.53)	3,070,959.67
Office decoration expenditures	2,796,808.88	28,712.87	(359,199.20)	(3,173.77)	2,463,148.78
Amortization of moulds	5,513,088.39	2,733,991.28	(4,033,802.96)	-	4,213,276.71
Amortization of lease assets	144,783.00	17,326.73	(104,191.18)	-	57,918.55
Internet access for offices	73,997.11	1,153,953.03	(259,253.37)	-	968,696.77
CE certification fee	66,112.93	88,453.76	(60,557.47)	-	94,009.22
Expenditures on supporting engineering for plants	-	1,291,609.07	(197,491.70)	-	1,094,117.37
	<u>12,096,981.78</u>	<u>6,619,010.33</u>	<u>(6,204,501.74)</u>	<u>(549,363.30)</u>	<u>11,962,127.07</u>

2020

	Opening balance	Increase in the period	Amortization in the period	Other decreases	Closing balance
Plant decoration expenditures	4,902,531.76	1,515,943.84	(848,603.11)	(2,067,681.02)	3,502,191.47
Office decoration expenditures	2,966,362.95	356,216.82	(525,770.89)	-	2,796,808.88
Amortization of moulds	675,195.52	7,655,819.08	(2,817,926.21)	-	5,513,088.39
Amortization of lease assets	86,864.45	66,849.37	(8,930.82)	-	144,783.00
Internet access for offices	38,384.58	44,160.03	(8,547.50)	-	73,997.11
CE certification fee	28,066.04	58,528.62	(20,481.73)	-	66,112.93
Expenditures on supporting engineering for plants	1,831.03	-	(1,831.03)	-	-
	<u>8,699,236.33</u>	<u>9,697,517.76</u>	<u>(4,232,091.29)</u>	<u>(2,067,681.02)</u>	<u>12,096,981.78</u>

V. Notes to the Consolidated Financial Statements (cont'd)

21. Deferred tax assets/liabilities

Deferred tax assets and liabilities before offsetting:

	2021		2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible loss	487,263,663.55	110,651,029.11	186,910,770.30	37,446,876.20
Provisions—after-sales maintenance service charges	110,759,543.46	27,917,753.88	78,705,949.88	21,163,160.85
Deferred income	50,391,274.95	10,996,777.94	56,359,912.05	13,526,378.24
Accrued expenses	25,860,319.66	3,911,857.71	36,599,312.14	6,231,125.47
Asset impairment allowances	27,487,561.72	6,769,391.56	32,623,867.53	5,685,957.19
Equity incentive expenses	40,413,913.40	5,628,337.80	25,006,448.74	3,838,878.64
Credit impairment loss	29,574,977.76	7,004,793.92	10,520,932.53	1,526,582.59
Changes in fair value of financial products at fair value through profit or loss			8,785,171.84	1,422,118.28
Impact of the new lease standard	1,957,313.78	438,435.98	-	-
Internal unrealized profit	11,859,951.60	2,846,388.38	20,339,730.05	5,084,932.51
Others	83,873,243.64	25,583,084.08	22,754,231.10	3,021,049.28
	<u>896,441,763.52</u>	<u>25,583,084.08</u>	<u>478,606,326.16</u>	<u>98,947,059.25</u>
	2021		2020	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Financial assets at fair value through profit or loss	35,395,813.71	5,204,143.87	25,962,030.97	4,202,658.70
Increase in value in asset valuation	31,042,086.34	6,347,331.46	56,319,751.75	10,574,995.95
Depreciation difference of fixed assets	14,439,128.26	3,888,612.02	10,059,939.38	2,577,333.08
Others	46,011,729.25	7,809,378.02	8,046,763.80	1,941,398.43
	<u>126,888,757.56</u>	<u>23,249,465.37</u>	<u>100,388,485.90</u>	<u>19,296,386.16</u>

V. Notes to the Consolidated Financial Statements (cont'd)**21. Deferred tax assets/liabilities (cont'd)**

Deferred tax assets and liabilities are offset and presented as a net amount:

	2021	
	Offset amount	Offset balance
Deferred tax assets	<u>21,502,327.42</u>	<u>180,245,522.94</u>
Deferred tax liabilities	<u>21,502,327.42</u>	<u>1,747,137.95</u>

Deductible temporary differences and deductible losses not recognized as deferred tax assets are as follows:

	2021	2020
Deductible temporary differences	8,615,142.53	34,063,872.36
Deductible losses	<u>869,889,774.71</u>	<u>1,233,078,267.55</u>
	<u>878,504,917.24</u>	<u>1,267,142,139.91</u>

Deductible temporary differences and tax losses not recognized as deferred tax assets will expire as follows:

	2021	2020
2021	-	34,063,872.36
2022	8,615,142.53	-
2024	834,076,473.87	1,233,078,267.55
2026	<u>35,813,300.84</u>	<u>-</u>
	<u>878,504,917.24</u>	<u>1,267,142,139.91</u>

The Company has accrued deferred tax assets of RMB103,248,656.87 (2020: RMB23,178,618.80) for the accumulated deductible losses of RMB461,185,229.48 based on the forecast of its profits in the next five years.

22. Other non-current assets

	2021	2020
Security deposits for loans	300,150,000.00	295,075,000.00
Large-amount deposit certificates	-	640,000,000.00
Others	<u>4,446,841.54</u>	<u>1,465,047.40</u>
	<u>304,596,841.54</u>	<u>936,540,047.40</u>

V. Notes to the Consolidated Financial Statements (cont'd)

23. Short-term borrowings

	2021	2020
Guaranteed loan	176,738,256.00	16,560,239.29
Credit loan	51,574,624.73	10,935,542.55
Pledge loan	-	12,037,500.00
	<u>228,312,880.73</u>	<u>39,533,281.84</u>

As at 31 December 2021, the annual interest rates of the above borrowings ranged from 0.4% to 3.61% (31 December 2020: 0.5%-2.1%).

As at 31 December 2021 and 31 December 2020, the Group has no borrowings overdue.

24. Financial liabilities held for trading

	2021	2020
Financial liabilities at fair value through profit or loss		
Non-controlling interests put options	<u>110,746,939.04</u>	<u>41,408,109.80</u>

Non-controlling interests put options related to the non-controlling interests of Fosber Asia and Tiruna. As at 31 December 2021, the Group recognized derivative financial liabilities of RMB 110,746,939.04 (31 December 2020: RMB 41,408,109.80) according to the assessment results.

25. Notes payable

	2021	2020
Bank acceptance notes	<u>149,191,690.00</u>	<u>104,855,187.97</u>

As at 31 December 2021, outstanding notes payable upon maturity were nil (31 December 2020: nil).

V. Notes to the Consolidated Financial Statements (cont'd)**26. Accounts payable**

Accounts payable are interest-free.

	2021	2020
Purchases of inventories	618,943,392.87	489,841,770.00
Others	<u>322,463.31</u>	<u>13,200,791.05</u>
	<u>619,265,856.18</u>	<u>503,042,561.05</u>

As at 31 December 2021, substantial accounts payable with aging over 1 year were nil.

27. Contract liabilities

	2021	2020
Contract liabilities	<u>405,842,932.51</u>	<u>362,792,713.35</u>

Information about contractual performance obligations is as follows:

Corrugator line, corrugated case printing and packaging equipment and outboard engine sales
Fulfill the contractual performance obligations when relevant products are delivered to the customers and the control over the equipment is transferred. For all customers, the contract price usually expires within 30 to 180 days after relevant products are delivered and the control over the equipment is transferred.

V. Notes to the Consolidated Financial Statements (cont'd)**28. Employee benefits payable**

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term benefits	84,647,882.17	547,373,917.72	535,634,004.98	96,387,794.91
Retirement benefits (defined contribution schemes)	<u>7,975,680.76</u>	<u>65,849,201.49</u>	<u>66,402,893.58</u>	<u>7,421,988.67</u>
	<u><u>92,623,562.93</u></u>	<u><u>613,223,119.21</u></u>	<u><u>602,036,898.56</u></u>	<u><u>103,809,783.58</u></u>

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term benefits	98,755,045.52	491,379,271.20	505,486,434.55	84,647,882.17
Retirement benefits (defined contribution schemes)	<u>7,922,284.43</u>	<u>64,154,421.47</u>	<u>64,101,025.14</u>	<u>7,975,680.76</u>
	<u><u>106,677,329.95</u></u>	<u><u>555,533,692.67</u></u>	<u><u>569,587,459.69</u></u>	<u><u>92,623,562.93</u></u>

Short-term benefits are as follows:

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	79,573,190.90	489,454,279.60	478,441,950.90	90,585,519.60
Employee welfare	4,218,192.78	24,650,214.29	24,268,554.32	4,599,852.75
Social security contributions	112,446.62	29,193,688.77	28,718,208.43	587,926.96
Including: medical insurance	120,597.45	19,562,582.16	19,106,256.48	576,923.13
Work injury insurance	(8,150.83)	9,051,922.98	9,032,857.42	10,914.73
Maternity insurance	-	579,183.63	579,094.53	89.10
Housing funds	-	3,209,806.66	3,194,057.02	15,749.64
Labour union funds and employee education funds	<u>744,051.87</u>	<u>865,928.40</u>	<u>1,011,234.31</u>	<u>598,745.96</u>
	<u><u>84,647,882.17</u></u>	<u><u>547,373,917.72</u></u>	<u><u>535,634,004.98</u></u>	<u><u>96,387,794.91</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)**28. Employee benefits payable (cont'd)**

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	94,103,058.39	437,899,372.05	452,429,239.54	79,573,190.90
Employee welfare	3,860,673.44	29,398,912.60	29,041,393.26	4,218,192.78
Social security contributions	89,969.07	20,980,727.76	20,958,250.21	112,446.62
Including: medical insurance	89,969.07	18,744,618.90	18,713,990.52	120,597.45
Work injury insurance	-	1,698,741.96	1,706,892.79	(8,150.83)
Maternity insurance	-	537,366.90	537,366.90	-
Housing funds	-	2,386,750.21	2,386,750.21	-
Labour union funds and employee education funds	701,344.62	713,508.58	670,801.33	744,051.87
	<u>98,755,045.52</u>	<u>491,379,271.20</u>	<u>505,486,434.55</u>	<u>84,647,882.17</u>

V. Notes to the Consolidated Financial Statements (cont'd)**28. Employee benefits payable (cont'd)**

Defined contribution schemes are as follows:

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic endowment insurance	7,975,680.76	65,468,209.37	66,022,036.98	7,421,853.15
Unemployment insurance	-	380,992.12	380,856.60	135.52
	<u>7,975,680.76</u>	<u>65,849,201.49</u>	<u>66,402,893.58</u>	<u>7,421,988.67</u>

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic endowment insurance	7,922,284.43	63,872,178.72	63,818,782.39	7,975,680.76
Unemployment insurance	-	282,242.75	282,242.75	-
	<u>7,922,284.43</u>	<u>64,154,421.47</u>	<u>64,101,025.14</u>	<u>7,975,680.76</u>

V. Notes to the Consolidated Financial Statements (cont'd)**29. Tax payable**

	2021	2020
Value-added tax	25,459,136.69	2,698,793.65
Corporate income tax	22,054,501.83	18,169,790.66
Individual income tax	11,666,453.95	14,556,028.94
City maintenance and construction tax	691,680.71	365,856.73
Education surcharge	494,057.61	261,326.23
Property tax	239,225.19	211,158.56
Stamp duties	55,317.40	51,466.90
Land use tax	34,530.60	34,530.60
Others	6,442.26	20,824.78
	<u>60,701,346.24</u>	<u>36,369,777.05</u>

30. Other payables

	2021	2020
Other payables	<u>100,018,273.09</u>	<u>81,743,851.64</u>

Other payables

	2021	2020
Accrued expenses	47,435,654.91	31,242,050.82
Repurchase obligation of restricted shares	25,790,000.00	22,600,000.00
Payables for settled lawsuit	3,440,221.96	10,224,904.52
Security deposits	3,583,099.39	1,327,227.21
Others	19,769,296.83	16,349,669.09
	<u>100,018,273.09</u>	<u>81,743,851.64</u>

As at 31 December 2021, substantial other payables with aging over 1 year were nil.

V. Notes to the Consolidated Financial Statements (cont'd)**31. Current portion of non-current liabilities**

	2021	2020
Current portion of long-term borrowings	21,342,646.25	226,597,528.74
Of which: Pledge loan	240,946.37	-
Mortgage loan	-	14,528,676.67
Guaranteed loan	10,273,279.33	197,026,297.17
Credit loan	10,828,420.55	15,042,554.90
Current portion of lease liabilities	<u>17,153,078.58</u>	<u>-</u>
	<u>38,495,724.83</u>	<u>226,597,528.74</u>

32. Other current liabilities

	2021	2020
Endorsed notes receivable	9,391,823.29	11,800,000.00
Output tax to be written off	3,429,923.76	8,562,086.01
Others	<u>14,725.95</u>	<u>169,960.03</u>
	<u>12,836,473.00</u>	<u>20,532,046.04</u>

33. Long-term borrowings

	2021	2020
Guaranteed loan	298,477,313.32	478,735,065.94
Credit loan	45,450,825.31	33,230,968.87
Pledge loan	2,440,696.11	4,427,994.38
Mortgage loan	<u>-</u>	<u>63,615,887.84</u>
	<u>346,368,834.74</u>	<u>580,009,917.03</u>
Of which: Current portion of long-term borrowings	(21,342,646.25)	(226,597,528.74)
	<u>325,026,188.49</u>	<u>353,412,388.29</u>

As at 31 December 2021, the annual interest rates of the above borrowings ranged from 0.0% to 2.4% (31 December 2020: 0.7%-2.4%). The mortgage loans for the period have been fully repaid in advance.

As at 31 December 2021 and 31 December 2020, the Group has no loans overdue.

V. Notes to the Consolidated Financial Statements (cont'd)**34. Lease liabilities**

	2021
Lease payments	82,366,634.45
Less: Current portion of non-current liabilities	<u>17,153,078.58</u>
	<u><u>65,213,555.87</u></u>

35. Long-term employee benefits payable

	2021	2020
Net liabilities of defined benefit schemes	<u>16,083,170.32</u>	<u>18,451,652.74</u>

Defined benefit schemes refer to retirement compensation (Trattamento di Fine Rapporto, for short, “TFR”) of the Group according to Italian regulations. The latest actuarial valuation of the scheme assets and the present value of the obligation associated with the defined benefit scheme were determined as at 31 December 2021 by Italian actuarial institution Managers & Partners – Actuarial Services S.p.A. using the expected accumulated benefit unit method.

Key actuarial assumptions used as at the balance sheet date are as follows:

	2021	2020
Separation rate	2.50%	2.50%
Inflation rate	1.75%	0.80%
Discount rate	0.44%	0.00%

The quantitative sensitivity analysis of key assumptions used is as follows:

2021

	Increase %	Increase/(decrease) in obligations of defined benefit scheme	Decrease %	Increase/(decrease) in obligations of defined benefit scheme
Separation rate	1.00%	(94,653.95)	1.00%	106,274.92
Inflation rate	0.25%	118,117.68	0.25%	(115,757.71)
Discount rate	0.25%	(187,124.73)	0.25%	194,398.22

V. Notes to the Consolidated Financial Statements (cont'd)**35. Long-term employee benefits payable (cont'd)**

2020

	Increase %	Increase/(decrease) in obligations of defined benefit scheme	Decrease %	Increase/(decrease) in obligations of defined benefit scheme
Separation rate	1.00%	(104,620.64)	1.00%	117,877.54
Inflation rate	0.25%	136,446.11	0.25%	(133,629.09)
Discount rate	0.25%	(215,694.58)	0.25%	224,325.07

The above sensitivity analysis is based on an inference of the impact of key assumptions on the defined benefit scheme obligation at a reasonable change on the balance sheet date. Sensitivity analysis is made according to the changes in major assumptions on the premise that other assumptions remain unchanged. Since the changes in assumptions are often not isolated from one another, sensitivity analysis may not represent an actual change in the defined benefit obligation.

V. Notes to the Consolidated Financial Statements (cont'd)**36. Provisions**

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Product quality warranty	104,845,110.36	50,180,309.14	43,818,254.64	111,207,164.86
Others	<u>605,147.27</u>	<u>6,544,276.17</u>	<u>423,866.71</u>	<u>6,725,556.73</u>
	<u>105,450,257.63</u>	<u>56,724,585.31</u>	<u>44,242,121.35</u>	<u>117,932,721.59</u>

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Product quality warranty	77,837,671.98	66,245,447.16	39,238,008.78	104,845,110.36
Others	<u>812,794.50</u>	<u>593,929.04</u>	<u>801,576.27</u>	<u>605,147.27</u>
	<u>78,650,466.48</u>	<u>66,839,376.20</u>	<u>40,039,585.05</u>	<u>105,450,257.63</u>

37. Deferred income

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Government grants	<u>16,861,488.27</u>	<u>-</u>	<u>4,671,176.61</u>	<u>12,190,311.66</u>

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Government grants	<u>18,275,808.90</u>	<u>-</u>	<u>1,414,320.63</u>	<u>16,861,488.27</u>

V. Notes to the Consolidated Financial Statements (cont'd)**37. Deferred income (cont'd)**

As at 31 December 2021, liabilities in relation to government grants are as follows:

	Opening balance	Recognized in other income of non-operating income in the period	Closing balance	Asset/income-related
Compensation for demolition of old plant at Jinfeng Road	3,554,516.61	3,554,516.61	-	Asset-related
Industrial revitalization and technological renovation funds (4 Mitsubishi machining centers and 3 vertical machining centers)				Asset-related
	<u>13,306,971.66</u>	<u>1,116,660.00</u>	<u>12,190,311.66</u>	
	<u>16,861,488.27</u>	<u>4,671,176.61</u>	<u>12,190,311.66</u>	

As at 31 December 2020, liabilities in relation to government grants are as follows:

	Opening balance	Recognized in other income of non-operating income in the period	Closing balance	Asset/income-related
Compensation for demolition of old plant at Jinfeng Road	3,852,177.24	297,660.63	3,554,516.61	Asset-related
Industrial revitalization and technological renovation funds (4 Mitsubishi machining centers and 3 vertical machining centers)	14,423,631.66	1,116,660.00	13,306,971.66	Asset-related
	<u>18,275,808.90</u>	<u>1,414,320.63</u>	<u>16,861,488.27</u>	

V. Notes to the Consolidated Financial Statements (cont'd)**38. Other non-current liabilities**

	2021	2020
Non-controlling interests put options	<u>136,178,304.44</u>	<u>68,737,415.25</u>

Non-controlling interests put options related to non-controlling interests in Italy QCorr and Parsun Power. As at 31 December 2021, the Group recognized other non-current liabilities of RMB 136,178,304.44 according to the assessment results (31 December 2020: RMB 68,737,415.25).

39. Share capital

2021

	Opening balance	Decrease in the period	Closing balance
Total share capital	<u>1,545,126,957.00</u>	<u>213,188,790.00</u>	<u>1,331,938,167.00</u>

For the current year, the total number of shares cancelled by the Company was 213,188,790 shares, and the total number of shares of the Company changed from 1,545,126,957 shares to 1,331,938,167 shares after the cancellation.

2020

	Opening balance	Decrease in the period	Closing balance
Total share capital	<u>1,838,647,096.00</u>	<u>293,520,139.00</u>	<u>1,545,126,957.00</u>

V. Notes to the Consolidated Financial Statements (cont'd)**40. Capital surplus**

2021

	Opening balance	Increase in the period (Note 1)	Decrease in the period (Note 2)	Closing balance
Share premium	3,976,935,100.86	17,140,596.95	796,011,305.72	3,198,064,392.09
Others	<u>25,457,960.95</u>	<u>15,243,506.90</u>	<u>-</u>	<u>40,701,467.85</u>
	<u><u>4,002,393,061.81</u></u>	<u><u>32,384,103.85</u></u>	<u><u>796,011,305.72</u></u>	<u><u>3,238,765,859.94</u></u>

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	3,862,090,284.37	293,520,138.00	178,675,321.51	3,976,935,100.86
Others	<u>287,554.47</u>	<u>25,170,406.48</u>	<u>-</u>	<u>25,457,960.95</u>
	<u><u>3,862,377,838.84</u></u>	<u><u>318,690,544.48</u></u>	<u><u>178,675,321.51</u></u>	<u><u>4,002,393,061.81</u></u>

Notes:

Note 1: Increases of capital surplus in the period are as follows:

- (1) The Company's share-based payments in the period were included in shareholder's equity and increased other capital surplus by RMB 15,243,506.90.
- (2) The Company acquired 32.8% non-controlling interests of its subsidiary Fosber Asia in the period, increasing other capital surplus by RMB 17,140,596.95.

Note 2: Decreases of capital surplus in the period are as follows:

- (1) Dongfang Precision sold 25.41% shares of Parsun Power to strategic investors, reducing other capital surplus by RMB 98,580,654.91.
- (2) The Company retired a total of 213,188,790 shares in the period (as described in Item 39 of Note V), reducing other capital surplus by RMB 697,265,572.70.
- (3) The Company repurchased shares in the period, which resulted in payment of related commissions and charges, reducing other capital surplus by RMB 165,078.11.

V. Notes to the Consolidated Financial Statements (cont'd)**41. Treasury shares**

2021

	Opening balance	Increase in the period (Note)	Decrease in the period (Note)	Closing balance
Share repurchase	<u>579,403,185.12</u>	<u>825,386,681.52</u>	<u>910,454,362.70</u>	<u>494,335,503.94</u>

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share repurchase	<u>160,088,925.60</u>	<u>499,996,259.52</u>	<u>80,682,000.00</u>	<u>579,403,185.12</u>

Note: Changes in the period are as follows:

The increase in treasury shares was driven by the Company's repurchase of shares in the period, and the decrease in treasury shares was mainly driven by the Company's retirement of shares in the period (as described in Item 39 of Note V).

42. Other comprehensive income

Cumulative balance of other comprehensive income attributable to shareholders of the Company in the consolidated balance sheet:

2021

	1 January 2021	Change	31 December 2021
Changes due to remeasurement of defined benefit schemes	(279,123.15)	(368,435.04)	(647,558.19)
Differences arising from the translation of foreign currency-denominated financial statements	20,349,184.92	(52,980,317.64)	(32,631,132.72)
Others	<u>(43,972.07)</u>	<u>-</u>	<u>(43,972.07)</u>
	<u>20,026,089.70</u>	<u>(53,348,752.68)</u>	<u>(33,322,662.98)</u>

V. Notes to the Consolidated Financial Statements (cont'd)

42. Other comprehensive income (cont'd)

Cumulative balance of other comprehensive income attributable to shareholders of the Company in the consolidated balance sheet: (cont'd)

2020

	1 January 2020	Change	31 December 2020
Changes due to remeasurement of defined benefit schemes	192,829.89	(471,953.04)	(279,123.15)
Differences arising from the translation of foreign currency-denominated financial statements	24,822,227.50	(4,473,042.58)	20,349,184.92
Others	<u>(43,972.07)</u>	<u>-</u>	<u>(43,972.07)</u>
	<u>24,971,085.32</u>	<u>(4,944,995.62)</u>	<u>20,026,089.70</u>

Other comprehensive income:

2021

	Before tax	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss				
Changes caused by remeasurements on defined benefit schemes	(368,435.04)	-	(368,435.04)	-
Other comprehensive income that will be reclassified to profit or loss				
Differences arising from the translation of foreign currency-denominated financial statements	<u>(57,694,181.97)</u>	<u>-</u>	<u>(52,980,317.64)</u>	<u>(4,713,864.33)</u>
	<u>(58,062,617.01)</u>	<u>-</u>	<u>(53,348,752.68)</u>	<u>(4,713,864.33)</u>

2020

	Before tax	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss				
Changes caused by remeasurements on defined benefit schemes	(471,953.04)	-	(471,953.04)	-
Other comprehensive income that will be reclassified to profit or loss				
Differences arising from the translation of foreign currency-denominated financial statements	<u>(4,418,094.62)</u>	<u>-</u>	<u>(4,473,042.58)</u>	<u>54,947.96</u>
	<u>(4,890,047.66)</u>	<u>-</u>	<u>(4,944,995.62)</u>	<u>54,947.96</u>

V. Notes to the Consolidated Financial Statements (cont'd)**43. Special reserve**

2021

	Opening balance	Provision in the period	Utilisation in the period	Closing balance
Expenses for Safety Production	<u>10,057,438.97</u>	<u>4,513,399.49</u>	<u>(3,318,199.27)</u>	<u>11,252,639.19</u>

2020

	Opening balance	Provision in the period	Utilisation in the period	Closing balance
Expenses for Safety Production	<u>-</u>	<u>11,315,076.12</u>	<u>(1,257,637.15)</u>	<u>10,057,438.97</u>

44. Surplus reserves

2021

		Opening and closing balance
Statutory surplus reserves		<u>51,830,974.45</u>

2020

		Opening and closing balance
Statutory surplus reserves		<u>51,830,974.45</u>

Pursuant to the Company Law, when the Company allocates after-tax profits of the year, the Company shall set aside 10% net profit after making up losses in previous years as its statutory surplus reserves. When the Company's statutory reserves are not enough to make up losses in previous years, the Company shall first make up the losses with profits in the year before it withdraws statutory surplus reserves according to the above-mentioned regulation. As there is still losses that can be made up in the Company's account, statutory surplus reserves are not made in the current year.

V. Notes to the Consolidated Financial Statements (cont'd)**45. Retained earnings**

	2021	2020
Opening retained earnings	(891,492,837.06)	(1,280,673,461.14)
Net profit attributable to owners of the parent	<u>467,333,661.79</u>	<u>389,180,624.08</u>
Closing retained earnings	<u>(424,159,175.27)</u>	<u>(891,492,837.06)</u>

V. Notes to the Consolidated Financial Statements (cont'd)**46. Operating revenue and costs**

	2021		2020	
	Revenue	Costs	Revenue	Costs
Principal operations	3,471,892,485.62	2,522,244,108.28	2,894,873,363.35	2,080,364,453.60
Other operations	<u>52,842,298.32</u>	<u>32,827,951.51</u>	<u>21,396,779.78</u>	<u>18,784,372.76</u>
	<u>3,524,734,783.94</u>	<u>2,555,072,059.79</u>	<u>2,916,270,143.13</u>	<u>2,099,148,826.36</u>

Operating revenue is as follows:

	2021	2020
Revenue arising from contracts with customers	3,523,514,431.39	2,916,270,143.13
Others	1,220,352.55	-
	<u>3,524,734,783.94</u>	<u>2,916,270,143.13</u>

Breakdown of operating revenue arising from contracts with customers is as follows:

2021

	Total
Principal operating segment	
Mainland China	528,007,403.05
Other regions	<u>2,995,507,028.34</u>
	<u>3,523,514,431.39</u>

Principal product type	
Goods	3,224,038,841.57
Services	<u>299,475,589.82</u>
	<u>3,523,514,431.39</u>
By revenue recognition time	<u>3,523,514,431.39</u>
Revenue recognition at a point of time	<u>3,224,038,841.57</u>
Sale of goods	3,224,038,841.57
Revenue recognition for a period of time	<u>299,475,589.82</u>
Rendering of services	299,475,589.82

V. Notes to the Consolidated Financial Statements (cont'd)

46. Operating revenue and costs (cont'd)

Breakdown of operating revenue arising from contracts with customers is as follows: (cont'd)

2020

	Total
Principal operating segment	
Mainland China	349,869,885.20
Other regions	<u>2,566,400,257.93</u>
	<u>2,916,270,143.13</u>
Principal product type	
Goods	2,729,552,600.03
Services	185,778,640.47
Others	<u>938,902.63</u>
	<u>2,916,270,143.13</u>
By revenue recognition time	<u>2,916,270,143.13</u>
Revenue recognition at a point of time	<u>2,730,491,502.66</u>
Sale of goods	2,729,552,600.03
Others	938,902.63
Revenue recognition for a period of time	<u>185,778,640.47</u>
Rendering of services	185,778,640.47

Revenue recognized that was included in contract liabilities at the beginning of the year:

	2021
Sales payment in advance	<u>312,794,330.81</u>

V. Notes to the Consolidated Financial Statements (cont'd)**46. Operating revenue and costs (cont'd)**

Information about contractual performance obligations is as follows:

Sale of goods

Contractual performance obligations are fulfilled when delivering manufactured goods to customers, and normally the payment in advance for some customers are needed.

Rendering of services

Contractual performance obligations are fulfilled during the rendering of services.

The expected time for recognizing in revenue the total transaction price allocated to outstanding contractual performance obligations as at the period-end is as follows:

	2021	2020
Within 1 year	<u>405,842,932.51</u>	<u>362,792,713.35</u>

47. Taxes and surcharges

	2021	2020
Property tax	4,612,247.54	4,294,158.43
City maintenance and construction tax	2,928,855.08	2,716,008.16
Education surcharge	1,664,857.56	1,936,200.03
Stamp tax	780,312.71	664,645.73
Local education surcharge	734,432.96	17,767.13
Land use tax	548,091.99	502,833.69
Vehicle and vessel tax	19,943.53	18,971.12
Environmental protection tax	5,852.88	14,309.42
Others	<u>201,912.47</u>	<u>88,618.90</u>
	<u>11,496,506.72</u>	<u>10,253,512.61</u>

V. Notes to the Consolidated Financial Statements (cont'd)**48. Selling expenses**

	2021	2020
Commissions and agency fees	59,870,536.49	46,237,284.80
Employee benefits	48,815,734.92	43,931,435.42
Product quality warranties	42,420,792.60	47,189,521.93
Advertising and exhibition expenses	8,916,532.18	5,721,645.33
Travel expenses	8,279,440.26	5,554,250.47
Transportation expenses and miscellaneous expenses associated with import and export	2,712,663.72	18,155,627.53
Office expenses	1,816,870.39	1,116,817.49
Depreciation and amortization expenses	1,170,873.85	751,809.90
Other expenses	11,324,233.77	12,891,066.82
	<u>185,327,678.18</u>	<u>181,549,459.69</u>

49. Administrative expenses

	2021	2020
Employee benefits	137,770,894.42	111,656,352.56
Depreciation and amortization expenses	33,075,924.90	22,744,937.96
Intermediary expenses	26,331,269.13	26,178,807.52
Equity incentives	15,243,506.90	25,170,406.50
Office expenses	14,704,181.88	5,745,654.54
Travel and reception expenses	9,799,959.60	7,528,061.79
Conference expenses	4,146,471.59	3,414,455.48
Property management expenses	2,789,669.82	2,819,585.82
Maintenance expenses	1,405,398.19	1,381,900.99
Car expenses	1,232,050.28	4,085,837.67
Materials consumption	722,185.83	333,855.16
Rental expenses	544,034.30	10,221,040.37
Other expenses	24,325,181.24	25,692,120.04
	<u>272,090,728.08</u>	<u>246,973,016.40</u>

V. Notes to the Consolidated Financial Statements (cont'd)**50. R&D expenses**

	2021	2020
Employee benefits	51,438,135.36	46,765,354.71
Depreciation and amortization expenses	17,208,658.35	16,012,422.17
Material expenses	22,383,588.65	9,923,238.87
Utilities	1,269,392.10	966,570.27
Assembly testing and debugging expenses	87,859.47	250,665.58
Other expenses	<u>7,169,931.53</u>	<u>8,164,023.15</u>
	<u>99,557,565.46</u>	<u>82,082,274.75</u>

51. Finance costs

	2021	2020
Interest expenses	13,182,088.01	15,535,719.53
Less: Interest income	24,674,196.61	20,887,321.27
Exchange losses	2,528,095.79	10,763,678.85
Discounted interest	7,238.89	10,780.11
Others	<u>2,960,299.46</u>	<u>2,496,813.06</u>
	<u>(5,996,474.46)</u>	<u>7,919,670.28</u>

V. Notes to the Consolidated Financial Statements (cont'd)

52. Other income

	2021	2020
Government grants related to routine activities	14,700,007.84	10,699,683.55
Refund of handling charges for individual income tax withheld	192,559.05	194,481.14
	<u>14,892,566.89</u>	<u>10,894,164.69</u>

Government grants related to routine activities are as follows:

	2021	2020	Asset/income-related
Compensation for demolition of the old plant in Jinfeng Road	3,554,516.61	297,660.63	Asset-related
Foreign government subsidies	2,902,405.18	1,503,212.44	Income-related
Immediate VAT refund for embedded software	1,526,488.01	-	Income-related
4 Mitsubishi gantry processing centres and 3 fixed-beam-type gantry processing centres	1,116,660.00	1,116,660.00	Asset-related
Project subsidy funds for overseas R&D institutions in 2020	1,000,000.00	-	Income-related
Special funds for promoting foreign economic cooperation in Foshan City in 2021	1,000,000.00	-	Income-related
Municipal technology innovation award for key industries in 2017/2018 from the Scientific and Technological Innovation Bureau	400,000.00	-	Income-related
Award for stabilizing employment positions and benefiting enterprises from High-tech Zone Economic and Development Commission	300,000.00	-	Income-related
Manufacturing Champion in 2020 awarded by Nanhai Park Administration	300,000.00	-	Income-related
Subsidy funds after R&D expenses for high-tech enterprises	259,500.00	-	Income-related
Subsidies for gazelle companies	250,000.00	-	Income-related
Special awards for high-tech enterprises in 2020	200,000.00	-	Income-related
Funds for quality improvement of industrial products in Foshan City in 2021	200,000.00	-	Income-related
Subsidies for National and Provincial Intellectual Property Demonstration Enterprise	200,000.00	-	Income-related
Special funds for business development of Suzhou High-tech Zone Bureau of Commerce	182,600.00	-	Income-related
Special funds for leading enterprises in 2020	150,000.00	-	Income-related
Subsidies for leading enterprises identification in Foshan High-tech Zone	150,000.00	-	Income-related
Subsidies from Suzhou High-tech Zone Bureau of Commerce in 2019	111,958.59	-	Income-related
Subsidies for high-tech enterprises identification in Foshan City in 2020	100,000.00	-	Income-related
Subsidies for economic development from High-tech Zone Economic Development Committee	100,000.00	-	Income-related
Intellectual property thematic funds of 2019 patent subsidies of Nanhai District Administration for Market Regulation	100,000.00	40,894.00	Income-related
R&D expenses for high-tech enterprises of Foshan Science and Technology Bureau	74,700.00	-	Income-related
Award for R&D of enterprises from Technology and Innovation Bureau	55,000.00	-	Income-related
2020 enterprise rewards for highly skilled leading talent	50,000.00	-	Income-related
2021 enterprise rewards for highly skilled leading talent	50,000.00	-	Income-related
Patent subsidies for foreign invention of Administration for Market Regulation	50,000.00	-	Income-related
Subsidies for work-based training of Suzhou Labor and Employment Management Service Center	45,518.59	-	Income-related

V. Notes to the Consolidated Financial Statements (cont'd)

52. Other income (cont'd)

Government grants related to routine activities are as follows: (cont'd)

	2021	2020	Asset/income-related
Government subsidies for the projects with excellent technology staying in Suzhou	39,300.00	-	Income-related
Special funds for environmental protection support and reward of Nanhai Branch of Foshan Ecological Environment Bureau in 2020	37,633.00	-	Income-related
Funds for invention patent annual fee of Foshan Administration for Market Regulation	35,630.00	-	Income-related
Special funds for intellectual property in 2020	31,626.00	-	Income-related
Special funds for export credit insurance in Nanhai District, Foshan City in 2021 of Nanhai District Economic Promotion Bureau, Foshan City	23,992.00	-	Income-related
Funds for invention patents in China of Foshan "Fuchitong"	21,000.00	-	Income-related
Special funds for business development	20,103.00	-	Income-related
Special funds for business development of Suzhou High-tech Zone Bureau of Commerce	20,000.00	-	Income-related
Provincial promotion of high-quality economic development in 2020 of Nanhai District Economic Promotion Bureau, Foshan City			
Special funds for development, for the purposes of foreign economic and trade development and the development of modern service industry	16,363.24	7,857.27	Asset-related
Subsidies for stabilizing employment positions of Foshan Social Insurance Fund Administration in 2020	14,274.14		Income-related
Subsidies for work-based training	4,000.00	144,500.00	Income-related
Funds for invention patents in China of Administration for Market Regulation	3,000.00		Income-related
Subsidies for stabilizing employment positions	1,739.48	209,237.83	Income-related
Award for trademark registration of "Branded Project" of Administration for Market Regulation of Nanhai District, Foshan City	1,000.00	-	Income-related
Pandemic-related subsidies	1,000.00	-	Income-related
Support incentives for four types of enterprises above designated size or qualification levels or limits	-	300,000.00	Income-related
Financial rewards for provincial-level industrial information industry transformation and upgrading in 2019	-	20,000.00	Income-related
2019 subsidy funds after R&D expenses for high-tech enterprises in Foshan City	-	207,200.00	Income-related
Trademark subsidies of the whole district in 2019	-	41,600.00	Income-related
2019 provincial special funds for business development (3rd batch), small and medium-sized development enterprises	-	33,000.00	Asset-related
2019 enterprise rewards for highly skilled leading talent in Suzhou High-tech Zone	-	50,000.00	Income-related
2019 domestic and foreign patent subsidies of Suzhou High-tech Zone	-	5,300.00	Income-related
Special funds for the construction of municipal-level advanced manufacturing bases in Suzhou in 2020 (a cultivation project for proprietary, elaborate, unique and innovative enterprises)	-	400,000.00	Income-related
Fiscal subsidies	-	50,000.00	Income-related
Allowances for the unemployment insurance refund project of affected enterprises, Nanhai District Human Resources and Social Security Bureau, Foshan City	-	1,451,918.40	Income-related
A project of the special funds for foreign economic and trade development in 2019 (small- and medium-sized foreign trade enterprises exploiting the international market) of Nanhai District Economic Promotion Bureau, Foshan City	-	2,240,000.00	Income-related
Electricity subsidy from Nanhai District Economic Promotion Bureau, Foshan City	-	103,040.00	Income-related

V. Notes to the Consolidated Financial Statements (cont'd)

52. Other income (cont'd)

Government grants related to routine activities are as follows: (cont'd)

2020 special funds for municipal economic and technological development (the Industry and Information Technology Bureau part) of Nanhai District Economic Promotion Bureau, Foshan City - Energy conservation project	-	40,000.00	Income-related
Scientific research subsidies for Craftsman of the City—Nanhai of Nanhai District Human Resources and Social Security Bureau, Foshan City	-	50,000.00	Income-related
Subsidy funds for enterprise personnel increase of Nanhai District Human Resources and Social Security Bureau, Foshan City	-	4,000.00	Income-related
Support funds for Nanhai District Administration for Market Regulation, Foshan City to promote civilized patent work	-	234,120.00	Income-related
Administration for Market Regulation - Special funds for promoting invention in 2017-2018	-	5,000.00	Income-related
Subsidies for import and export credit insurance	-	126,310.64	Income-related
Economic Promotion Bureau - 2019 subsidies for R&D expenses of high-tech enterprises	-	23,200.00	Income-related
Awards from Technology and Innovation Bureau	-	300,000.00	Income-related
Subsidies for high-tech enterprises identification from Science and Technology Bureau in 2019	-	300,000.00	Income-related
Special funds for foreign trade and economic development in 2019 under the central finance of Nanhai District Economic Promotion Bureau	-	69,772.00	Asset-related

V. Notes to the Consolidated Financial Statements (cont'd)**52. Other income (cont'd)**

Government grants related to routine activities are as follows: (cont'd)

	2021	2020	Asset/income-related
Trademark subsidies	-	1,600.00	Income-related
Business development (4th batch) small and medium-sized development projects	-	59,700.00	Income-related
Special funds for business development (credit insurance)	-	196,700.00	Income-related
Special funds for information transformation and upgrading	-	1,000,000.00	Income-related
Pandemic-related subsidies	-	1,000.00	Income-related
Intellectual property manufacturing awards	-	50,000.00	Income-related
Provincial-level short-term insurance premiums transferred by China Export & Credit Insurance Corporation Guangdong Branch Support funds	-	16,200.34	Asset-related
	<u>14,700,007.84</u>	<u>10,699,683.55</u>	

53. Investment income

	2021	2020
Income from financial assets held for trading	94,792,849.32	50,996,184.47
Income from long-term equity investments measured at equity method	3,880,256.70	2,889,349.81
Income from remeasurement of former equity investments at fair value in business combination not under common control	-	1,229,987.66
	<u>98,673,106.02</u>	<u>55,115,521.94</u>

V. Notes to the Consolidated Financial Statements (cont'd)**54. Gains and losses on changes in fair value**

	2021	2020
Changes in fair value of non-controlling interests call/put options	(50,864,345.69)	(9,284,348.20)
Financial assets at fair value through profit or loss	<u>29,506,559.88</u>	<u>54,407,119.47</u>
	<u>(21,357,785.81)</u>	<u>45,122,771.27</u>

55. Credit impairment loss

2021	2020
------	------

Loss on doubtful accounts receivable	8,497,086.26	8,835,882.15
Allowances losses for other receivables	4,229,550.20	(1,933,043.78)
Impairment loss on contract assets	-	1,061,524.05
	<u>12,726,636.46</u>	<u>7,964,362.42</u>

56. Asset impairment loss

	2021	2020
Inventory valuation loss	11,194,079.96	5,368,019.60
Reversed impairment loss on contract assets	<u>(257,325.86)</u>	<u>-</u>
	<u>10,936,754.10</u>	<u>5,368,019.60</u>

V. Notes to the Consolidated Financial Statements (cont'd)

57. Gains and losses on disposal of assets

	2021	2020
Gain/(loss) on disposal of fixed assets	<u>424,968.29</u>	<u>(17,854.18)</u>

58. Non-operating income

	2021	2020	Recognized in exceptional gains and losses of 2021
Performance compensation	-	29,939,067.65	-
Negative goodwill arising from acquisition of Yinglian Digital	-	866,489.40	-
Others	<u>5,750,547.04</u>	<u>4,996,229.86</u>	<u>5,750,547.04</u>
	<u>5,750,547.04</u>	<u>35,801,786.91</u>	<u>5,750,547.04</u>

59. Non-operating expenses

	2021	2020	Recognized in exceptional gains and losses of 2021
Donations	83,988.03	1,570,997.47	83,988.03
Loss on disposal of non-current assets	501,064.13	36,036.61	501,064.13
Others	<u>876,966.65</u>	<u>139,697.28</u>	<u>876,966.65</u>
	<u>1,462,018.81</u>	<u>1,746,731.36</u>	<u>1,462,018.81</u>

V. Notes to the Consolidated Financial Statements (cont'd)**60. Expenses by nature**

Supplementary information of the Group's cost of sales, selling expenses, administrative expenses, and R&D expenses by nature is as follows:

	2021	2020
Raw materials consumed	1,859,784,815.80	1,608,964,713.25
Employee benefits	613,223,119.21	555,533,692.67
Transportation expenses and miscellaneous expenses associated with import and export	125,384,252.47	92,798,948.87
Depreciation and amortization expenses	96,426,126.81	71,259,302.64
Commissions and agency fees	59,870,536.49	46,237,284.80
Product quality warranties	42,420,792.60	47,189,521.93
Intermediary expenses	26,331,269.13	26,802,166.28
Utilities	18,322,758.67	6,107,516.69
Equity incentives	15,243,506.90	25,170,406.50
Travel and business reception expenses	85,673,533.80	61,319,861.28
Technology licensing expenses	9,350,533.75	3,134,512.00
Advertising and exhibition expenses	8,916,532.18	5,751,215.66
Rental expenses	544,034.30	21,367,612.26
Office and other expenses	150,556,219.40	38,116,822.37
	<u>3,112,048,031.51</u>	<u>2,609,753,577.20</u>

V. Notes to the Consolidated Financial Statements (cont'd)**61. Income tax expenses**

	2021	2020
Current income tax expenses	88,328,101.49	71,205,843.29
Deferred tax expenses	<u>(100,274,573.91)</u>	<u>(48,122,503.99)</u>
	<u>(11,946,472.42)</u>	<u>23,083,339.30</u>

Reconciliation between income tax expenses and gross profit is as follows:

	2021	2020
Gross profit	480,444,713.23	420,180,660.29
Income tax calculated at applicable tax rates (Note)	72,066,706.98	63,027,099.04
Different tax rates for specific provinces or enacted by local authority	38,186,704.25	43,500,706.27
Adjustment to current income tax in previous periods	(8,715,965.71)	(1,018,718.96)
Income not subject to tax	(13,811,012.93)	(42,505,290.40)
Over-deduction for R&D	(5,813,981.03)	(4,685,800.11)

Expenses not deductible for tax	995,625.70	1,554,762.28
Utilization and recognition of deductible losses of previous periods	(100,238,844.22)	(39,750,597.61)
Effect of unrecognized deductible temporary differences and deductible losses	<u>5,384,294.54</u>	<u>2,961,178.79</u>
Income tax expenses	<u>(11,946,472.42)</u>	<u>23,083,339.30</u>

Note: The provision for income tax of the Group was recognized based on the estimated taxable income to be derived from mainland China and applicable tax rate. Taxable income derived from other jurisdictions shall be taxed based on applicable tax rate in accordance with the current laws, interpretations and conventions in the country/jurisdiction where the Group operates.

V. Notes to the Consolidated Financial Statements (cont'd)

62. Earnings per share

	2021 RMB/share	2020 RMB/share
Basic earnings per share		
Continuing operations	<u>0.35</u>	<u>0.26</u>
Diluted earnings per share		
Continuing operations	<u>0.35</u>	<u>0.26</u>

Basic earnings per share is computed by dividing the net profit attributable to ordinary shareholders of the Company for the period by the weighted average number of ordinary shares in issue.

In the calculation of diluted earnings per share, the numerator shall be determined based on the net profit attributable to ordinary shareholders of the Company for the period after adjusting the following factors: (1) the interest of diluted potential ordinary shares that have been recognized as expenses in the period; (2) gains or expenses that will be incurred when the diluted potential ordinary shares are converted; and (3) the income tax impact related to the above adjustments.

In the calculation of diluted earnings per share, the denominator shall be the sum of: (1) weighted average number of ordinary shares of the Company in issue adopted in the calculation of basic earnings per share; and (2) weighted average number of ordinary shares created assuming conversion of potentially dilutive ordinary shares into ordinary shares.

In calculating the weighted average number of ordinary shares created upon conversion of potentially dilutive ordinary shares into ordinary shares, potentially dilutive ordinary shares issued in previous periods are assumed to have been converted at the beginning of the current period, whereas potentially dilutive ordinary shares issued in the current period are assumed to have been converted on the date of issue.

V. Notes to the Consolidated Financial Statements (cont'd)

62. Earnings per share(cont'd)

Calculations of basic and diluted earnings per share are as follows:

	2021	2020
Earnings		
Net profit attributable to ordinary shareholders of the Company for the period	<u>467,333,661.79</u>	<u>389,180,624.08</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,327,715,640.50</u>	<u>1,479,259,197.75</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	1,327,715,640.50	1,479,259,197.75
Diluting effect——weighted average number of ordinary shares		
Restricted shares	<u>12,915,588.73</u>	<u>3,331,777.08</u>
Adjusted weighted average number of ordinary shares in issue of the Company	<u>1,340,631,229.23</u>	<u>1,482,590,974.83</u>

V. Notes to the Consolidated Financial Statements (cont'd)

63. Notes to cash flow statement line items

	2021	2020
Cash generated from other operating activities		
Government grants	10,221,390.28	9,827,504.69
Interest income	24,674,196.61	21,022,181.82
Letter of guarantee received	-	4,984,585.99
Current accounts and others	<u>4,438,967.22</u>	<u>9,980,667.12</u>
	<u>39,334,554.11</u>	<u>45,814,939.62</u>
Cash used in other operating activities		
Selling expenses in cash	105,107,763.31	136,866,214.37
Administrative expenses in cash	74,613,114.65	87,401,319.27
R&D expenses in cash	17,901,111.33	19,304,497.87
Security deposits	187,068.49	3,445,334.38
Letter of guarantee paid	2,171,914.25	5,520,385.99
Current accounts and others	<u>21,116,317.47</u>	<u>18,504,749.20</u>
	<u>221,097,289.50</u>	<u>271,042,501.08</u>
Cash generated from other investing activities		
Performance compensation	<u>2,419,748.09</u>	-
Cash used in other investing activities		
Acquisition of Italy QCorr's business asset group	<u>-</u>	<u>1,203,750.03</u>

V. Notes to the Consolidated Financial Statements (cont'd)**63. Notes to cash flow statement line items (cont'd)**

	2021	2020
Cash generated from other financing activities		
Disposal of equity to non-controlling interests	100,000,000.00	-
Security deposits for bank acceptance notes	93,525,797.34	16,125,930.69
Security deposits recovered for internal guarantees for external loans	-	124,024,093.46
Share subscription	-	22,600,000.00
	<u>193,525,797.34</u>	<u>162,750,024.15</u>
Cash used in other financing activities		
Share repurchase	828,741,759.63	500,096,259.41
Security deposits paid for loans	355,075,000.00	290,000,000.00
Security deposits for bank acceptance notes	120,056,676.70	35,715,597.93
Purchase of non-controlling interests	36,121,968.12	-
Lease and interest payments	17,062,209.03	-
	<u>1,357,057,613.48</u>	<u>825,811,857.34</u>

V. Notes to the Consolidated Financial Statements (cont'd)**64. Supplemental information on statement of cash flows****(1) Supplemental information on statement of cash flows**

Reconciliation of net profit to net cash generated from/used in operating activities:

	2021	2020
Net profit	492,391,185.65	397,097,320.99
Add: Asset impairment allowances	10,936,754.10	5,368,019.60
Depreciation of fixed assets	49,341,880.68	43,733,470.71
Depreciation of right-of-use assets	17,042,595.06	-
Amortization of intangible assets	23,837,149.34	23,293,740.64
Credit impairment loss	12,726,636.46	7,964,362.42
Amortization of long-term prepaid expenses	6,204,501.74	4,232,091.29
Loss and gain on disposal of fixed assets, intangible assets and other long-lived assets	(424,968.29)	17,854.18
Loss on retirement of fixed assets	490,962.41	34,888.51
Loss and gain on changes in fair value	21,357,785.81	(45,122,771.27)
Finance costs	13,182,088.01	16,797,042.44
Investment income	(98,673,106.02)	(55,115,521.94)
Increase in deferred tax assets	(81,298,463.69)	(49,922,037.64)
Decrease/(increase) in deferred tax liabilities	(17,549,248.21)	2,380,693.25
Increase in inventories	(128,880,794.62)	(61,314,527.47)
Increase/(decrease) in operating receivables	(397,793,709.49)	62,978,697.08
Increase in operating payables	374,249,103.02	188,515,269.99
Others	9,518,924.06	10,057,438.97

Net cash generated from/used in operating activities	<u>306,659,276.02</u>	<u>550,996,031.75</u>
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V. Notes to the Consolidated Financial Statements (cont'd)

64. Supplemental information on statement of cash flows (cont'd)

(1) Supplemental information on statement of cash flows (cont'd)

Substantial investing and financing activities not involving cash:

	2021	2020
Transfer of endorsed bank acceptance notes received for selling goods and rendering services	53,118,728.50	72,886,689.73
Acquisition of right-of-use assets by assuming lease liabilities	<u>80,386,832.91</u>	<u>-</u>
	<u>133,505,561.41</u>	<u>72,886,689.73</u>

Net change in cash and cash equivalents:

	2021	2020
Closing balance of cash	1,259,303,775.74	860,601,236.78
Less: Opening balance of cash	860,601,236.78	2,226,724,737.39
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	<u>398,702,538.96</u>	<u>(1,366,123,500.61)</u>

(2) Information on subsidiaries and other business units acquired or disposed of

Information on subsidiaries and other business units acquired

	2021	2020
Prices for acquiring subsidiaries and other business units	30,000,000.00	11,566,725.00
Cash and cash equivalents paid to acquire subsidiaries and other business units	30,000,000.00	11,566,725.00
Less: cash and cash equivalents held by subsidiaries and other business units acquired	<u>-</u>	<u>36,725.61</u>
Net payments for the acquisition of subsidiaries and other business units	<u>30,000,000.00</u>	<u>11,529,999.39</u>

(3) Cash and cash equivalents

	2021	2020
Cash	1,259,303,775.74	860,601,236.78
Including: cash on hand	233,281.32	217,540.96
Bank deposits readily available	999,389,151.51	860,383,695.82
Other cash and bank balances readily available	259,681,342.91	-
Cash equivalents	<u>-</u>	<u>-</u>

Closing balance of cash and cash equivalents	<u>1,259,303,775.74</u>	<u>860,601,236.78</u>
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V. Notes to the Consolidated Financial Statements (cont'd)

65. Assets with restricted ownership or right of use

	2021	2020	
Cash and bank balances	405,032,563.61	25,109,817.10	Note 1
Fixed assets	4,533,314.25	211,239,552.11	Note 2
Intangible assets	-	52,551,947.63	Note 3
Other non-current assets	<u>300,150,000.00</u>	<u>295,075,000.00</u>	Note 4
	<u>709,715,877.86</u>	<u>583,976,316.84</u>	

Note 1: As at 31 December 2021, cash and bank balances in the carrying amount of RMB405,032,563.61 were used as security deposits for bank acceptance notes and letter of guarantee and the like (31 December 2020: RMB25,109,817.10).

Note 2: As at 31 December 2021, the fixed assets in the carrying amount of RMB4,533,314.25 (31 December 2020: RMB0) was used as collateral for obtaining bank borrowings for subsidiaries. As at 31 December 2021, the fixed assets in the carrying amount of RMB211,239,552.11 was used as collateral for obtaining the credit line of bank borrowings, the credit line was RMB600,000,000.00, and the borrowing balance under the credit line contract was nil. As at 31 December 2020, the fixed assets pledge was relieved.

Note 3: As at 31 December 2020, property in land of the Company in the carrying amount of RMB52,551,947.63 was also used as collateral for the bank credit line mentioned in Note 2 in Item 65 of Note V. The amortization of the property in land was RMB1,468,335.83 in 2020. As at 31 December 2021, the mortgage of the property in land was released.

Note 4: As at 31 December 2021, security deposits in the carrying amount of RMB 300,150,000.00 (31 December 2020: RMB 295,075,000.00) were used for loans of subsidiaries, with the term expiring on 29 June 2023.

V. Notes to the Consolidated Financial Statements (cont'd)

66. Monetary items in foreign currencies

	2021			2020		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances			685,152,963.98			640,094,525.70
Including: USD	56,147,869.58	6.3757	357,981,972.08	42,130,977.17	6.5251	274,908,839.13
EUR	45,306,958.43	7.2197	327,102,647.78	45,296,299.56	8.0250	363,502,803.97
HKD	83,591.14	0.8176	68,344.12	162,041.47	0.8416	136,374.10
GBP	-	8.6081	-	173,844.00	8.8903	1,545,525.31
AUD	-	4.6266	-	196.00	5.0163	983.19
Accounts receivable			714,281,331.38			466,182,574.96
Including: USD	8,067,507.42	6.3757	51,436,007.06	8,332,673.76	6.5251	54,371,529.55
EUR	91,810,646.47	7.2197	662,845,324.32	51,316,018.12	8.0250	411,811,045.41
Contract assets			19,971,462.55			29,667,325.25
Including: USD	2,773,235.20	6.3757	17,681,315.66	1,410,488.00	6.5251	9,203,575.25
	317,208.04	7.2197	2,290,146.89	2,550,000.00	8.0250	20,463,750.00

EUR						
Other receivables						71,937,801.62
Including: USD	8,856,610.50	6.3757	210,931,472.20	-	-	-
EUR	21,394,847.52	7.2197	154,464,380.64	8,964,212.04	8.0250	71,937,801.62
Accounts payable			580,255,405.04			390,383,719.86
Including: USD	20,811,908.90	6.3757	132,690,487.57	-	-	-
EUR	61,992,176.61	7.2197	447,564,917.47	48,645,946.40	8.0250	390,383,719.86
Short-term borrowings			228,312,880.73			39,533,281.84
Including: EUR	31,623,596.65	7.2197	228,312,880.73	4,926,265.65	8.0250	39,533,281.84
Current portion of non-current liabilities			32,455,649.04			226,597,528.74
Including: EUR	4,495,429.04	7.2197	32,455,649.04	28,236,452.18	8.0250	226,597,528.74
Long-term borrowings			325,026,188.49			353,412,388.29
Including: EUR	45,019,348.24	7.2197	325,026,188.49	44,038,926.89	8.0250	353,412,388.29
Lease liabilities			49,459,973.23			-
Including: EUR	6,850,696.46	7.2197	49,459,973.23	-	-	-
Other payables			18,820,269.40			34,280,083.33
Including: USD	397,040.50	6.3757	2,531,411.12	172,390.50	6.5251	1,124,865.25
EUR	2,256,168.30	7.2197	16, 288,858.28	4,131,491.35	8.0250	33,155,218.08

The principal places of business overseas, the functional currencies and their determination basis of the major overseas business entities included in the consolidated financial statements are as follows:

Major overseas business entities	Principal place of business	Functional currency	Determination basis
Fosber Group	Italy	EUR	Settlement currency for local business activities
Fosber America	America	USD	Settlement currency for local business activities
Italy EDF	Italy	EUR	Settlement currency for local business activities
Tiru ña Group	Spain	EUR	Settlement currency for local business activities

I. Changes to the Scope of Consolidation

1. Changes to the scope of consolidation for other reasons

Information about the newly established subsidiary:

In February 2021, the Company established Dongfang Hezhi Data Technology (Guangdong) Co., Ltd. (hereinafter referred to as “Hezhi Guangdong”) with a registered capital of RMB 8 million and a shareholding ratio of 100%.

VI. Changes to the Scope of Consolidation (cont’d)

1. Changes to the scope of consolidation for other reasons (cont’d)

Information about the newly established subsidiary: (cont’d)

In March 2021, the Company established Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership) (hereinafter referred to as “Tianjin Hangchuang”), with a subscribed capital contribution of RMB20 million and a shareholding ratio of 95.24%.

In September 2019, Parsun Power, a subsidiary of the Company, established Suzhou Parsun Power Technology Co., Ltd. (hereinafter referred to as “Parsun Power Technology”) with a registered capital of RMB10 million and a shareholding ratio of 100%.

VII. Interests in Other Entities

1. Interests in subsidiaries

Particulars of the subsidiaries of the Company are as follows:

	Principal place of business	Place of registration	Business nature	Registered capital	The Company's interest (%)	
					Direct	Indirect
Subsidiaries acquired by way of incorporation or investment						
Dongfang Precision (HK)	HK	HK	Trading	USD300,000	100.00	-
Dongfang Precision (Netherland)	Netherland	Netherland	Trading	EUR40,000	90.00	10.00
Fosber Asia	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	EUR4 million	89.20	-
Italy QCorr	Italy	Italy	Manufacturing	EUR375,000	-	60.00
Suzhou High-Tech Zone Jinquan Business Management Partnership (Limited Partnership)*	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Investment	RMB9.65 million	-	0.17
Dongfang Digicom	Haikou, Hainan, China	Haikou, Hainan, China	Industrial Internet	RMB100 million	100.00	-
Hainan Yineng	Haikou, Hainan, China	Haikou, Hainan, China	Investment	RMB100 million	100.00	-
Hezhi Guangdong	Foshan, Guangdong, China	Foshan, Guangdong, China	Industrial Internet	RMB8 million	100.00	-
Parsun Power Technology	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Manufacturing	RMB10 million	-	69.55
Tianjin Hangchuang	Tianjin, China	Tianjin, China	Investment	RMB21 million	95.24%	-
Subsidiaries acquired in business combinations not under common control						
Fosber Group	Italy	Italy	Manufacturing	EUR1.56 million	-	100.00
Fosber America	America	America	Manufacturing	USD1.10 million	-	100.00
Fosber Tianjin	Tianjin, China	Tianjin, China	Manufacturing	USD500,000	-	100.00
Parsun Power	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Manufacturing	RMB85.3 million	7.83	61.72
Shunyi Investment	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Investment	RMB10 million	100.00	-
Italy EDF	Italy	Italy	Manufacturing	EUR100,000	-	100.00
Tiruña Group	Spain	Spain	Manufacturing	EUR10 million	-	70.00
Tiruña S.L.U.	Spain	Spain	Manufacturing	EUR1.44 million	-	70.00
Tratatamientos Industriales Tiruña S.A.U.	Spain	Spain	Manufacturing	EUR270,000	-	70.00
Tiruña France SARL	France	France	Manufacturing	EUR100,000	-	70.00
SCI Candan	France	France	Manufacturing	EUR10,000	-	70.00
Tiruña America	America	America	Manufacturing	USD3 million	-	85.00

Yinglian Digital	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	RMB50 million	100.00	-
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VII. Interests in Other Entities (cont'd)

1. Interests in subsidiaries (cont'd)

*According to the partnership agreement, the general partner of the partnership shall execute partnership affairs, and other partners shall not execute partnership affairs. As the sole general partner, the Company forms control over the partnership, which is included in the scope of consolidation of the Group.

VII. Interests in Other Entities (cont'd)

2. Interests in associates

	Principal place of business	Place of registration	Business nature	Registered capital	The Company's interest (%)		Accounting method
					Direct	Indirect	
Associates							
Guangdong Jaten Robot & Automation Co., Ltd.	Foshan	Foshan	manufacturing	RMB12.844 million	21.00	-	Equity method
Talleres Tapre,S.L.	Spain	Spain	manufacturing	-	-	14.00	Equity method
Nanjing Profeta (Note)	Nanjing	Nanjing	manufacturing	RMB3.8613 million	-	6.66	Equity method

Note: The board of directors of Nanjing Profeta Intelligent Technology Co., Ltd. has 5 members. The Group has appointed one of the directors, and he accordingly enjoys 20% of the substantive participation rights, forming a significant influence.

The Group's important associates, as the Group's strategic partners, are engaged in the research and development of intelligent logistics robot technology and are accounted for using the equity method. This investment is strategic to the Group's activities.

The table below presents financial information of Guangdong Jaten Robot & Automation Co., Ltd. Such information is accounting policy difference-adjusted and reconciled to the carrying amounts of the financial statements.

	2021	2020
Current assets	330,487,248.69	237,153,222.57
Including: cash and cash equivalents	27,992,042.72	9,320,324.83
Non-current assets	<u>112,183,506.48</u>	<u>112,043,388.53</u>
Total assets	<u>442,670,755.17</u>	<u>349,196,611.10</u>
Current liabilities	231,913,001.95	148,070,950.71
Non-current liabilities	<u>16,210,604.84</u>	<u>27,571,880.84</u>
Total liabilities	<u>248,123,606.79</u>	<u>175,642,831.55</u>
Equity attributable to owners of the parent	194,547,148.38	173,553,779.55
Share of net assets based on the Company's interest	40,854,901.16	36,446,293.71
Carrying amount of the investment	74,780,345.62	70,900,088.92

Operating revenue	182,826,022.76	102,479,717.84
Income tax expenses	-	2,574,241.97
Net profit	19,478,739.06	14,587,371.13
Total comprehensive income	19,478,739.06	14,587,371.13

VII. Interests in Other Entities (cont'd)

2. Interests in associates (cont'd)

The table below presents the aggregate financial information of associates insignificant to the Group:

	2021	2020
Associates		
Total carrying amount of investments	9,997,251.05	1,771,115.81
Total amounts based on the Company's interests:		
Net loss	(200,249.84)	76,960.49
Total comprehensive loss	(200,249.84)	76,960.49

VIII. Risks Associated with Financial Instruments

1. Classification of financial instruments

The carrying amounts of various financial instruments as at the balance sheet date are as follows:

2021

Financial assets

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	As required by standard		As required by standard	
Cash and bank balances	-	1,664,336,339.35	-	1,664,336,339.35
Financial assets held for trading	788,185,521.57	-	-	788,185,521.57
Notes receivable	-	13,272,025.04	-	13,272,025.04
Accounts receivable	-	741,135,648.09	-	741,135,648.09
Receivables financing	-	-	30,692,449.25	30,692,449.25
Other receivables	-	70,220,378.02	-	70,220,378.02
Contract assets	-	24,414,117.64	-	24,414,117.64
Current portion of non-current assets	-	108,385,000.00	-	108,385,000.00
Long-term receivables	-	143,750.00	-	143,750.00
Other non-current financial assets	162,523,519.41	-	-	162,523,519.41
Other non-current assets	-	300,150,000.00	-	300,150,000.00
	<u>950,709,040.98</u>	<u>2,922,057,258.14</u>	<u>30,692,449.25</u>	<u>3,903,458,748.37</u>

VIII. Risks Associated with Financial Instruments (cont'd)**1. Classification of financial instruments (cont'd)**

The carrying amounts of various financial instruments as at the balance sheet date are as follows:
(cont'd)

2021 (cont'd)

Financial liabilities

	At fair value through profit or loss <u>As required by standard</u>	At amortized cost	Total
Short-term borrowings	-	228,312,880.73	228,312,880.73
Financial liabilities held for trading	110,746,939.04	-	110,746,939.04
Notes payable	-	149,191,690.00	149,191,690.00
Accounts payable	-	619,265,856.18	619,265,856.18
Other payables	-	100,018,273.09	100,018,273.09
Current portion of non-current liabilities	-	38,495,724.83	38,495,724.83
Long-term borrowings	-	325,026,188.49	325,026,188.49
Lease liabilities	-	65,213,555.87	65,213,555.87
Other current liabilities	-	9,391,823.29	9,391,823.29
Other non-current liabilities	29,074,219.95	107,104,084.49	136,178,304.44
	<u>139,821,158.99</u>	<u>1,642,020,076.97</u>	<u>1,781,841,235.96</u>

2020

Financial assets

	At fair value through profit or loss <u>As required by standard</u>	At amortized cost	At fair value through other comprehensive income <u>As required by standard</u>	Total
Cash and bank balances	-	885,711,053.88	-	885,711,053.88
Financial assets held for trading	1,636,296,430.31	-	-	1,636,296,430.31
Notes receivable	-	12,744,582.88	-	12,744,582.88
Accounts receivable	-	469,635,423.58	-	469,635,423.58
Current portion of non-current assets	-	2,556,000.00	-	2,556,000.00
Long-term receivables	-	1,475,000.00	-	1,475,000.00
Other non-current assets	-	935,075,000.00	-	935,075,000.00
Receivables financing	-	-	56,737,978.04	56,737,978.04
Other receivables	-	79,103,472.64	-	79,103,472.64
Contract assets	-	29,504,693.97	-	29,504,693.97
Other non-current financial assets	5,948,588.15	-	-	5,948,588.15
	<u>1,642,245,018.46</u>	<u>2,415,805,226.95</u>	<u>56,737,978.04</u>	<u>4,114,788,223.45</u>

VIII. Risks Associated with Financial Instruments (cont'd)

1. Classification of financial instruments (cont'd)

The carrying amounts of various financial instruments as at the balance sheet date are as follows:
(cont'd)

2020 (cont'd)

Financial liabilities

	At fair value through profit or loss As required by standard	At amortized cost	Total
Short-term borrowings	-	39,533,281.84	39,533,281.84
Financial liabilities held for trading	41,408,109.80	-	41,408,109.80
Notes payable	-	104,855,187.97	104,855,187.97
Accounts payable	-	503,042,561.05	503,042,561.05
Other payables	-	81,743,851.64	81,743,851.64
Current portion of non-current liabilities	-	226,597,528.74	226,597,528.74
Long-term borrowings	-	353,412,388.29	353,412,388.29
Other current liabilities	158,452.18	11,811,507.85	11,969,960.03
Other non-current liabilities	68,737,415.25	-	68,737,415.25
	<u>110,303,977.23</u>	<u>1,320,996,307.38</u>	<u>1,431,300,284.61</u>

2. Transfer of financial assets

Financial assets already transferred but not wholly derecognized

On 31 December 2021, the carrying value of the bank acceptance notes (BAs) endorsed by the Group to suppliers for the settlement of accounts payable was RMB9,391,823.29 (31 December 2020: RMB11,800,000.00). The Group believed that the Group retained almost all their risks and rewards, including the risk of default associated therewith, so the Group continued to confirm them and the settled accounts payable associated therewith in full amount. After the endorsement, the Group will no longer reserve the right to use them, including the right to sell, transfer, or pledge them to other third parties. On 31 December 2021, the carrying value of the accounts payable settled with them totaled RMB9,391,823.29 (31 December 2020: RMB11,800,000.00).

Transferred financial assets that have been wholly derecognized but continue to be involved

On 31 December 2021, the carrying value of the BAs endorsed by the Group to suppliers for the settlement of accounts payable was RMB23,598,786.91 (31 December 2020: RMB25,235,099.85). On 31 December 2021, their maturity date varied from one to 12 months. As stipulated in the Negotiable Instruments Law, if the accepting bank refuses to pay, their holders have the right to recourse from the Group ("continue to be involved"). The Group believed that the Group had transferred almost all their risks and rewards, so the Group derecognized the carrying value of them and the settled accounts payable associated therewith. The maximum loss and undiscounted cash flows from continuing involvement and repurchase were equal to their carrying value. The Group believed that it was insignificant to continue to involve in fair value.

In 2021, the Group did not confirm the gains or losses on the transfer day. The Group had no income or expenses recognized in the current year and cumulatively due to continued involvement in derecognized financial assets. Endorsements occurred roughly evenly during the year.

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks

The Group is faced with various financial instrument risks in its routine activities, mainly including credit risk, liquidity risk and market risk (including exchange rate risk and interest rate risk). The Group mainly has the following instruments: cash and bank balances, equity investment, borrowings, notes receivable, accounts receivable, notes payable and accounts payable. The risk management strategies adopted by the Group to lower risks associated with these financial instruments are described below.

The Group's Board of Directors is fully responsible for the determination of risk management objectives and policies and assumes ultimate responsibility for such risk management objectives and policies, but the Board of Directors has authorized the Chief Executive's Office of the Group to design and implement procedures to ensure the effective execution of risks management objectives and policies. The Board of Directors reviews the effectiveness of the executed procedures and the rationality of the risk management objectives and policies through the monthly reports submitted by the treasury supervisor. The internal auditors of the Group will also audit the risk management policies and procedures and will report relevant findings to the Audit Committee.

The Group's overall goals for risk management are to develop risk management policies to minimize risks without unduly affecting the competitiveness and strain capacity of the Group.

Credit risk

The Group transacts only with recognized and reputable third parties. According to the Group's policies, credit checks are needed for all customers that require transactions should be conducted by means of credit. Additionally, the Group performs continuous monitoring of the balance of accounts receivable to ensure that the Group will not face major bad debt risk. For transactions not settled in the accounting standard currency of the relevant business unit, unless specifically approved by the credit control department of the Group, the Group will not provide credit transaction conditions.

Since the counterparties of cash and bank balances and notes receivable are banks with a good reputation and high credit rating, the credit risk of such financial instruments is low.

Other financial assets of the Group mainly include accounts receivable, other receivables and contract assets, the credit risk of which arises from counterparty default, and the maximum risk exposure is equal to the carrying value of these instruments.

The Group transacts only with recognized and reputable third parties, so no collateral is required. Credit risk concentration is managed by customer/counterparty, geographic region and industry. Because the customer base of accounts receivable of the Group is widely dispersed in different departments and industries, there is no major credit risk concentration within the Group. The Group does not hold any collateral or other credit enhancement on the balance of accounts receivable.

Criteria for judging significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Company takes into account the reasonable and substantiated information that is accessible without exerting undue extra cost or effort, including qualitative and quantitative analysis based on the historical data of the Company, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar

characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to determine changes in the risk of default during the expected lifetime of financial instruments.

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks (cont'd)

Credit risk (cont'd)

Definition of credit-impaired financial assets

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the principal factors considered are as follows:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) Debtors' breach of contract, such as defaulting or becoming overdue on interest or principal payments;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurrence of credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

Based on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information.

The relevant definitions are as follows:

- (1) PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the expected credit loss model, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;
- (2) LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- (3) EAD is the amount that the Company should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL.

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks (cont'd)

Credit risk (cont'd)*Credit risk exposures*

2021

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
Accounts receivable	-	26,228,109.80	-	-
Contract assets	-	730,344.85	-	-
Other receivables	4,786,684.60	500,000.00	-	-
	4,786,684.60	27,458,454.65	-	-

2020

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
Accounts receivable	-	23,792,330.92	-	-
Contract assets	-	1,061,524.05	-	-
Other receivables	2,861,774.13	500,000.00	-	-
	2,861,774.13	25,353,854.97	-	-

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks (cont'd)

Liquidity risk

The Group monitors its risk to the shortage of funds using a recurring liquidity planning tool. This tool considers the maturity profile of its financial instruments and projected cash flows from operations.

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarized as follows:

2021

	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	190,705,475.51	30,521,787.76	7,394,911.43	-	-	228,622,174.70
Financial liabilities held for trading	-	-	110,746,939.04	-	-	110,746,939.04
Notes payable	-	-	149,191,690.00	-	-	149,191,690.00
Accounts payable	-	-	619,265,856.18	-	-	619,265,856.18
Other payables	-	-	100,018,273.09	-	-	100,018,273.09
Current portion of non-current liabilities	1,430,597.18	2,498,486.89	37,889,311.44	-	-	41,818,395.51
Long-term borrowings	-	-	-	325,847,350.33	3,602,076.70	329,449,427.03
Lease liabilities	-	-	-	65,213,555.87	-	65,213,555.87
Other current liabilities	-	-	9,391,823.29	-	-	9,391,823.29
Other non-current liabilities	-	-	-	136,178,304.44	-	136,178,304.44
	<u>192,136,072.69</u>	<u>33,020,274.65</u>	<u>1,033,898,804.47</u>	<u>527,239,210.64</u>	<u>3,602,076.70</u>	<u>1,789,896,439.15</u>

2020

	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	4,023,064.35	12,877,525.22	22,859,189.31	-	-	39,759,778.88
Financial liabilities held for trading	-	-	41,408,109.80	-	-	41,408,109.80
Notes payable	-	-	104,855,187.97	-	-	104,855,187.97
Accounts payable	-	-	503,042,561.05	-	-	503,042,561.05
Other payables	-	-	81,743,851.64	-	-	81,743,851.64
Current portion of non-current liabilities	26,404,832.93	513,616.88	227,400,672.81	-	-	254,319,122.62
Long-term borrowings	-	-	-	9,825,103.77	354,814,594.04	364,639,697.81
Other current liabilities	-	-	11,969,960.03	-	-	11,969,960.03
Other non-current liabilities	-	-	-	68,737,415.25	-	68,737,415.25
	<u>30,427,897.28</u>	<u>13,391,142.10</u>	<u>993,279,532.61</u>	<u>78,562,519.02</u>	<u>354,814,594.04</u>	<u>1,470,475,685.05</u>

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Market risk**Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term liabilities with floating interest rates.

The sensitivity analysis of interest rate risks is set out in the following table, reflecting the impact of reasonable and probable change in interest rates on net profit or loss (through the impact on floating rate loans) and other comprehensive income (net of tax) assuming that other variables remain constant.

2021

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Loans	0.5	(1,361,068.13)	-	(1,361,068.13)
Loans	(0.5)	1,361,068.13	-	1,361,068.13

2020

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Loans	0.5	(1,246,077.19)	-	(1,246,077.19)
Loans	(0.5)	1,246,077.19	-	1,246,077.19

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Market risk (cont'd)**Exchange rate risk

The Group is exposed to trading exchange rate risks. Such exposures arise from sales or purchases by business units in currencies other than the units' functional currencies. Approximately 85% (2020: 76%) of the Group's sales are priced in currencies other than the functional currencies of the business units that incur the sales, and approximately 15% (2020: 24%) of costs are priced in the functional currencies of the business units.

The sensitivity analysis of exchange rate risks is set out in the following table, reflecting the impact of reasonable and probable change in the exchange rates of EUR and USD on net profit or loss and other comprehensive income (net of tax) assuming that other variables remain constant.

2021

	Increase/ (decrease) in exchange rate (%)	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Stronger RMB against EUR	2	(1,228,442.79)	-	(1,228,442.79)
Weaker RMB against EUR	(2)	1,228,442.79	-	1,228,442.79
Stronger RMB against USD	2	(5,522,074.97)	-	(5,522,074.97)
Weaker RMB against USD	(2)	5,522,074.97	-	5,522,074.97

2020

	Increase/ (decrease) in exchange rate (%)	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Stronger RMB against EUR	2	847,781.70	-	847,781.70
Weaker RMB against EUR	(2)	(847,781.70)	-	(847,781.70)
Stronger RMB against USD	2	(291,145.12)	-	(291,145.12)
Weaker RMB against USD	(2)	291,145.12	-	291,145.12

VIII. Risks Associated with Financial Instruments (cont'd)

4. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and in the risk profiles of relevant assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during 2021 and 2020.

IX. Disclosure of Fair Values

1. Assets and liabilities measured at fair value

2021

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial assets held for trading	775,249,020.94	-	12,936,500.63	788,185,521.57
Receivables financing	-	30,692,449.25	-	30,692,449.25
Other non-current financial assets	5,640,775.44	-	156,882,743.97	162,523,519.41
	<u>780,889,796.38</u>	<u>30,692,449.25</u>	<u>169,819,244.60</u>	<u>981,401,490.23</u>

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial liabilities held for trading	-	-	110,746,939.04	110,746,939.04
Other non-current liabilities	-	-	136,178,304.44	136,178,304.44
	<u>-</u>	<u>-</u>	<u>246,925,243.48</u>	<u>246,925,243.48</u>

IX. Disclosure of Fair Values (cont'd)**1. Assets and liabilities measured at fair value (cont'd)**

2020

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial assets held for trading	1,636,296,430.31	-	-	1,636,296,430.31
Receivables financing	-	56,737,978.04	-	56,737,978.04
Other non-current financial assets	5,948,588.15	-	-	5,948,588.15
	<u>1,642,245,018.46</u>	<u>56,737,978.04</u>	<u>-</u>	<u>1,698,982,996.50</u>

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial liabilities held for trading	-	-	41,408,109.80	41,408,109.80
Other non-current liabilities	-	-	68,737,415.25	68,737,415.25
	<u>-</u>	<u>-</u>	<u>110,145,525.05</u>	<u>110,145,525.05</u>

IX. Disclosure of Fair Values (cont'd)**2 Assets and liabilities disclosed at fair value**

2021

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
Long-term receivables	-	-	143,750.00	143,750.00
Long-term borrowings	-	325,026,188.49	-	325,026,188.49
Current portion of non-current assets	-	-	4,595,000.00	4,595,000.00
Current portion of non-current liabilities	-	21,342,646.25	-	21,342,646.25
	-	346,368,834.74	4,738,750.00	351,107,584.74

2020

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
Long-term receivables	-	-	1,475,000.00	1,475,000.00
Long-term borrowings	-	353,412,388.29	-	353,412,388.29
Current portion of non-current assets	-	-	2,556,000.00	2,556,000.00
Current portion of non-current liabilities	-	-	226,597,528.74	226,597,528.74
	-	353,412,388.29	230,628,528.74	584,040,917.03

IX. Disclosure of Fair Values (cont'd)**3. Estimation of fair value**Fair value of financial instruments

The management has assessed cash and bank balances, notes receivable, accounts receivable, notes payable and accounts payable, and because the remaining maturity is not long, their fair value is similar to their carrying value.

In a fair transaction, the fair value of financial assets and financial liabilities is determined by the amount of voluntary asset exchange or debt redemption between the parties to the transaction, rather than the amount in the case of force sale or liquidation. The following methods and assumptions are used to estimate the fair value.

The fair value of long-term receivables and long- and short-term borrowings is determined by the discounted future cash flow method, where the market yield of other financial instruments with

similar contract terms, credit risks and remaining maturity serves as the discount rate. On 31 December 2021, the result of the self-default risk assessment of long- and short-term borrowings was not significant.

The fair value of unlisted equity instruments is estimated by the discounted valuation model, and the assumptions used are not supported by observable market prices or interest rates. The Group needs to estimate the projected future cash flows (including projected future dividends and disposal income). The Group believed that the fair value and its movements estimated by the valuation technique was reasonable and the most appropriate value on the balance sheet date.

4. Unobservable inputs

Below is a summary of the significant unobservable inputs to the fair value measurement of Level 3:

	Closing fair value	Valuation technique	Unobservable inputs	Range
Financial assets held for trading	12,936,500.63	Option pricing model	Volatility	29.92%-42.52%
Other non-current financial assets	11,210,248.59	Option pricing model	Volatility	12.64%-36.25%
Other non-current financial assets	53,665,760.48	Comparison approach	Liquidity discount	10.00%-20.00%
Other non-current financial assets	92,006,734.90	Market approach	Liquidity discount	10.00%-20.00%
Financial liabilities held for trading	110,746,939.04	Discounted cash flow method	Weighted average cost	4.15%-12.60%
Other non-current liabilities	136,178,304.44	Discounted cash flow method	Weighted average cost	0.51%-10.80%

IX. Disclosure of Fair Values (cont'd)**5. Reconciliation in fair value measurement**

Reconciliation of continuous fair value measurements categorized within Level 3 of the fair value hierarchy:

2021

	Opening balance	Total current gains and losses		Purchase	Disposal	Closing balance	Change in unrealized gains and losses for the period of assets held at end of period through profit or loss
		Through profit or loss	Through other comprehensive income				
Financial assets held for trading	-	13,181,681.67	(245,181.04)	-	-	12,936,500.63	13,181,681.67
Other non-current financial assets	-	25,029,844.93	(559,232.00)	132,412,131.04	-	156,882,743.97	25,029,844.93
	-	<u>38,211,526.60</u>	<u>(804,413.04)</u>	<u>132,412,131.04</u>	-	<u>169,819,244.60</u>	<u>38,211,526.60</u>

	Opening balance	Total current gains and losses		Purchase	Disposal	Settlement	Closing balance	Change in unrealized gains and losses for the period of liabilities held at end of period through profit or loss
		Through profit or loss	Through other comprehensive income					
Financial liabilities held for trading	41,408,109.80	95,161,739.92	(3,739,957.81)	-	(36,121,968.12)	14,039,015.25	110,746,939.04	95,161,739.92
Other non-current liabilities	68,737,415.25	(18,949,558.78)	(4,342,115.80)	104,771,579.02	-	(14,039,015.25)	136,178,304.44	(18,949,558.78)
	<u>110,145,525.05</u>	<u>76,212,181.14</u>	<u>(8,082,073.61)</u>	<u>104,771,579.02</u>	<u>(36,121,968.12)</u>	-	<u>246,925,243.48</u>	<u>76,212,181.14</u>

IX. Disclosure of Fair Values (cont'd)**5. Reconciliation in fair value measurement (cont'd)**

Reconciliation of continuous fair value measurements categorized within Level 3 of the fair value hierarchy: (cont'd)

2020

	Opening balance	Total current gains and losses		Purchase	Closing Balance	Change in unrealized gains and losses for the period of liabilities held at end of period through profit or loss
		Through profit or loss	Through other comprehensive income			
Financial liabilities held for training	-	-	-	41,408,109.80	41,408,109.80	-
Other non-current liabilities	-	9,284,348.20	2,967,855.23	56,485,211.82	68,737,415.25	9,284,348.20
	-	<u>9,284,348.20</u>	<u>2,967,855.23</u>	<u>97,893,321.62</u>	<u>110,145,525.05</u>	<u>9,284,348.20</u>

IX. Disclosure of Fair Values (cont'd)**5. Reconciliation in fair value measurement (cont'd)**

In the continuous fair value measurement at Level 3, gains and losses through profit or loss relating to financial assets and non-financial assets is analyzed as follows:

	2021	
	Gains and losses relating to financial assets	Gains and losses relating to non-financial assets
Total gains and losses through profit or loss	38,211,526.60	-
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	38,211,526.60	-

In the continuous fair value measurement at Level 3, gains and losses through profit or loss relating to financial assets and non-financial assets is analyzed as follows:

	2021	
	Gains and losses relating to financial liabilities	Gains and losses relating to non-financial liabilities
Total gains and losses through profit or loss	76,212,181.14	
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	76,212,181.14	

	2020	
	Gains and losses relating to financial liabilities	Gains and losses relating to non-financial liabilities
Total gains and losses through profit or loss	9,284,348.20	
Change in unrealized gains and losses for the period	9,284,348.20	

of assets held at end of period through profit or loss

IX. Disclosure of Fair Values (cont'd)

6. Transfers between levels of fair value measurement

No such transfers in the Reporting Period.

X. Relationships and Transactions with Related Parties

1. Controlling Shareholder

	Relationship with the Company	Interest in the Company (%)
Tang Zhuolin (individual)	One of the Company's controlling shareholders and actual controllers	20.33
Tang Zhuomian (individual)	One of the Company's controlling shareholders and actual controllers	7.27

The ultimate controllers of the Company are Tang Zhuolin and Tang Zhuomian.

2. Subsidiaries

See Note VII.1.

3. Associates

See Note VII.2.

4. Other related parties

	Relationship with the Company
Qiu Yezhi	Director and General Manager
Zhou Wenhui	Director, Board Secretary and Vice President
Xie Weiwei	Director and Deputy General Manager
Mai Zhirong	Independent Director
Peng Xiaowei	Independent Director
He Weifeng	Independent Director
Chen Huiyi	Chairman of the Supervisory Committee
Zhao Xiuhe	Supervisor
He Baohua	Supervisor
Shao Yongfeng	Chief Financial Officer and Vice President

X. Relationships and Transactions with Related Parties (cont'd)

5. Major transactions between the Group and related parties

(1) Salary of key management

	2021	2020
Salary of key management	13,521,226.06	12,521,009.78

XI. Share-based Payments

1. Overview

	2021	2020
Total equity instruments granted	26,840,000.00	22,600,000.00

	2021	2020
Total employee services exchanged with share-based payments	40,413,913.40	25,170,406.50

Equity-settled share-based payments are as follows:

	2021	2020
Cumulative amount of equity-settled share-based payments recognized in capital surplus	40,413,913.40	25,170,406.50
Total costs of equity-settled share-based payments	15,243,506.90	25,170,406.50

The fair value of equity instruments at the date of grant was determined at that date. The fair value of the first grant of restricted shares in 27 March 2020 was RMB4.38/share (RMB60.07 million), and the fair value of the reserved restricted shares in 29 December 2020 was RMB4.44/share (RMB14.59 million). The number of exercisable equity instruments at each balance sheet date during the vesting period is determined taking into account the separation rate, the company performance requirements and the individual performance requirements.

XI. Share-based Payments (cont'd)

2. Share-based payment plan

On 27 March 2020, the Company convened the 44th (Extraordinary) Meeting of the Third Board of Directors, where the Proposal on Granting Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant 22.85 million restricted shares to 42 awardees. The grant date for the first grant of restricted shares was 27 March 2020. On 8 June 2020, the Company approved the Proposal on Adjusting Matters Related to the 2020 Restricted Share Incentive Plan, the number of awardees was adjusted to 40, and the number of granted restricted shares was adjusted to 22.6 million. The exercise price of this restricted share grant was RMB1. As at 31 December 2020, the accumulated amount of subscription funds received by the Company for the first grant of restricted shares under this incentive plan totaled RMB22,600,000.00.

As authorized by the first Extraordinary Meeting of the Third Board of Directors in 2020, on 29 December 2020, the Company convened the 4th (Extraordinary) Meeting of the Fourth

Board of Directors, where the Proposal on Granting Reserved Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant 4.24 million restricted shares to 18 awardees. The grant date was 29 December 2020. As at 31 December 2021, the accumulated amount of subscription funds received by the Company for the reserved restricted shares under this incentive plan totaled RMB4,240,000.00.

The maximum number of unexercised share options currently available under the plan is equal to 10% of the shares issued by the Company. According to the plan, the maximum number of shares in the share options granted to each eligible grantee during any period spanning 12 months is 1% of the shares issued by the Company at any time. Any grant of share options above this limit shall be subject to the approval of the General Meeting.

The arrangements for unlocking the restricted shares under the restricted share incentive plan are as follows:

Unlocking arrangements	Time of unlocking	Percentage of unlocking
1 st unlocking period	From the first trading day 12 months after the date of listing of the first grant of/reserved restricted shares to the day of the last trading day within 24 months after the date of listing of the first grant of restricted shares	20%
2 nd unlocking period	From the first trading day 24 months after the date of listing of the first grant of/reserved restricted shares to the day of the last trading day within 36 months from the date of listing of the first grant of restricted shares	40%
3 rd unlocking period	From the first trading day 36 months after the date of listing of the first grant of/reserved restricted shares to the day of the last trading day within 48 months from the date of listing of the first grant of restricted shares	40%

XI. Share-based Payments (cont'd)

2. Share-based payment plan (cont'd)

The unlocking conditions of the restricted share incentive plan are as follows:

In addition to meeting the relevant requirements for granting, awardees must also meet the following unlocking conditions on the sale of granted restricted shares:

Performance appraisal requirements at the company level:

Unlocking period	Performance appraisal objectives
1 st unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2020 shall not be less than 20%
2 nd unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2021 shall not be less than 35%
3 rd unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2022 shall not be less than 55%

The net profit during the appraisal period from 2020 to 2022 mentioned above refers to the audited consolidated statement of net profit attributable to the shareholders of the Company excluding the impact of share-based payments under this and other equity incentive plans. The base of performance appraisal is the average net profit (the net profit attributable to shareholders of the listed company in consolidated statements) of the Company for 2018 and 2019 after deducting the relevant financial impacts of Beijing Pride New Energy Battery Technology Co., Ltd.

Performance appraisal requirements at the personal level:

The performance appraisal results of the awardees are divided into Levels A, B, C and D. The non-resalable restricted shares of those awardees with appraisal results of Level D will be repurchased and retired by the Company, and the repurchase price is the grant price.

XII. Commitments and Contingent Events

1. Significant commitments

As at the balance sheet date, the Group had no commitments which were required to be disclosed.

2. Contingent Events

As at the balance sheet date, the Group had no contingent events which were required to be disclosed.

XIII. Events after the Balance Sheet Date

As at the balance sheet date, the Group had no events after the balance sheet date which were required to be disclosed.

XIV. Other Significant Matters

1. Segment reporting

Operating segment

For management purposes, the Group divides its business in to two operating segments—domestic and overseas.

2021

Item	Domestic entities	Overseas entities	Offset	Total
Operating revenue	1,432,489,346.39	2,404,840,482.92	(312,595,045.37)	3, 524,734,783.94
Cost of sales	963,221,707.93	1,820,431,964.95	(228,581,613.09)	2,555,072,059.79
Total assets	5,013,665,276.72	2,480,339,949.36	(1,136,836,390.89)	6,357,168,835.19
Total liabilities	1,385,366,306.26	1,778,520,920.31	(660,293,937.05)	2,503,593,289.52

2020

Item	Domestic entities	Overseas entities	Offset	Total
Operating revenue	897,355,883.51	2,225,366,265.77	(206,452,006.15)	2,916,270,143.13
Cost of sales	621,843,057.98	1,671,361,093.30	(194,055,324.92)	2,099,148,826.36
Total assets	4,554,466,542.78	2,226,726,088.74	(457,955,944.47)	6,323,236,687.05
Total liabilities	649,833,167.78	1,592,859,685.18	(150,984,644.21)	2,091,708,208.75

XIV. Other Significant Matters (cont'd)

2. Leases

(1) As lessee

2021

Interest expense on lease liabilities	2,127,205.02
Short term lease expense through profit or loss adopting simplified approach	206,887.72
Total cash outflows related to lease	<u>17,062,209.03</u>

Assets leased by the Group include houses and buildings, and transportation equipment used in the course of business, the lease term of houses, buildings and machinery is usually 8 years, and the lease term of transportation equipment is usually 3 years.

Significant operating leases

According to the lease contracts signed with the lessors, minimum lease payments under irrevocable operating leases falling due are as follows:

2020

Within 1 year (inclusive)	18,542,564.92
1-2 years (inclusive of 2 years)	17,856,537.46
2-3 years (inclusive of 3 years)	16,645,976.23
Over 3 years	<u>59,133,965.81</u>
	<u>112,179,044.42</u>

Other information on lease

For the right-of-use assets, see Note V.17; for the simplified approach on short-term leases and leases of assets of low value, see Note III.27; for lease liabilities, see Note V.31&34.

XV. Notes to Major Items in the Company Financial Statements**1. Accounts receivable**

Accounts receivable are interest-free. The aging of accounts receivable is analyzed as follows:

	2021	2020
Within 1 year	114,456,911.82	113,429,366.77
1-2 years	38,918,748.38	41,024,601.08
2-3 years	2,987,247.70	438,024.56
3-4 years	-	3,014,635.01
4-5 years	1,454,595.00	170,190.80
Over 5 years	<u>1,556,499.20</u>	<u>2,094,629.83</u>
	<u>159,374,002.10</u>	<u>160,171,448.05</u>
Less: allowances for doubtful accounts receivable	<u>4,670,936.43</u>	<u>6,654,009.15</u>
	<u><u>154,703,065.67</u></u>	<u><u>153,517,438.90</u></u>

	2021				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	3,011,094.20	1.89	3,011,094.20	100	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>156,362,907.90</u>	<u>98.11</u>	<u>1,659,842.23</u>	<u>1.06</u>	<u>154,703,065.67</u>
	<u><u>159,374,002.10</u></u>	<u><u>100.00</u></u>	<u><u>4,670,936.43</u></u>		<u><u>154,703,065.67</u></u>

	2020				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	3,030,944.40	1.89	3,030,944.40	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>157,140,503.65</u>	<u>98.11</u>	<u>3,623,064.75</u>	<u>2.31</u>	<u>153,517,438.90</u>
	<u><u>160,171,448.05</u></u>	<u><u>100.00</u></u>	<u><u>6,654,009.15</u></u>		<u><u>153,517,438.90</u></u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**1. Accounts receivable (cont'd)**

As at 31 December 2021, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 2	939,000.00	939,000.00	100.00	Customer's inability to settle the amount due
Customer 3	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due
Customer 4	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due
Customer 5	515,595.00	515,595.00	100.00	Customer's inability to settle the amount due
Customer 11	283,000.00	283,000.00	100.00	Customer's inability to settle the amount due
Other companies	23,099.20	23,099.20	100.00	Customer's inability to settle the amount due
	<u>3,011,094.20</u>	<u>3,011,094.20</u>		

As at 31 December 2020, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 2	981,949.40	981,949.40	100.00	Customer's inability to settle the amount due
Customer 3	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due
Customer 4	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due
Customer 5	515,595.00	515,595.00	100.00	Customer's inability to settle the amount due
Customer 11	283,000.00	283,000.00	100.00	Customer's inability to settle the amount due
	<u>3,030,944.40</u>	<u>3,030,944.40</u>		

Accounts receivable for provision for bad debts according to the combination of credit risk characteristics:

	2021			2020		
	Estimated book balance of default	ECL(%)	Expected credit losses within the existing period	Estimated book balance of default	ECL(%)	Expected credit losses within the existing period
Within 1 year	114,456,911.82	0.34	390,298.12	113,429,366.77	1.03	1,170,806.97
1-2 years	38,918,748.38	0.94	365,205.21	41,024,601.08	1.71	699,477.21
2-3 years	2,987,247.70	30.27	904,338.90	438,024.56	37.50	164,269.33
3-4 years	-	-	-	1,517,090.61	56.50	857,090.61
4-5 years	-	-	-	170,190.80	100.00	170,190.80
Over 5 years	-	-	-	561,229.83	100.00	561,229.83
	<u>156,362,907.90</u>		<u>1,659,842.23</u>	<u>157,140,503.65</u>		<u>3,623,064.75</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)

1. Accounts receivable (cont'd)

Movements in allowances for doubtful accounts receivable are as follows:

	Opening balance	Established in the period	Written off in the period	Reversed in the period	Closing balance
2021	6,654,009.15	84,975.11	(1,369,120.41)	(698,927.42)	4,670,936.43
2020	2,668,130.50	3,985,878.65	-	-	6,654,009.15

Top 5 of accounts receivable are as follows:

	2021	As a % of the closing balance of total accounts receivable	Allowance
Dongfang Precision (HK)	77,716,283.13	48.76	-
Dongfang Precision (Netherlands)	33,917,508.35	21.28	-
Customer 12	7,126,000.00	4.47	145,370.40
Customer 13	4,558,625.50	2.86	92,995.96
Customer 14	2,730,000.00	1.71	55,692.00
	<u>126,048,416.98</u>	<u>79.08</u>	<u>294,058.36</u>
	2020	As a % of the closing balance of total accounts receivable	Allowance
Dongfang Precision (HK)	72,788,759.87	45.44	-
Dongfang Precision (Netherlands)	45,490,692.42	28.40	-
Customer 1	3,500,000.00	2.19	65,100.00
Customer 18	3,155,678.99	1.97	58,695.63
Customer 19	2,890,454.67	1.80	53,762.46
	<u>127,825,585.95</u>	<u>79.81</u>	<u>177,558.09</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)

2. Other receivables

	2021	2020
Other receivables	444,140,266.79	28,388,543.22
Dividends receivable	-	40,000,000.00
	<u>444,140,266.79</u>	<u>68,388,543.22</u>

The aging of other receivables is analyzed as follows:

	2021	2020
Within 1 year	442,798,058.31	26,448,285.13
1-2 years	548,952.82	278,657.36
2-3 years	52,186.57	732,604.03
3-4 years	288,333.00	1,871,615.53
4-5 years	1,495,285.41	37,693.48
Over 5 years	112,475.22	174,712.23
	<u>445,295,291.33</u>	<u>29,543,567.76</u>
Less: allowances for doubtful other	<u>1,155,024.54</u>	<u>1,155,024.54</u>

receivables

<u>444,140,266.79</u>	<u>28,388,543.22</u>
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Other receivables are classified by nature as follows:

	2021	2020
Internal transactions with related parties	438,222,987.97	16,386,270.48
Prepaid service charges	3,277,042.22	2,663,309.52
Security deposits	1,427,885.96	1,818,495.96
Employee loans and petty cash	1,722,721.94	806,740.89
Performance compensation	500,000.00	500,000.00
Others	<u>144,653.24</u>	<u>7,368,750.91</u>
	<u>445,295,291.33</u>	<u>29,543,567.76</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**2. Other receivables (cont'd)**

Movements in allowances for doubtful other receivables that are established based on the 12-month ECL and the lifetime ECL are as follows:

2021

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening and closing balance	655,024.54	500,000.00	-	1,155,024.54

2020

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening balance	527,286.39	2,460,000.00	-	2,987,286.39
Established in the period	133,781.06	-	-	133,781.06
Reversed in the period	6,042.91	1,960,000.00	-	1,966,042.91
Closing balance	<u>655,024.54</u>	<u>500,000.00</u>	<u>-</u>	<u>1,155,024.54</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**2. Other receivables (cont'd)**

Movements in allowances for doubtful other receivables are as follows:

	Opening balance	Established in the period	Reversed in the period	Closing balance
2021	1,155,024.54	-	-	1,155,024.54
2020	2,987,286.39	133,781.06	1,966,042.91	1,155,024.54

As at 31 December 2021, top 5 of other receivables are as follows:

	2021	As a % of total other receivables	Nature	Age	Closing balance of allowance
Hainan Yineng	412,234,185.81	92.58	Current account	Within 1 year	-
Yinglian Digital	15,156,527.09	3.40	Current account	Within 1 year	-
Digicom Guangdong	4,704,601.17	1.06	Current account	Within 1 year	-
Dongfang Digicom	3,065,170.33	0.69	Current account	Within 1 year	-
Shunyi Investment	<u>1,698,000.00</u>	<u>0.38</u>	Current account	Within 1 year	-
	<u><u>436,858,484.40</u></u>	<u><u>98.11</u></u>			-

As at 31 December 2020, top 5 of other receivables are as follows:

	2020	As a % of total other receivables	Nature	Age	Closing balance of allowance
Dongfang Precision (Netherland)	11,970,591.46	40.52	Current account	Within 1 year	-
Fosber ASIA	2,479,766.39	8.39	Current account	Within 1 year	-
Shunyi Investment	1,698,000.00	5.75	Current account	Within 1 year	-
Entity 5	1,494,884.38	5.06	Current account	Within 1 year	-
Entity 6	768,814.00	2.60	Deposits	2-3 years	38,440.70
	<u>18,412,056.23</u>	<u>62.32</u>			<u>38,440.70</u>

2020

	Opening	Opening impairment allowance	Change in the period			Period-end	
	balance		Additional investment	Reduction in investment	Impairment allowance	Closing balance	Closing impairment allowance
Subsidiaries							
Dong Fang Precision (HK) Limited	1,856,010.00	-	-	-	-	1,856,010.00	-
Dongfang Precision (Netherland)	307,666.80	-	-	-	-	307,666.80	-
Guangdong Fosber Intelligent Equipment Co., Ltd.	16,738,279.20	-	-	-	-	16,738,279.20	-
Suzhou Shunyi Investment Co., Ltd.	305,584,828.17	-	-	-	-	305,584,828.17	-
Suzhou Parsun Power Machine Co., Ltd.	106,359,575.73	(61,855,054.35)	-	-	-	106,359,575.73	(61,855,054.35)
Foshan Yinglian Digital Printing Equipment Co., Ltd.	-	-	21,903,462.34	-	-	21,903,462.34	-
Dongfang Digicom	-	-	3,000,000.00	-	-	3,000,000.00	-
	<u>430,846,359.90</u>	<u>(61,855,054.35)</u>	<u>24,903,462.34</u>	<u>-</u>	<u>-</u>	<u>455,749,822.24</u>	<u>(61,855,054.35)</u>
	Opening		Change in the period			Period-end	
	balance	Opening impairment allowance	Additional investment	Reduction in investment	Investment income under equity method	Closing balance	Closing impairment allowance
Associates/joint ventures							
Foshan Yinglian Digital Printing Equipment Co., Ltd.	10,510,735.47	-	-	10,510,735.47	-	-	-
Guangdong Jaten Robot & Automation Co., Ltd.	60,136,740.98	-	7,700,000.00	-	3,063,347.94	70,900,088.92	-
	<u>70,647,476.45</u>	<u>-</u>	<u>7,700,000.00</u>	<u>10,510,735.47</u>	<u>3,063,347.94</u>	<u>70,900,088.92</u>	<u>-</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**4. Operating revenue and costs**

	2021		2020	
	Revenue	Costs	Revenue	Costs
Principal operations	384,635,560.97	244,033,927.30	347,742,217.13	215,188,639.98
Other operations	102,121,739.94	12,332,173.69	10,078,539.01	1,398,778.91
	<u>486,757,300.91</u>	<u>256,366,100.99</u>	<u>357,820,756.14</u>	<u>216,587,418.89</u>

Operating revenue is as follows:

	2021	2020
Revenue arising from contracts with customers	482,430,794.95	355,070,169.20
Lease revenue	<u>4,326,505.96</u>	<u>2,750,586.94</u>
	<u>486,757,300.91</u>	<u>357,820,756.14</u>

Breakdown of operating revenue arising from contracts with customers is as follows:

2021

Reporting segments	Total
Principal place of business	
Mainland China	214,959,492.22
Other regions	<u>267,471,302.73</u>
	<u>482,430,794.95</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**4. Operating revenue and costs (cont'd)**

Breakdown of operating revenue arising from contracts with customers is as follows: (cont'd)

2021 (cont'd)

Principal product type	
Goods	384,634,428.23
Services	59,271,971.21
Interest income	30,955,048.35
Others	<u>7,569,347.16</u>
	<u>482,430,794.95</u>

By revenue recognition time

Revenue recognition at a point of time	392,203,775.39
Sale of goods	384,634,428.23
Others	7,569,347.16
Revenue recognition for a period of time	90,227,019.56
Rendering of services	59,271,971.21
Interest income	30,955,048.35

XV. Notes to Major Items in the Company Financial Statements (cont'd)

4. Operating revenue and costs (cont'd)

Revenue recognized in the period included in the book value of contractual liabilities at the beginning of year is as follows:

	2021
Advances on sales	<u>22,116,154.74</u>

The Company's information about contractual performance obligations is as follows:

Sale of manufactured goods

Contractual performance obligations are fulfilled when delivering manufactured goods to customers, and normally the payment in advance for some customers are needed.

Rendering of services

Contractual performance obligations are fulfilled during the rendering of services.

The expected time for recognizing in revenue the total transaction price allocated to outstanding (or partly outstanding) contractual performance obligations as at the period-end is as follows:

	2021	2020
Within 1 year	<u>21,697,782.14</u>	<u>22,116,154.74</u>

5. Investment income

	2021	2020
Dividends under cost method	18,992,000.00	58,868,681.95
Income from disposal of long-term equity investments	21,681,323.17	-
Income from financial assets held for trading	13,531,732.69	50,739,231.14
Income from long-term equity investments measured at equity method	<u>3,880,256.70</u>	<u>2,889,349.81</u>
	<u>58,085,312.56</u>	<u>112,497,262.90</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**6. Major transactions between the Company and related parties**

- (1) Transaction of goods and services with related parties

Purchases of goods and services from related parties

		2021	2020
Fosber Group	Purchases of goods	4,134.82	5,055.07
Italy EDF	Purchases of goods	1,423,463.44	1,368,331.66
		<u>1,427,598.26</u>	<u>1,373,386.73</u>

Sales of goods and services to related parties

	Nature of transaction	2021	2020
Sales of goods			
Dongfang Precision (HK)	Sales of goods	104,120,103.27	90,284,263.88
Dongfang Precision (Netherland)	Sales of goods	34,585,113.86	48,316,946.34
Fosber ASIA	Sales of goods	7,016,887.07	3,737,965.90
Italy EDF	Sales of goods	8,028,881.97	7,827,461.53
		<u>153,750,986.17</u>	<u>150,166,637.65</u>
Rendering of services			
Hainan Yineng	Rendering of services	45,999,823.31	-
Fosber ASIA	Rendering of services	4,297,934.53	2,636,301.22
Italy EDF	Rendering of services	631,728.39	-
Fosber ASIA	Rendering of services	246,169.29	3,088,035.44
Yinglian Digital	Rendering of services	105,216.14	-
Digicom Guangdong	Rendering of services	9,312.91	-
		<u>51,344,849.78</u>	<u>5,724,336.66</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**6. Major transactions between the Company and related parties (cont'd)**

- (2) Interest income of related parties

	Nature of transaction	2021	2020
Hainan Yineng	Interest income	30,593,754.97	-
Yinglian Digital	Interest income	227,996.66	-
Dongfang Digicom	Interest income	56,624.19	-
Digicom Guangdong	Interest income	76,672.53	-

30,955,048.35 -

– (3) Interest expenses of related parties

	Nature of transaction	2021	2020
Dongfang Precision (Netherland)	Interest expenses	<u>605,927.88</u>	-

– (4) Lending to and borrowing from related parties

Borrowing from related parties

2021

	Borrowing amount	Start date	End date
Hainan Yineng	50,000,000.00	2021/10/29	2021/12/1
Hainan Yineng	50,000,000.00	2021/11/24	2021/12/1
Hainan Yineng	50,000,000.00	2021/11/24	2022/2/10
Dongfang Precision (Netherland)	88,751,250.00	2021/5/7	2022/5/6
Dongfang Precision (Netherland)	1,548,180.00	2021/6/2	2022/6/1
Dongfang Precision (Netherland)	<u>773,152.06</u>	2021/3/3	2022/3/2
	<u>241,072,582.06</u>		

XV. Notes to Major Items in the Company Financial Statements (cont'd)

6. Major transactions between the Company and related parties (cont'd)

– (4) Lending to and borrowing from related parties(cont'd)

Lending to related parties

2021

	Lending amount	Start date	End date
Hainan Yineng	200,010,000.00	2021/1/7	2026/1/6
Hainan Yineng	100,000,000.00	2021/1/5	2026/1/4

Hainan Yineng	30,000,000.00	2021/3/16	2026/3/15
Hainan Yineng	64,500,000.00	2021/6/21	2026/6/20
Hainan Yineng	35,500,000.00	2021/7/5	2026/7/4
Foshan Yinglian	5,545,083.84	2021/12/10	2022/12/9
Foshan Yinglian	3,377,458.98	2021/8/4	2022/8/3
Foshan Yinglian	911,263.10	2021/10/15	2022/10/14
Foshan Yinglian	463,213.20	2021/4/15	2022/4/14
Foshan Yinglian	239,012.32	2021/6/21	2022/6/20
Foshan Yinglian	192,577.32	2021/12/8	2022/12/7
Foshan Yinglian	114,770.60	2021/8/18	2022/8/17
Foshan Yinglian	92,227.10	2021/8/12	2022/8/11
Foshan Yinglian	58,874.20	2021/12/10	2022/12/9
Dongfang Digicom	1,000,000.00	2021/7/14	2026/7/13
Dongfang Digicom	950,000.00	2021/11/12	2026/11/11
Dongfang Digicom	1,000,000.00	2021/12/24	2026/12/23
Digicom Guangdong	600,000.00	2021/7/14	2026/7/13
Digicom Guangdong	1,000,000.00	2021/9/10	2026/9/9
Digicom Guangdong	950,000.00	2021/11/12	2026/11/11
Digicom Guangdong	950,000.00	2021/11/24	2026/11/23
Digicom Guangdong	1,000,000.00	2021/12/24	2026/12/23
	448,454,480.66		

XV. Notes to Major Items in the Company Financial Statements (cont'd)

6. Major transactions between the Company and related parties (cont'd)

(5) Guarantees for related parties

Provision of guarantees for related parties

2021

	Amount of guarantee	Start date	End date	Having expired or not
Dongfang Precision (Netherland)	241,859,950.00	2020/6/29	2023/6/29	No
Dongfang Precision (Netherland)	177,604,620.00	2021/2/3	2022/2/3	No

2020

	Amount of guarantee	Start date	End date	Having expired or
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not

Dongfang Precision (Netherland)	273,542,500.00	2017/8/10	2020/8/17	Yes
Dongfang Precision (Netherland)	360,162,000.00	2020/3/16	2021/2/18	No
Dongfang Precision (Netherland)	268,837,500.00	2020/6/30	2023/6/29	No

7. Balances of amounts due from related parties

(1) Accounts receivable

	2021		2020	
	Gross amount	Allowance	Gross amount	Allowance
Dongfang Precision (HK)	77,716,283.13	-	72,788,759.87	-
Dongfang Precision	33,917,508.35	-	45,490,692.42	-
Italy EDF	2,666,531.33	-	-	-
Fosber ASIA	1,934,399.54	-	849,666.09	-
Yinglian Digital	778,894.24	-	660,000.00	-
	<u>117,013,616.59</u>	<u>-</u>	<u>119,789,118.38</u>	<u>-</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)

7. Balances of amounts due from related parties (cont'd)

(2) Other receivables

	2021		2020	
	Gross amount	Allowance	Gross amount	Allowance
Hainan Yineng	412,234,185.81	-	-	-
Yinglian Digital	15,156,527.09	-	237,912.63	-
Digicom Guangdong	4,704,601.17	-	-	-
Dongfang Digicom	3,065,170.33	-	-	-
Shunyi Investment	1,698,000.00	-	1,698,000.00	-
Suzhou High-Tech Zone Jinqian	903,000.00	-	-	-
Fosber ASIA	447,649.04	-	2,479,766.39	-
Dongfang Precision	13,854.53	-	11,970,591.46	-
	<u>438,222,987.97</u>	<u>-</u>	<u>16,386,270.48</u>	<u>-</u>

Except the borrowings receivable from related parties, all receivables from related parties are non-interest bearing, unsecured, and have no fixed repayment period.

XV. Notes to Major Items in the Company Financial Statements (cont'd)**8. Balances of amounts due to related parties**

(1) Accounts payable

	2021	2020
Italy EDF	88,980.71	-
Dongfang Precision (Netherland)	46,755.18	-
Dongfang Precision (HK)	5,852.89	-
Fosber Group	-	19,745.16
	<u>141,588.78</u>	<u>19,745.16</u>

(2) Other payables

	2021	2020
Dongfang Precision (Netherland)	91,664,646.54	12,129.71
Hainan Yineng	50,000,000.00	-
Fosber ASIA	1,138,167.89	-
Yinglian Digital	11,020.46	28,313.20
Italy EDF	-	5,956,620.45
Dongfang Precision (HK)	-	3,947,502.90
Fosber Group	-	363,915.30
	<u>142,813,834.89</u>	<u>10,308,481.56</u>

Except the borrowings receivable from related parties, all payables to related parties are non-interest bearing, unsecured, and have no fixed repayment period.

1. Schedule of exceptional gains and losses

	2021
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	(65,995.13)
Government grants through profit or loss	14,700,007.84
Gain or loss on fair-value changes on held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other debt investments	73,435,063.51
Non-operating income and expenses other than the above	<u>4,779,490.65</u>
Subtotal of non-recurring gain or loss	<u>92,848,566.87</u>
Income tax effects	<u>(6,017,410.70)</u>
Subtotal of non-recurring gain or loss, net of tax	<u>86,831,156.17</u>
Non-controlling interests effects (net of tax)	<u>(303,722.38)</u>
	<u><u>86,527,428.79</u></u>

2. Return on equity (ROE) and earnings per share (EPS)

2021

	<u>Weighted average ROE (%)</u>	<u>EPS</u>	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	11.72	0.35	0.35
Net profit attributable to ordinary shareholders of the Company before exceptional gains and losses	9.55	0.29	0.28

2020

	<u>Weighted average ROE (%)</u>	<u>EPS</u>	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6.20	0.26	0.26
Net profit attributable to ordinary shareholders of the Company before exceptional gains and losses	4.10	0.18	0.18