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SAURER.

Annual report 2020

SAURER.

2020
Annual report

Disclaimer

Parts of the Saurer Annual Report 2020 have been translated into English. Please note that the Chinese-language version of the Saurer Annual Report is the binding version.

Caution concerning forward-looking statements
This report contains forward-looking statements. These forward-looking statements reflect the views of the management of Saurer Intelligent Technology Co. Ltd as of the date of publication. The forward-looking statements may involve risks and uncertainties, including technological advances, product demand and market acceptance, the effect of economic conditions, the impact of competitive products and pricing, foreign currency exchange rates, changes in legal requirements, political measures and other risks. All of these forward-looking statements are based on estimates and assumptions made by the Saurer management and are believed to be reasonable, but are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements. Saurer disclaims any intention or obligation to update these forward-looking statements because of new information, future events or otherwise. It should also be noted that past performance is not a guide to future performance.

Letter from the Chairman and CEO

Pan Xueping
Chairman and CEO

2020 will forever be synonymous with the Covid-19 pandemic. This event had far-reaching personal and economic repercussions across the world. Saurer, too, was deeply affected, with the Company's resilience and flexibility being put to the test. We look to a brighter future with optimism.

Once the sheer scale of the pandemic became clear – as supply chains were interrupted and lockdowns came into force – we knew that Saurer to take its duty to its customers and employees more seriously than ever before.

Taking fast and decisive action during the crisis
Ensuring that our employees remained safe and healthy was our top priority. Across our locations, this meant introducing strict hygiene measures, swing shifts, and, where possible, work-from-home policies. Short-time working also became a reality for many of our employees. Despite these unfamiliar working conditions, our employees coped well and continued perform exceptionally.

The teams who worked on customers sites during this time also deserve special mention. Following strict hygiene protocols, these dedicated employees ensured that new assemblies were completed and the necessary service provided, seeing to it that our customers could start production as soon as it was feasible. In other cases, our service personnel turned to digital technology to assist customers via video call.

In the first quarter, as it became more challenging to move freight, our original parts teams took quick action to keep local original parts warehouses around the world stocked. This way, we ensured that important and critical parts, particularly consumables, were available locally in sufficient quantities.

As it is unusual for textile mills to be at a standstill for prolonged periods, we made sure to provide our customers with special guidelines on how to stop the machines and then restart them safely. The parts teams supplied customers with all the necessary components they would need to resume operations.

Financials 2020
The pandemic had a huge negative impact on many industries, with the textile sector under massive pressure. Saurer achieved revenues for the full year 2020 of RMB 4.85 billion, a year-on-year (YoY) decline of 43.4 % (2019: RMB 8.58 billion). Clothing manufacturers saw a sharp decline in orders, which dealt a blow to upstream activities; the resulting uncertainty caused Saurer customers to postpone orders. Net profit attributable to shareholders amounted to RMB −561.458 million, −192.2 % compared with last year (2019: RMB 609 million). The Spinning Segment recorded an operating revenue of RMB 3.86 billion (−47.2 % YoY). Revenue for the Technologies Segment was RMB 1.02 billion (−23.3 % YoY). While sales declined in the majority of markets in which Saurer is active, the operating revenue in Turkey increased by 119.9 % YoY.

Looking to the future
In 2021, the textile industry is already beginning to show signs of recovery. As the global economy begins to return to normal, we will continue develop our intelligent solutions for the entire value chain, taking customers' competitive advantage to new heights with our intelligent solutions and services in the industry.

Acknowledgements
On behalf of the Board of Directors and the Group Management, we would like to thank all our employees, who gave their best under incredibly tough conditions. To our customers, suppliers and business partners: it has been a privilege to stand by your side over the past months. We will continue to support you in any way we can as the world recovers. Our shareholders remain indispensable and we would like to express our sincere gratitude for putting their trust in Saurer.

Arbon/Shanghai, 30 June 2021

Pan Xueping
Chairman and CEO

Automatic and autonomous: the Saurer Robot AGV handles and transports cylindrical and conical cross-wound packages.

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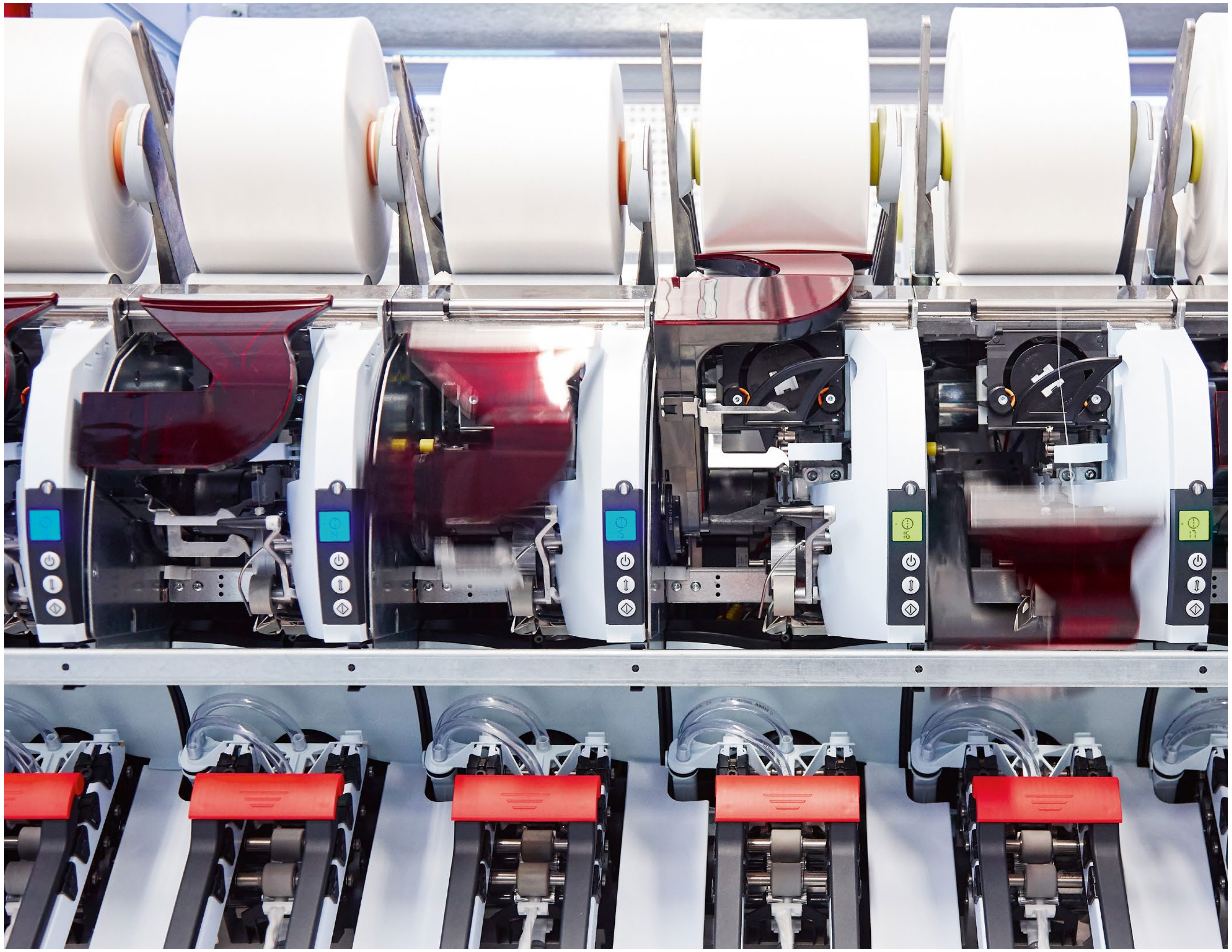


We power our customers' success.

Introduction

At Saurer, we put the customer first. Driven by the passion for the textile machinery, we provide smart, fit-for-purpose solutions that empower our customers to achieve their individual business goals. We deliver value. This philosophy is the foundation to all our designs – from lower energy consumption and greater economy to ergonomics and intelligent technologies.

We support pioneers

We aim to make our products as energy efficient as possible. Aside from decreasing our clients' energy costs, this approach allows our clients to sustainably address the shared reality of the climate challenges the world faces.

Established in 1980, AVS Tekstil produces 7000 tons of yarn per year for leading brands in Turkey and around the world. The company plays an important role in sustainability by converting cotton and synthetic textile waste into yarns. In a radical step, AVS Tekstil decided to upgrade its pre-spinning machines to the JSC 328A carding machine, ultimately convinced by the machine's low energy consumption and high efficiency.

Discover the unique benefits of the Saurer JSC 328A carding machine.

"JSC 328A's autolevelling and nep-removal qualities are excellent and operate continuously with high efficiency."

7000 tons of yarn produced yearly

20+ countries served worldwide

"We closely monitor new technologies. Saurer's machines consistently elevate our processes."

58 number of carding machines purchased

Ali Yangıncı
CEO and shareholder
AVS Tekstil, Turkey

We offer full control

Through cutting-edge research and development, we boost our clients' flexibility in the use of our machinery – improving their versatility, increasing output and saving on raw material – ultimately raising their profitability.

Service Thread is a global leader in developing and manufacturing engineered yarns and threads that match industrial demands. Based in Laurinburg, North Carolina, they continuously go out of their way to advance the industry with innovative and specific client solutions. Here, our TechnoCorder TC2 has enabled them to flexibly adapt to their customers' processing and design challenges.

Ultimate flexibility and enhanced ergonomics – setting standards with the TC2.

"The versatility of Saurer's machines has helped us become more competitive, allowing us to take on new challenges – at a moment's notice."

100s of products cycle through the TC2

100+ stock keeping units produced

"With the Saurer TechnoCorder TC2 our team provides higher-quality products to our expanding customer base."

+20% revenue growth in 2021

Jay Todd
CEO
Service Thread, USA

We deliver greater profitability

As solution provider, we increase our customers' profitability with pioneering research and development. High reliability with low maintenance and reduced energy consumption even at high production levels result in best-in-class price/performance ratio.

GRG Group, based in Anjar in Western India, is one of the country's fastest-growing and modern textile companies. In the twisting process, power is the biggest cost factor. This led the company to purchase 43 FusionTwisters in 2016. Convinced that they had made the right decision based on the machine's low energy consumption, the group doubled down and came back for an additional order of 53 twisting machines to boost their expansion ambitions in 2021.

Our two-for-one twisting machine FusionTwister sets new standards in performance. Discover how.

"The cost-efficient production processes far outweigh the investment cost."

15%
power savings

85
tons of yarn produced daily

"Saurer promised the lowest energy consumption in its field, which has since been proven time and again in our production."

10%
higher production speed compared with competition

Dr Rakesh Sharma
Group CFO
GRG Cotspin Ltd India

Mr Dilip Kulkarni
Vice President-Operation
GRG Cotspin Ltd India

We automate material flow

Increasingly, our machines are becoming smarter, reducing the need for human involvement. With 30 years of experience in transport systems, we design automation elements tailored to seamlessly integrate into our customers' processes.

Founded only in 2017, Bakan Tex has grown rapidly, building on clever management and the most modern automation. This forward-thinking company ascribes its success to automation technology and strict quality controls from the fibre right up to the final package.

See our FixFlow bobbin transport system in action at Bakan Tex.

"With this increase on a technical and technological level we ensure maximum production efficiency."

450
staff

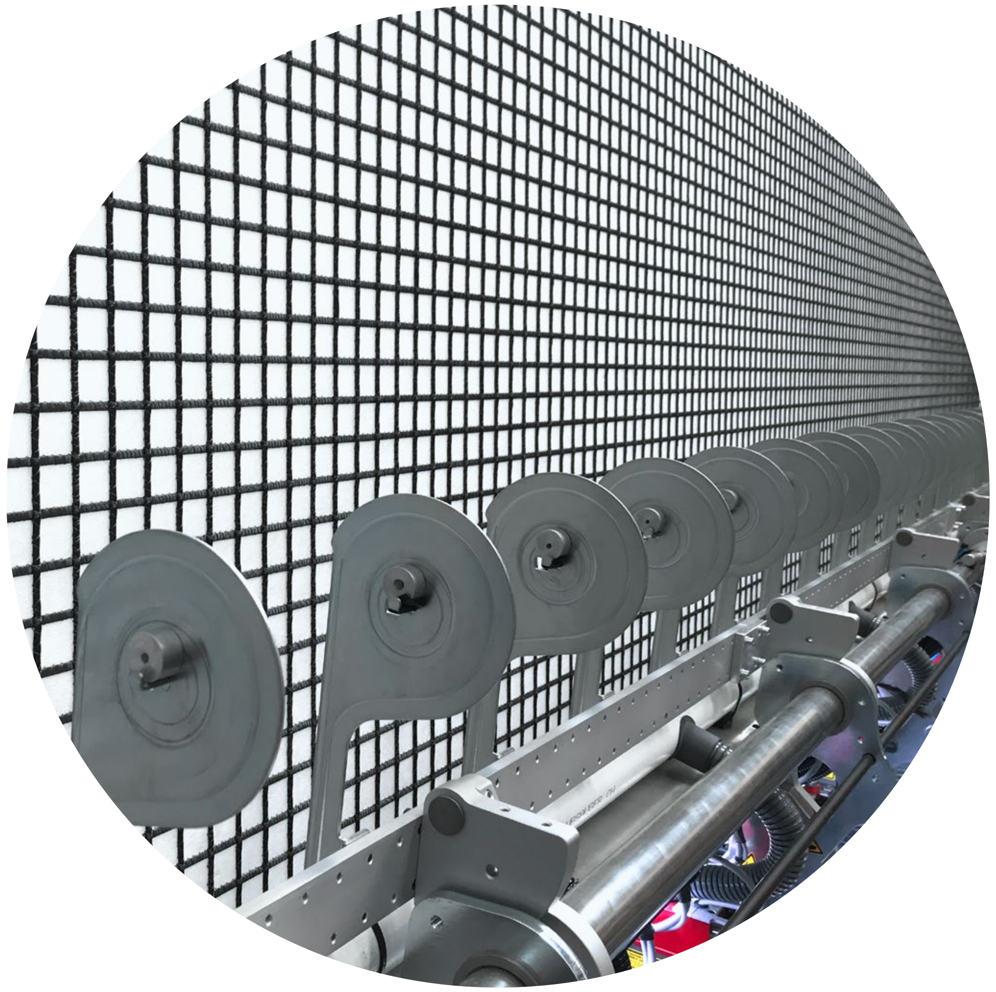
63 360
spindles

"The FixFlow bobbin transport system reduces manual tasks and allows staff to carry out quality assurance more thoroughly."

41
tons of cotton yarn produced daily

Botir Muxitdinov
Commercial Manager
Bakan Tex, Uzbekistan

We lead the edge



Adapted to the highly dynamic development of the international textile market, we provide tailor-made solutions. Our almost 500 R&D employees worldwide turn us into an innovative powerhouse – with an impact far beyond our industry.

Despite the interplay of embroidery machine and manual work, which has proven itself over centuries, Austrian family business Hämmerle Stickerei decided to invest in a cutting-edge, computer-controlled machine park, leading the digitisation of textiles into the future. Building on the innovative embroidery system Epoca, their efforts in carbon embroidery for the construction industry have since effectively rendered them a pioneer in their field.

Discover the opportunities that the Epoca machine family offers innovative industries.

"As a family business, we are specialists and particularly proud of our almost limitless flexibility and innovative spirit, uniquely endorsed by our partnership with Saurer."

100 000
metres of carbon embroidered monthly

"Saurer's machines empower our tireless drive to rethink the uses of embroidery in the future."

5
employees

Harald Hämmerle
CEO
Hämmerle Stickerei GmbH, Austria

We go above and beyond

Momentum knows no boundaries. That's why we develop our intelligent, forward thinking and inspiring technologies with one singular objective in mind – to enable our customers to pursue new chapters in high efficiency and output.

Fujian Shunyuan Textile, founded in April 2011, is located in the Fujian Province of China. About 320 000 spindles make it the largest enterprise in the region's spinning industry. Constantly pioneering developments, the company produces high quality yarn products – increasing its production and efficiency with Saurer's full-line solutions from bale to package.

Discover how we empower our customers' businesses with customised full-liner solutions.

"Thanks to Saurer's dedicated service personnel, we could resume normal production before the market recovered."

320 000
spindles

"With Saurer innovations, we have started a new chapter in high efficiency and output."

95%
of in-house demand covered

Jiang Honglian
Chief Engineer
Fujian Shunyuan Textile, China

Important notes

1. **The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of Saurer Intelligent Technology Co. Ltd ("the Company"), hereby confirm that the contents of this Annual Report are true, accurate and complete, and are free from any false representations, misleading statements or material omissions. The aforementioned parties are individually and collectively responsible for the information contained herein.**

2. **All members of the Board of Directors attended the board meeting to review this Annual Report.**

3. **BDO China Shu Lun Pan Certified Public Accountants LLP presented the Company with a standard, unqualified Auditor's Report.**

4. **Pan Xueping, the Chairman of the Board of Directors, and Lu Yimin, Chief Financial Officer and accountant in charge, confirm the truthfulness, accuracy and completeness of the financial statements in this Annual Report.**

5. **Proposed profit distribution and capital reserve plan for the reporting period, as reviewed by the Board of Directors.**

   According to the Articles of Association and the relevant laws and regulations, and in consideration of the Company's financing needs for the development of its business and other factors, the Board of Directors has reviewed and approved the following profit distribution plan for 2020:

   Pursuant to Article 8 of the Regulations on the Repurchase of Shares of Listed Companies on the Shanghai Stock Exchange, "any amount of shares repurchased by listed companies with a cash consideration by way of centralised bidding or offer in a given year shall be treated as cash dividends and calculated as a percentage of the cash dividends for the year". In 2020, the Company's repurchase of shares by way of centralised bidding amounted to RMB 491 079 068.42 and was treated as cash dividends.

   The audit performed by BDO China Shu Lun Pan Certified Public Accountants LLP confirmed that the Company's 2020 consolidated statement showed a net loss of RMB 671 542 000. Article 155 of the Articles of Association stipulates that "the Company may not distribute cash dividends under any of the following circumstances: 1. The consolidated statements or parent company's statements show that no profits were generated for the year".

   In conclusion, the Company does not intend to distribute profits or capitalise its capital reserve in order to enhance the Company's financial stability and ability to withstand risks, guarantee the funding needs for its future production and operations, and safeguard the long-term interests of all shareholders. The profit distribution plan is subject to consideration at the shareholders' meeting.

6. **Disclaimer with respect to forward-looking statements**
   None of the forward-looking statements contained in this report, such as the development strategies or future business plans, constitute a commitment by the Company to investors. Investors are advised to be aware that investments involve risks.

7. **Material risk warnings**
   The Company's material risk warnings are detailed in "Company's Future Development" under Section 4, "Discussion and Analysis of Operations". Investors are advised that investments involve risks.

1. Definitions

1 Definitions

The following terms in this report shall have the meanings as shown unless indicated otherwise:

Definitions of regularly used terms

Saurer Intelligent, the Company, this Company and the Listed Company	Refers to	Saurer Intelligent Technology Co. Ltd
Jinsheng Industrial	Refers to	Jiangsu Jinsheng Industry Co. Ltd
State-owned Assets Company	Refers to	Urumqi State-owned Assets Management (Group) Co. Ltd
CDBC	Refers to	China Development Bank Capital Co. Ltd
Kimble	Refers to	Changzhou Kimble Investment Partnership (L.P.)
Jiangsu Huatai	Refers to	Jiangsu Huatai Strategic Emerging Industry Investment Fund (L.P.)
Hehe Investment	Refers to	Changzhou Hehe Investment Partnership (L.P.)
Shenzhen Longding	Refers to	Shenzhen Longding Shuming Equity Investment Partnership (L.P.)
China Advanced Manufacturing Fund	Refers to	China Advanced Manufacturing Industry Investment Fund (L.P.)
Huashan Investment	Refers to	Huashan Investment Co. Ltd
Shanghai Yongjun	Refers to	Shanghai Yongjun Equity Investment Partnership (L.P.)
Ningbo Yukang	Refers to	Ningbo Yukang Equity Investment Centre (L.P.)
Tibet Jiaze	Refers to	Tibet Jiaze Venture Capital Co. Ltd
Hezhong Investment	Refers to	Changzhou Hezhong Investment Partnership (L.P.)
Shanghai Jinye	Refers to	Shanghai Jinye Venture Capital Partnership (L.P.), formerly known as Shanghai Jinye Equity Investment Partnership (L.P.)
Shanghai Hongcheng	Refers to	Shanghai Hongcheng Venture Capital Partnership (L.P.), formerly known as Shanghai Hongcheng Equity Investment Partnership (L.P.)
Beijing Zhongtai	Refers to	Beijing Zhongtai Financial Investment Co. Ltd
Nanjing Daofeng	Refers to	Nanjing Daofeng Investment Management Centre (general partnership)
Saurer Intelligent Machinery	Refers to	Saurer Intelligent Machinery Co. Ltd
Saurer Germany	Refers to	Saurer Spinning Solutions GmbH & Co. KG
Saurer Technologies	Refers to	Saurer Technologies GmbH & Co. KG
Saurer Switzerland	Refers to	SAURER AG
Saurer Switzerland Technology	Refers to	Saurer Intelligent Technology AG
Saurer Jiangsu	Refers to	Saurer (Jiangsu) Textile Machinery Co. Ltd
Saurer Changzhou	Refers to	Saurer (Changzhou) Textile Machinery Co. Ltd
Saurer Xinjiang	Refers to	Saurer Xinjiang Intelligent Machinery Co. Ltd
E^3 + I	Refers to	Energy, Economics, Ergonomics, Intelligence
BDO	Refers to	BDO China Shu Lun Pan Certified Public Accountants LLP
PwC	Refers to	PwC China (special general partnership)
CSRC	Refers to	China Securities Regulatory Commission

2. Company profile and financial summary

1 Company information

Chinese name	卓郎智能技术股份有限公司
Chinese abbreviation	卓郎智能
English name	Saurer Intelligent Technology Co. Ltd
English abbreviation	Saurer Intelligent
Legal representative	Pan Xueping

2 Contact person and contact information

	Secretary to the Board of Directors	Representative of Securities Affairs
Name	Zeng Zhengping	An Ning
Address	Hongqiao The Place, 100 Zunyi Road, Changning District, Shanghai	Hongqiao The Place, 100 Zunyi Road, Changning District, Shanghai
Tel.	021–22262549	021–22262549
Fax	021–22262586	021–22262586
Email	dlu-china-ir@saurer.com	dlu-china-ir@saurer.com

3 Basic profile

Registered address	Room 1505, Weitai Building, 1 Weitai South Road, Economic and Technological Development Zone, Urumqi, Xinjiang
Zip code	830026
Office address	1 Bainiaohu, Toutunhe District, Urumqi, Xinjiang
Zip code	830022
Company website	www.saurer.com
Email	dlu-china-ir@saurer.com

4 Information disclosure and place of collection

Designated media for disclosure of the Company's information	Securities Times, Securities Daily and Shanghai Securities News
Website designated by the CSRC for publishing the Annual Report	http://www.sse.com.cn/
Place of collection of Annual Report	Office of the Board of Directors

5 Information on the Company's shares

Shares of the Company

Type of shares	Place of listing	Stock abbreviation	Stock code	Stock abbreviation before change
A shares	Shanghai Stock Exchange (SSE)	Saurer Intelligent	600545	Xinjiang Urban Construction

6 Other relevant information

Accounting firm (Mainland China) engaged by the Company	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Office address	4/F, 61 East Nanjing Road, Huangpu District, Shanghai
	Signing accountants	Wang Bin, Yan Shenghui
Sponsor performing continuous supervision duties in the reporting period	Name	ZTF Securities Co. Ltd
	Office address	50/F, China Chuneng Building, Nanshan District, Shenzhen
	Authorised sponsor representatives	Chang Jiang, Chen Huawei
	Continuous supervision period	28 July 2017 – 31 December 2020

7 Major accounting data and financial indicators of the Company for the last three years

(1) Major accounting data

Major accounting data	2020	2019	Change YoY (%)	2018
Revenue	4 849 549	8 575 309	−43.4	9 220 759
Operating revenue minus unrelated business income and other income of a non-commercial nature	4 846 970	–	–	–
Net profit attributable to shareholders of the Listed Company	−561 458	608 934	−192.2	810 294
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	−491 218	649 356	−175.6	767 381
Net cash flow from operating activities	−1 092 621	−252 733	N/A	−1 042 763

	Year-end 2020	Year-end 2019	Change YoY (%)	Year-end 2018
Net assets attributable to shareholders of the Listed Company	3 934 982	4 942 804	−20.4	4 653 156
Total assets	12 846 342	13 203 971	−2.7	14 415 706

Unit: thousand RMB

(2) Major financial indicators

Major financial indicators	2020	2019	Change YoY (%)	2018
Basic earnings per share (yuan/share)	−0.3043	0.3218	−194.6	0.4275
Diluted earnings per share (yuan/share)	−0.3043	0.3218	−194.6	0.4275
Basic earnings per share after deducting non-recurring gains and losses (yuan/share)	−0.2662	0.3432	−177.6	0.4049
Weighted average return on equity (%)	−12.49	12.69	−25.18 pts	30.58
Weighted average return on equity after deducting non-recurring gains and losses (%)	−10.93	13.53	−24.46 pts	28.96

Unit: thousand RMB

8 Major financial data for each quarter in 2020

	Q1 (Jan. – Mar.)	Q2 (Apr. – Jun.)	Q3 (Jul. – Sep.)	Q4 (Oct. – Dec.)
Revenue	1 162 953	1 084 118	1 423 330	1 179 148
Net profit attributable to shareholders of the Listed Company	−48 170	−62 597	−22 859	−427 832
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	−47 128	−63 611	−21 268	−359 211
Net cash flow from operating activities	−1 243 307	1 194 480	−392 964	−650 830

Unit: thousand RMB

9 Items and amounts of non-recurring gains and losses

Non-recurring gains and losses	2020	Note (if applicable)	2019	2018
Income and losses arising from the disposal of non-current assets	−2 693		138	148
Government subsidies included in the profit and loss for the reporting period, except those that are closely related to normal operating activities and continuously received based on a certain quota or in a certain quantity as stipulated under national policies	3 246		27 519	46 305
Capital occupancy fees charged to non-financial enterprises and included in the profit and loss for the reporting period			11 325	5 353
Expected employee severance expenses and other costs resulting from the restructuring of operations outside China	−117 840	Employee severance expenses arising from the consolidation of business outside China	−115 480	
Other non-operating income and expenditures other than the above	−3 664		1 031	−640
Other items that meet the definition of non-recurring gains and losses	0		0	0
Amounts attributable to minority shareholders	16 857		9 685	0
Income tax effects	33 854		25 360	−8 253
	−70 240		−40 422	42 913

Unit: thousand RMB

10 Items using fair value measurement

Item	Opening balance	Closing balance	Change in 2020	Amount affecting balance in 2020
Financial assets held for trading	6 310	14 008	7 698	0
Financial liabilities held for trading	10 478	11 132	654	0
Financing receivables	7 025	159 055	152 030	0
	23 813	184 195	160 382	0

Unit: thousand RMB

3. Business overview

1 Main business, operating model and core competencies

Saurer is a global leader in high-end textile equipment and solutions with over 160 years of history. Its business focuses mainly on the R&D, production and sales of intelligent textile equipment and their key components. The Company has a history of creating innovation: its strategic partnerships with other textile machinery companies enable it to deliver a suite of solutions. Through market insight, innovation and partnership, Saurer has become one of the few suppliers in the staple fibre processing industry that offers blowing machines, cotton carding machines, roving frames, ring-spinning, fully automated rotor-spinning as well as air-spinning machines, winding machines, cabling, twisting and two-for-one twisting machines. The Company has production sites and sales organisations in 13 countries and regions, including China, Germany, Switzerland and India, and its customers are spread across 130 countries. All its key products have significant competitive advantages and are in leading positions in the global textile market.

(1) Main business

Saurer is divided into two business segments: Spinning Solutions and Technologies. A third segment, Data and Services, is in development.

(a) Spinning Solutions
Saurer Spinning Solutions provides customers with a suite of solutions required for processing fibre from bale to yarn, including pre-spinning, ring-, rotor- and air-spinning machines as well as winding machines and their key components. Its flagship products include the Autocoro, the Autoconer and the ring-spinning machines ZR 72XL and ZI 72XL.

(b) Technologies
With its Twisting Solutions, Embroidery, Elastomer Components and Engineered Bearing Solutions business units, the Technologies segment concentrates on high-value-added technologies, components and solutions in the textile manufacturing process for staple as well as man-made fibres. It also specialises in technological innovations that go beyond textile. Flagship products include the GlassTwister VGT 9/11, the CableCorder CC5 for tire cord and the Epoca 7 pro shuttle embroidery machine.

(c) Strategic business development initiative: Data and Services
The rapid development of the industrial Internet and intelligent manufacturing trends have inspired the Company to utilise its integration capabilities and influence throughout the textile industry to establish a Data and Services business together with leading companies in the digital industry. By leveraging improvements in the digitisation of textile machinery equipment and employing 5G, AI, Internet of Things, Big Data, cloud computing and other new technologies, Saurer has moved from the intelligent optimisation of single devices to the digital management of textile factories. To enable platform-based management solutions for smart factories, Saurer has now created three closed loops that comprehensively empower the evolution of the textile industry ecosystem:

(i) Closed loop for optimising the operation of machines and equipment. This loop uses the real-time perception of machine operation data, and production link data and edge computing to dynamically optimise and adjust machinery and equipment, thereby building intelligent machinery and flexible production lines;

(ii) Closed loop for optimising production and operations. This loop uses the integrated processing of product quality data, manufacturing execution system data, control system data and big data modelling and analysis to dynamically optimise and adjust production, operations and management, thereby creating intelligent production models for different scenarios;

(iii) Closed loop for optimising enterprise collaboration, user interaction, and products and services. This loop uses the comprehensive integration and analysis of supply chain data, user demand data, and product and service data to achieve innovation in terms of the organisation of enterprise resources and business activities, thereby creating networked collaboration, personalised customisation, service-oriented expansion and other new models.

(2) Business model

Throughout its long history, Saurer has established a unique pattern of adapting to market developments by repositioning its R&D, production and procurement, product portfolio, assembly and integration, and sales and service organisation according to customer needs.

(a) R&D model
Saurer has a specialised product R&D department that undertakes both standard and customised projects and has set up R&D centres in China, Germany and Switzerland. Saurer's R&D follows a specific workflow, adhering to its "E^3 + I" concept, which focuses on improving product performance in terms of Energy, Economy, and Ergonomics, plus Intelligence. First, product management together with the sales and after-sales service departments gather and sort information on customer needs. Product management then defines the product requirements according to the customer's needs. Interdisciplinary development teams, led by professional project managers, are responsible for setting up product development projects. A prototype for the new product is created, taking into account technical requirements and E^3 + I parameters as well as the required customer features. Once the technology has taken shape, the product enters several production and market testing stages. The entire product development process is a closed-loop, iterative process aimed at continuous improvement.

(b) Production and procurement model
Saurer implements order-based (make to order) production. The offering is designed according to customer-specific requirements.

The procurement process required for the key parts, and the control and information systems for each modular assembly, are performed independently within the Company. Standard parts are acquired by the procurement department from qualified suppliers.

(c) Assembly and integration model
Once the key components have been produced or procured, Saurer completes the assembly and integration of stand-alone machines and equipment and of entire production lines prior to final testing and acceptance. Specialised stand-alone machines and equipment are assembled and integrated at Saurer, while the pre-acceptance assembly and integration of complete production lines is completed at the customer's site. Final acceptance testing is then performed in strict compliance with the design specifications. Passing final acceptance indicates that Saurer's product meets the requirements of the technical specifications, the agreement and tender documents.

(d) Sales
Saurer employs two sales models, depending on the size of the market. In larger markets, Saurer uses a direct sales model for market development. In relatively small-scale markets or those with a low concentration of customers, Saurer generally chooses to work with a distributor.

(3) State of the industry
Due to factors such as the global economic situation, repeated trade friction, and increasing investment uncertainties, the pressure on the profitability of the textile industry increased significantly in 2020. There is also ongoing pressure on most sections of the global supply chains.

2 Core competencies

Throughout its long history of innovation, Saurer has always been a pioneer in the textile machinery industry. Saurer's R&D teams are a driving force for development in the textile industry. At present, the Company has more than 500 R&D personnel worldwide and has registered more than 1100 patents. Based on its outstanding innovative ability, Saurer has become one of the few suppliers in the staple fibre processing industry capable of providing solutions from bale to yarn, including blowing machines, carding machines, roving frames, ring-spinning machines, winding machines, twisting machines, two-for-one twisting machines, and fully automatic rotor-spinning machines.

(1) Unique "E³ + I" philosophy
Committed to the "E³ + I" philosophy, Saurer's R&D departments always put customer needs first, and carefully design product solutions for customers to help them save energy, improve economic efficiency, conform to ergonomics and integrate intelligent technology.

(2) Competing through technological innovation
The rapid growth of the 5G industry is driving the development of glass filament applications. For example, the expansion of 5G base stations requires reinforced glass filament materials with a lightweight structure; the printed circuit boards (PCBs) of 5G smart phones are made from electronic-grade glass filament, which requires the smallest of PCBs to carry more data streams and achieve the multifunctionality of mobile phones.

The CakeFormingWinder (CFW) and VGT ring twister from Saurer achieve the optimised processing and production of high-quality, electronic-grade glass filament to meet the needs of these base materials. The creative solutions and technological innovations of the VGT8/9 product portfolio, as well as the applicability of VGT8 to ultra-fine yarns, represent the latest developments in the glass filament industry and enable our customers to stand at the forefront of market development.

(3) Competing on the strength of the Saurer brand
For over 160 years, Saurer's engineering experience has been a driving force for innovation in the textile industry. The continuous development of the Company's core competencies provides customers with optimal solutions to meet their needs. Saurer plays a key role at many stages along the textile value chain. Through insight, innovation and partnerships, Saurer solutions lead the industry in spinning technology as well as high-quality threading and cabling systems for tire cords, carpet yarns and glass-filament yarns. Saurer is a technology leader in embroidery machines and textile machine components for spinning and twisting, including drafting systems, spindles and spindle drives, and rings and travellers. Beyond textile, the Saurer reputation for expertise extends to glass-forming aprons and special bearings.

Saurer's strong standing and reputation are the Company's backbone for growth in international markets.

(4) Competing through combined local know-how and global reach
In 2013, Jinsheng Industrial acquired Saurer. As a Chinese enterprise, Saurer is beginning to demonstrate its significant advantages in terms of business development on the local market. China's plans for the textile industry have a profound impact on the development strategy of the Company. With its precise positioning, Saurer has obtained returns on its investments along the re-invigorated east-to-west trade route at the heart of the Belt and Road Initiative (BRI).

Saurer's competitiveness is strengthened further by its global reach in all major markets. Because a short response time is a key factor for success, Saurer has production sites as well as sales and service organisations in 13 countries, including Brazil, China, Germany, India, Mexico, Switzerland, Turkey and the US. It provides excellent service to its customers in over 130 countries worldwide.

4. Discussion and analysis of operations

1 Overview of operations

(1) Economic and industry conditions
The outbreak of the Covid-19 pandemic at the beginning of 2020 was a blow to the world economy, with global GDP falling by 4.3 % and developed economies shrinking by 5.6 % in 2020. With the exception of China, most countries experienced negative GDP growth over the year. The escalating friction between the US and China affected livelihoods and economies throughout the world, as did the deep recession of the world economy and the sharp decline in international trade and investment. In the first half of 2020 in particular, lockdown measures in various countries caused a large-scale economic shutdown, resulting in factory production downtime, disrupted supply chains and a surge in unemployment rates. This affected the global textile industry significantly.

According to data from the sixth survey of major global textile enterprises by the International Textile Manufacturers Federation (ITMF), the turnover of major global textile enterprises in 2020 decreased by 12 % on average as compared with 2019. China's textile industry also experienced a significant decline in 2020. According to data from the National Bureau of Statistics of China (NBS) the operating revenue of textile enterprises above a designated size in 2020 China amounted to RMB 4.51906 trillion, a decrease of 8.8 % YoY, which was 3.3 and 20.7 percentage points narrower than the previous three quarters and the January to February period, respectively. The total profits amounted to RMB 0.20647 trillion, representing a decrease of 6.4 % YoY, which was narrowed by 5.7 and 46.9 percentage points narrower than the previous three quarters and the January to February period, respectively. The operating revenue profit margin of textile enterprises above a designated size was 4.6 %, representing a significant improvement from 2.2 % at the beginning of the year and an increase of 0.2 percentage points over 2019. The restoration of productivity has improved the operational quality of textile enterprises since the beginning of 2020, but the pressure on their operations remains high.

In 2020, Saurer's operating revenue was RMB 4.85 billion due to the impact of the Covid-19 pandemic. The Company recorded a net loss attributable to shareholders of the Listed Company of RMB 560 million during the reporting period.

China saw a decrease in revenue of 50.2 % YoY, mainly due to the Covid-19 pandemic in early 2020, which affected the production schedule of the Company. Downstream customers were affected both by the pandemic and US-China trade frictions, which increased uncertainty in textile industry investment and caused customers around the world to delay their procurement activities. The exception to this pattern was Turkey, where revenue increased by 119.9 % YoY.

(2) Strategic and organisational change
This extraordinary year required a prudent and flexible response from Saurer. To reduce the impact of the Covid-19 pandemic on the Company, Saurer persistently focused on customer demands, driving technical innovations, and continuing to promote the steady development of the Company.

(a) Strategic business development initiative established
Based on the potential external opportunities faced by the Company and its internal core competitiveness, the Company formulated new development strategies and made corresponding adjustments to its internal organisational structure, establishing a strategic business development initiative for Data and Services on the basis of the existing Spinning Solutions Segment and the Technologies Segment. Details of these two segments and the strategic business development initiative are summarised as follows:

(i) Spinning Solutions: This segment continues to consolidate our main business of staple fibre equipment and improve the level of automation and digitalisation of the equipment.

(ii) Technologies: Based on the Company's expertise high-speed special bearings, electronic and industrial control systems and other special parts and specific industries, Saurer is further expanding into the vast market of the industrial automation sector. First, the Company intends to create a mature solution for industrial automation in the textile industry, and leverage its core advantages and competitiveness in bearings and automation and manufacturing robotics. Saurer's design and manufacturing capabilities for special parts enable it to expand its applications in other manufacturing fields and actively develop automation control solutions in the non-textile fields. The Company plans to further expand and strengthen its markets through connotative development and extensive cooperation in cross-application fields. Mergers and acquisitions will help achieve a synergistic effect and establish important fulcrums and core highlights in its industrial automation business.

(iii) Strategic business development initiative: Data and Services. Saurer is one of the few full-process equipment suppliers in the industry, and intends to leverage its natural advantages in data platform construction. In 2020, the Company continued to extend the capabilities of the Senses digital mill management system, which can collect and analyse production, quality and performance data from across the entire production process of a spinning mill. By connecting spinning machines to the quality control system, the system can achieve efficient real-time management of the factory and bring greater benefits to customers. At present, Senses has achieved third-party sales and use, and is recognised by customers. The mill management system is expected to create greater benefits for the Company in the future.

(b) Sales structure adjustments
The Company implemented major customer projects by focusing on high-margin products and maintaining orders to ensure steady performance growth. At the same time, it adopted precise and reasonable market strategies to enhance its comprehensive strength and market competitiveness. Among these, income from sales and services relating to Saurer's parts and accessories is a high-margin sector in its product structure. The key driving factors include Saurer's core business strategy, under which the Company will endeavour to transform itself from a manufacturer and seller of spinning machines to an intelligent textile solution provider, and strive to provide customers with high value-added, integrated solutions for intelligent, customised products.

Further, the Company launched a series of new products to seize a greater market share. In addition to the Autoairo air-spinning machine, which is about to open up a new market for Saurer, and the AutoBD, a freely upgradeable new concept rotor-spinning machine that can further expand existing markets, Saurer has also launched a new generation of its high-yield, intelligent, broad-width carding machine, Autocard. This machine offers a number of advantages, including reduced energy consumption by more than 20 % per ton of yarn, an 18 % increase in productivity, over 30 % in savings in maintenance expenses, and a guarantee of excellent card sliver quality. These products will serve as new significant sources of growth for Saurer in the future.

As all of Saurer's products are customised, Saurer has very limited inventories of products that are obsolete or in low demand. Going a step further, the Company has adopted an asset-light production mode that outsources low value-added links in the product chain. This frees Saurer to focus on its core competitiveness in R&D and the production of core components.

(c) Global procurement model
The Company has started to adopt a global procurement model, which will reduce the procurement expenses of the Company. In order to ensure product quality, Saurer has set out to integrate the supply chain. As a result, the Saurer's gross profits from machinery, equipment and ancillary products have gradually increased in recent years.

2 Segment performance

(1) Spinning Solutions Segment
During the reporting period, Saurer Spinning Solutions recorded revenues of RMB 3.86 billion, a decrease of 47.2 % YoY.

In 2020, the Covid-19 pandemic greatly impacted the global textile value chain, and significantly increased the percentage of cancelled and postponed orders. Due to the sharp decline in export orders, domestic textile enterprises experienced serious production interruptions, suspended new projects and were less willing to update equipment. This significantly affected the Company's business. However, Saurer upheld its commitment to providing full-process yarn spinning solutions, focusing on high-margin products and orders and implementing major customer projects during the reporting period.

Saurer also continued to adjust and optimise its sales structure, and further consolidated its main business of staple fibre machinery to improve the levels of automation and digitalisation. The Company continued to optimise the intelligent features in its equipment, including sensors and magnetic levitation motors.

(2) Saurer Technologies Segment
During the reporting period, the Technologies Segment recorded revenues of RMB 1.02 billion, representing a decrease of 23.3 % YoY.

Saurer integrated its bearings and other core components into the Technologies Segment during 2020, and gross product margins have remained stable at over 40 % in the long term. Saurer Technologies maintained its commitment to providing twisting and embroidery solutions and expanding in relevant markets. With business activities covering basic core components, including bearings, automation and manufacturing robotics and the like, Saurer strives to increase the categories of special high-margin components and the proportion of production and sales. To lessen its exposure to the industry's cyclical risks, Saurer launched a variety of special parts and components for non-textile industries in 2020.

(3) Strategic business development initiative: Data and Services
The new Data and Services segment was still considered a business development initiative during the reporting period. Its volume was relatively small, and was included in the financial accounts of the Technologies segment.

Looking ahead, as the Covid-19 pandemic is brought under control and preventative measures such as vaccines begin to take effect, the textile industry will eventually return to normal. However, some effects of the pandemic on the global textile industry will continue to echo. As China gradually gained control over the pandemic in 2020, measures were introduced to establish a new development pattern in which domestic macro-circulation plays a dominant role. China's economic growth turned from negative growth to a positive increase, market vitality has been enhanced, and the country's economy as well as its textile industry continues to stabilise and recover. While the Chinese and international markets boost one another through dual circulation, the domestic market in China will maintain its importance in 2021 and the global textile industry will gradually recover. Saurer will forge ahead to further implement its new development strategies, continuously improve its competitiveness, and strive to become the top provider of full-process intelligent solutions and services in the industry.

3 Results of main operations during the reporting period

During the reporting period, the Company recorded operating revenue in the amount of RMB 4.85 billion, representing a decrease of 43.4 % YoY. Net loss attributable to shareholders of the Listed Company amounted to RMB 560 million, representing a decrease of 192.2 % YoY. Net cash flow from operating activities was RMB −1.09 billion. As of 31 December 2020, the total assets of the Company amounted to RMB 12.85 billion, and net assets attributable to shareholders of the Listed Company were RMB 3.94 billion.

(1) Analysis of main business
(a) Changes in income and cash flow

Item	2020	2019	Change YoY (%)
Revenue	4 849 549	8 575 309	−43.4
Cost of sales	3 869 130	6 024 662	−35.8
Sales costs	326 579	498 664	−34.5
Administrative costs	438 510	379 477	15.6
R&D costs	401 297	460 291	−12.8
Financial costs	252 241	168 920	49.3
Net cash flow from operating activities	−1 092 621	−252 733	N/A
Net cash flow from investing activities	−330 393	1 386 317	−123.8
Net cash flow from financing activities	−452 021	−1 994 832	N/A

Unit: thousand RMB

(b) Revenue and expenses
During the reporting period, the Company generated revenue of RMB 4.85 billion, a decrease of 43.4 % YoY. The production capacity and supply chains of the Company's factories in China and overseas were affected to different extents by the pandemic, thereby delaying the delivery times of certain orders, and resulting in a YoY decrease in sales revenue and net profits. Cost of sales amounted to RMB 3.87 billion, representing a YoY decrease of 35.8 %, mainly due to the decrease in revenue.

(i) Operating activities by industry, product and region

Primary business by industry

Industry	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue YoY (%)	Change in operating expenses YoY (%)	Change in gross margin YoY (%)
Textile machinery	4 849 549	3 869 130	20.2	−43.4	−35.8	−9.5 pts

Unit: thousand RMB

Primary business by segment

Segment	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue YoY (%)	Change in operating expenses YoY (%)	Change in gross margin YoY (%)
Spinning Solutions Segment	3 855 907	3 071 342	20.3	−47.2	−39.8	−9.8 pts
Technologies Segment	1 018 043	797 788	21.6	−23.3	−13.5	−8.9 pts

Unit: thousand RMB

Revenue by region	2020	2019	Change YoY (%)
China	2 378 204	4 779 806	−50.2
India	280 461	623 526	−55.0
Turkey	631 656	287 182	119.9
Other Asian regions	702 989	1 766 661	−60.2
Americas	456 678	599 292	−23.8
Europe, Africa and others	399 561	518 843	−23.0
	4 849 549	8 575 309	−43.4

Unit: thousand RMB

(c) Expenses

Item	2020	2019	Change YoY (%)
Cost of sales	326 579	498 664	−34.5
Administrative expenses	438 510	379 477	15.6
R&D expenses	401 297	460 291	−12.8
Financial expenses	252 241	168 920	49.3
Tax and surcharges	17 684	29 471	−40.0

Unit: thousand RMB

The decrease in the cost of sales during the reporting period was mainly due to decreases in sales revenue during the reporting period and to the reclassification into cost of sales of freight and packaging expenses relating to contract performance expenses during the reporting period, as required under new revenue standards.

The increase in net financial costs during the reporting period was mainly due to an increase in interest expenses on bank borrowings and an increase in loss on foreign exchange.

The decrease in tax and surcharges during the reporting period was mainly due to the YoY decrease in sales by subsidiaries in China.

(d) Expenditures on R&D

Expenditures on R&D	401 297
Capitalisation of R&D expenditures	139 076
Total R&D expenditures	540 373
Total R&D expenditures as % of operating revenue	11.14
Number of R&D employees	478
R&D employees as % of total employees	10.7
Capitalisation of R&D expenditures (%)	25.7

Unit: thousand RMB

Saurer places great importance on investment in product R&D as well as the enhancement of its comprehensive R&D capacity. Saurer continues to maintain and expand its leading technological advantages, and strives to improve the quality of its existing products and develop new products which open up new markets for the Company. In the future, Saurer will continue to invest in R&D to further enhance its core competencies.

(e) Cash flow

Item	2020	2019	Change YoY (%)
Net cash flow from operating activities	−1 092 621	−252 733	N/A
Net cash flow from investing activities	−330 393	1 386 317	−123.8
Net cash flow from financing activities	−452 021	−1 994 832	N/A

Unit: thousand RMB

Cash flow generated from operating activities during the reporting period decreased by RMB 840 million over the previous year, primarily for the following reasons:

- Net loss in 2020 was RMB 670 million (2019: net profit of RMB 790 million), representing a decrease of RMB 1.46 billion YoY.
- Inventory in 2020 increased by RMB 370 million (2019: decreased by RMB 50 million), representing a decrease of RMB 420 million YoY.
- Operating receivables in 2020 decreased by RMB 390 million (2019: decreased by RMB 1.28 billion), representing an increase of RMB 890 million YoY.
- Operating payables in 2020 decreased by RMB 140 million (2019: decreased by RMB 40 million), representing an increase of RMB 100 million YoY.

Cash flow from investing activities during the reporting period decreased by RMB 1.72 billion over the previous year, primarily for the following reasons:

- There was no other cash inflow related to investing activities in 2020, while the net cash inflow in 2019 was RMB 1.1 billion due to the redemption of wealth management products, representing a decrease of RMB 1.1 billion YoY.
- Net cash inflow from third-party borrowings in 2019 was RMB 200 million, representing a decrease of RMB 200 million YoY.
- Interest income received in 2020 is presented as cash received relating to other operating activities (2019: net cash inflow of RMB 30 million), representing a decrease of RMB 30 million YoY.
- Net cash resulting from the cash received from and cash paid for restricted funds in 2020 was presented in cash paid relating to other financing activities (2019: net cash inflow of RMB 440 million), representing a decrease of RMB 440 million YoY.
- Cash outflow from the acquisition of fixed assets and intangible assets as well as other long-term assets in 2020 was RMB 330 million (2019: cash outflow of RMB 400 million), representing an increase of RMB 70 million YoY.

Cash flow from financing activities during the reporting period increased by RMB 1.54 billion over the previous year, primarily for the following reasons:

- Net cash inflow due to the receipt and repayment of bank borrowings in 2020 was RMB 680 million (2019: net cash outflow of RMB 1.39 billion), representing an increase of RMB 2.07 billion YoY.
- Net cash outflow relating to other financing activities in 2020 was RMB 900 million (2019: cash outflow of RMB 130 million), representing a decrease of RMB 770 million YoY; among which, due to the effect of changes in the presentation of cash received from and cash paid for restricted funds, net cash outflow amounted to RMB 570 million, representing a decrease of RMB 570 million YoY. In addition, net cash outflow due to share repurchases amounted to RMB 490 million (2019: cash outflow of RMB 110 million), representing a decrease of RMB 380 million YoY.

(2) Gains and losses from non-operating business

Item	2020	2019	Change YoY (%)	Note
Asset impairment loss	90 057	19 966	351.1	Due to the Covid-19 pandemic, factory sales and shipments in China and abroad were restricted by the policies of various countries. Inventory increased due to the increase in orders at the end of 2020, resulting in an increase in provisions for inventory impairment.
Credit impairment loss	108 433	21 168	412.2	Mainly due to the increase in provisions set aside for bad debts as a result of the increase in accounts receivable.
Investment gains	0	11 578	−100.0	Mainly due to the decrease in wealth management product investments.
Asset disposal gains	−2 693	138	−2 051.4	Mainly due to losses on the disposal of non-current assets.
Non-operating income	6 897	28 826	−76.1	Mainly due to the decrease in government subsidies recognised in the reporting period.
Income tax costs	−91 666	120 748	−175.9	Mainly due to the decrease in current income tax caused by operating losses during the reporting period.

Unit: thousand RMB

(3) Assets and liabilities

(a) Assets and liabilities

Item	31 December 2020	As % of total assets	31 December 2019	As % of total assets	Change YoY (%)	Note
Cash and cash equivalents	525 988	4.1	2 402 917	18.2	−78.1	Mainly due to the increase in share repurchase expenditures and net operating outflow.
Financial assets held for trading	14 008	0.1	6 310	0.0	122.0	Mainly due to fluctuations in the balances of outstanding foreign exchange forward contracts.
Notes receivable	159 055	1.2	7 025	0.1	2 164.1	Mainly due to the increase in undue notes receivable.
Advances to suppliers	237 489	1.8	117 643	0.9	101.9	Mainly due to the increase in advance payments to suppliers for materials as a result of the increase in orders at the end of 2020.
Other receivables	39 889	0.3	29 621	0.2	34.7	Mainly due to the increase in loan receivables from employees and tax refund receivables.
Other current assets	130 807	1.0	207 711	1.6	−37.0	Mainly due to the decrease in prepaid enterprise income tax as compared with 2019.
Construction in progress	200 225	1.6	381 898	2.9	−47.6	Mainly due to new equipment purchased and put into service in the Xinjiang plant in 2020.
Development costs	316 102	2.5	181 951	1.4	73.7	Mainly due to continuous investment in new machine models by the R&D centres in Germany and Switzerland.
Long-term deferred costs	1 923	0.0	2 913	0.0	−34.0	Due to amortisation.
Deferred income tax assets	234 383	1.8	110 530	0.8	112.1	Mainly due to the increase in deductible losses of certain subsidiaries.
Other non-current assets	801 717	6.2	228 784	1.7	250.4	Mainly due to the increase in pledged deposits for new long-term borrowings.
Notes payable	489 000	3.8	57 000	0.4	757.9	Mainly due to the increase in notes financing of the Company.
Accounts payable	992 716	7.7	1 586 229	12.0	−37.4	Mainly due to the decrease in procurement volume and the payment of amounts owed to suppliers.
Advances from customers			260 616	2.0	−100.0	Mainly due to the reclassification of items as a result of the adoption of new revenue standards during the reporting period.
Tax payable	49 910	0.4	225 445	1.7	−77.9	Mainly due to the decrease in income tax payable as a result of the decrease in profit.
Other payables	611 883	4.8	465 382	3.5	31.5	Mainly due to the increase in borrowings from third parties and dividends payable.
Long-term borrowings	1 315 750	10.2	450 000	3.4	192.4	Mainly due to the optimisation of the Company's debt structure which reduced short-term borrowings and increased long-term borrowings.
Provisions	4 749	0.0	16 040	0.1	−70.4	Mainly due to the decrease in the balance of quality guarantees for more than one year.
Deferred income	7 070	0.1	4 760	0.0	48.5	Mainly due to the increase in government grants related to assets.
Treasury shares	600 010	4.7	108 931	0.8	650.8	Mainly due to the repurchase of shares by the Company.
Other comprehensive income	48 546	0.4	3 831	0.0	1 166.9	Mainly due to foreign exchange rate fluctuations.

Unit: thousand RMB

(b) Restrictions on assets at the end of the reporting period

Item	Carrying value at year-end	Reason for restriction
Cash and cash equivalents	404 872	Bank borrowings, bank acceptance bills and letters of credit/ guarantee security deposits
Financing receivables	123 304	Pledges for bank borrowings and letter of guarantee security deposits
Other non-current assets	615 000	Deposits for long-term borrowings
Fixed assets	695 632	Collateral for bank borrowings
Intangible assets	111 846	Collateral for bank borrowings
Construction in progress	145 851	Collateral for bank borrowings

Unit: thousand RMB

(c) Financial assets at fair value

Item	Beginning balance	Ending balance	Change in 2020	Impact on current profit
Financial assets held for trading	6 310	14 008	7 698	0
Financing receivables	7 025	159 055	152 030	0

Unit: thousand RMB

(4) Major controlling subsidiaries and shareholding companies

- Saurer Germany
  As of the end of 2020, Saurer owned 80.65 % of its equity. Its registered capital is EUR 40 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery and components. As of the end of 2020, its total assets were EUR 454.2 million, and its net assets were EUR 124.8 million. For 2020, its operating revenue was EUR 305 million, operating loss was EUR 49.5 million, and net loss was EUR 46 million.

- Saurer Technologies
  As of the end of 2020, Saurer owned 80.65 % of its equity. Its registered capital is EUR 10 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery and components. As of the end of 2020, its total assets were EUR 102.7 million, and its net assets were EUR 33 million. For 2020, its operating revenue was EUR 97.1 million, operating loss was EUR 8 million, and net loss was EUR 7.78 million.

- Saurer Switzerland
  As of the end of 2020, Saurer owned 80.65 % of its equity. Its registered capital is CHF 1 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2020, its total assets were CHF 203 million, and its net assets were CHF 78.7 million. For 2020, its operating revenue was CHF 12.5 million, operating loss was CHF 12.8 million, and net loss was CHF 13.6 million.

- Saurer Switzerland Technology
  As of the end of 2020, Saurer owned 80.65 % of its equity. Its registered capital is CHF 1 million. It is mainly engaged in management and the manufacture, R&D, sale and servicing of textile machinery. As of the end of 2020, its total assets were EUR 238.8 million, and its net assets were EUR 109.7 million. For 2020, its operating revenue was EUR 37.4 million, operating profit was EUR 7.5 million, and net profit was EUR 6.1 million.

- Saurer Jiangsu
  As of the end of 2020, Saurer owned 80.65 % of its equity. Its registered capital is USD 50 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2020, its total assets were RMB 3.85 billion, and its net assets were RMB 1.67 billion. For 2020, its revenue was RMB 1.43 billion, operating profit was RMB 76.66 million, and net profit was RMB 70.95 million.

- Saurer Changzhou
  As of the end of 2020, Saurer owned 80.65 % of its equity. Its registered capital is USD 22.5 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2020, its total assets were RMB 1.38 billion, and its net assets were RMB 373.4 million. For 2020, its operating revenue was RMB 446 million, operating profit was RMB 55.9 million, and net profit was RMB 50.5 million.

- Saurer Xinjiang
  As of the end of 2020, Saurer owned 80.65 % of its equity. Its registered capital is RMB 270 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2020, its total assets were RMB 3.62 billion, and its net assets were RMB 357.4 million. For 2020, its revenue was RMB 989.2 million, operating profit was RMB 29.4 million, and net profit was RMB 24.4 million.

4 The Company's future development

(1) Competitive landscape and outlook

In 2020, the textile industry as a whole was severely affected as a result of the Covid-19 pandemic. However, as the pandemic is gradually brought under control, the textile machinery markets around the globe are recovering and orders have increased significantly.

The planning for China's textile industry has had a profound impact on the Company's growth strategy. The textile industry in China is facing industrial relocation coupled with industrial upgrading, which are among the biggest forces driving Saurer's future growth and the expansion of domestic sales.

In addition, the spinning industry is shifting from developed areas in Southeast China to Western China, Southeast Asia and the countries along the BRI. For example, 80 % of the market for semi-automatic air-spinning machines has been in China, but in 2020, the market for semi-automatic air-spinning machines has been shifting to other countries such as Vietnam, India, Indonesia and Turkey due to the Chinese government's ban on imported waste cotton. Saurer secured its advantage in advance: In 2017, the Company expanded its footprint into Central Asia, to serve countries that are part of the BRI in Central Asia and other markets outside China, and its sales have since increased by 50 – 70 % year-on-year. In 2018, Saurer continued to explore markets outside China including Uzbekistan, Indonesia and South America, which will also reduce Saurer's procurement and production expenses, thereby further improving the performance of the Company.

Spinning factories' selection of spinning equipment is also shifting from low-end products to high-end products, which further highlights Saurer's competitive advantage. Some large spinning mills have started to use Saurer's high-end full-process equipment, and the Company has also begun to receive orders from certain small enterprises. The Company is not only engaged in supplying textile equipment, but is also committed to providing customers with systematic solutions to relocate capacity and upgrade equipment.

(2) Strategy

(a) Continue tradition of innovation

For over 160 years, the Company has been a firm leader in the development of the textile industry. With its comprehensive product lines, Saurer possesses core technologies in various fields including precision sensors, high-speed special bearings and magnetic levitation motors, among others, and will continue to use its capacity to digitise textile equipment and systems and add intelligent features.

(b) Create automation and manufacturing robotics segment

The profound changes to the modes of production currently underway in the manufacturing industry have led Saurer to establish closed-loop data services as its mid- to long-term strategic business. Building on its existing strong automation and manufacturing robotics portfolio, the Company's goal is to build a smart factory solution for the textile industry, empowering the textile ecosystem as a whole.

(c) Meet customer needs on sustainability

As a leader in innovation, the Company designs targeted upgrades and updates to ensure the maximum productive lifetime of its products. In line with the growing trend towards recycling in the textile industry, Saurer has optimised its spinning machinery and components to offer efficiency in processing re-generated fibres. The Company is working to enable its machines to produce yarns with an increasing proportion of regenerated fibres, aware that the shortness of the recycled fibres poses a major process challenge. As the European Green Deal – with its emphasis on reducing waste and fostering a circular economy – comes into effect, such yarn will gain even more importance for Saurer customers as the EU is a major importer of textile products.

(3) Operating plan

(a) Customer-first service criteria

Saurer will continue to promote its customer-first service criteria and, on a result-driven basis, put customer needs as its top priority, so as to provide them with both functional and profitable products and responsive services. The Company will establish more training centres and offer more courses to customers and their employees. While helping customers to better understand its products, the Company aims to enrich customers' knowledge about production processes and improve their operating skills.

(b) Innovative product development

The Company will continue to invest in R&D, closely follow customer needs and improve product performance accordingly, promote innovation and R&D from an outside-in perspective, and launch new products and solutions. Saurer also plans to consolidate its position as a leading global supplier of manufacturing solutions for high-end equipment.

(c) Stable growth of market share

Saurer will actively expand and develop new markets through an accurate grasp of changes in market development, effectively and reasonably adjusting sales strategies while stabilising existing markets. Saurer Xinjiang's smart factory started full production in the second half of 2019, and has already brought advantages by lowering production expenses and supporting the Company in further expanding into emerging markets in the BRI regions.

(d) Systematic and effective cost control

Saurer will continue to implement its industrial redistribution and integration plan, increase the proportion of procurement from low-cost countries and pursue the gradual shift of production lines from higher-cost regions to lower-cost regions. This will systematically and effectively reduce production costs.

(e) Corporate social responsibility

Saurer will actively practice its corporate social responsibility in several ways. It will continue to promote the concept of E^3 + I value for its products, improving product performance indicators in terms of energy savings, economic benefits, ergonomics and intelligence. With respect to social issues, the Company will actively take up and implement the Chinese government's strategic policies on poverty alleviation. The Company takes great pride in ensuring that the personal dignity, privacy and personal rights of its employees are respected. Saurer tolerates neither discrimination nor harassment, including that based on religion or race, while promoting equal opportunities for all employees. Providing its entire staff contingent with a safe and healthy working environment is also of paramount importance to the Company.

(4) Potential risks

(a) Economic risks

Fluctuation in market demand resulting from slow economic growth may occur from time to time. Textile products are consumer goods, and personal income levels and future income expectations may affect the purchase of textile products such as garments and home textile products. Slow economic growth decreases the purchasing power of consumers and adversely affects industrial growth.

(b) Risks to competitive advantage

The pace of product updates and technology upgrades in the intelligent textile equipment industry is accelerating constantly. If Saurer cannot maintain its capability to innovate, improve its level of technology, protect intellectual property rights, attract excellent talent, expand its share of high-quality customers, increase the scale of its business and improve its risk resilience, accurately grasp industrial trends and adjust its corporate strategies in a timely manner by making the most of its own advantages, the Company will not be able to maintain its competitive edge, which would adversely affect its business.

(c) International business risks

Saurer's production sites and sales organisations are distributed across 13 countries and regions around the world. Owing to the nature of global operations, the business risks outside China faced by Saurer during its daily operations include those relating to management, investment decisions, politics, terrorism and other risks, as well as those that might result from regional cultural differences.

(d) Production safety risks

Saurer's main products include intelligent textile equipment and key components. The production processes involve complex procedures that are dangerous to some extent. Although Saurer has formulated a relatively comprehensive set of guidelines and protocols, including rules and operational directives on manufacturing safety, to promote industrial safety, it is impossible to preclude personal injury or even death and property damage due to operational errors or accidents in the course of production activities. Such events can result in the suspension of business and also in the Company being subject to penalties that affect its daily operations and safety.

(e) Foreign exchange fluctuation risks

Saurer's production and sales are distributed across different countries and regions of the world and involve the settlement of different currencies, including USD, EUR and RMB. Because foreign exchange rate fluctuations are unpredictable, they may represent risks for Saurer's future operations, which in turn could affect its profitability in future years, as well as draw the attention and concern of investors to such risks.

5. Significant events

1 Proposed plan for distribution of profit to common shareholders or capital reserve

(1) Formulation, implementation or adjustment of cash dividend policies

(a) Formulation and adjustment of cash dividend policies
During the reporting period, the Company did not formulate any new cash dividend policies or make any adjustments to the cash dividend policies as stipulated in the Articles of Association. For specific details on cash dividend policies, please refer to the Articles of Association.

(b) Implementation of cash dividend policies
During the reporting period, the Company implemented the 2019 profit distribution plan in accordance with a resolution passed at the Annual General Meeting (AGM) in 2019. Considering the downward economic pressure resulting from the Covid-19 pandemic, the Company's long-term development plan and short-term business operations, as well as the possible major investment plans or major cash expenditures in the next 12 months, the Company did not distribute profits or increase its share capital in 2019. This move is intended to enhance the Company's financial stability and ability to withstand risks, guarantee the capital needs of the Company for future production and operations, and safeguard the long-term interests of all shareholders.

According to Article 8 of the Regulations on the Repurchase of Shares of Listed Companies on the Shanghai Stock Exchange, "if a listed company repurchases shares with a cash consideration by way of centralised competitive bidding or tender offer, the amount of shares repurchased in a given year shall be treated as cash dividends and included in the calculation of the relevant proportion of cash dividends for that year." The Company's cumulative repurchase amount for 2019 was RMB 108.93 million, accounting for 17.89 % of the distributable profit realised in 2019. The amount exceeds the realised distributable profits in 2019 by 10 %.

The Company's dividend distribution plan for 2019 was in compliance with the Articles of Association, which state: "With the exception of extraordinary circumstances, if the Company makes a profit in a given year and its cumulative undistributed profits are positive, and provided that the Company can continue as a going concern and its long-term development is secured, any profits distributed by the Company in cash in a single year must not be less than 10 % of the distributable profits realised in that year, and any profits cumulatively distributed by the Company in cash over three consecutive years must, in principle, not be less than 30 % of the average annual distributable profits realised in those three years."

(c) Profit distribution plan for 2020
The Company does not intend to distribute profits or increase its share capital. This decision is to enhance its financial stability and ability to withstand risks, guarantee the financing needs of the Company for future production and operations, and safeguard the long-term interests of all shareholders. The profit distribution plan is subject to review by the shareholders' meeting.

According to Article 8 of the Regulations on the Repurchase of Shares of Listed Companies on the Shanghai Stock Exchange, "if a listed company repurchases shares with a cash consideration by way of centralised competitive bidding or tender offer, the amount of shares repurchased in a given year shall be treated as cash dividends and included in the calculation of the relevant proportion of cash dividends for that year." In 2020, the amount of shares repurchased by the Company by way of centralised competitive bidding amounted to RMB 491.1 million and was treated as cash dividends.

The audit by BDO China Shu Lun Pan Certified Public Accountants LLP confirmed that the Company recorded a net loss of RMB 671.54 million in its consolidated statements for 2020. Article 155 of the Articles of Association stipulates that "the Company may opt not to distribute cash dividends under any of the following circumstances: 1. No profits were made for the year in the consolidated statements or the parent company's statements".

From 2017 to 2019, the Company's cumulative profit distribution in cash over three consecutive years amounted to RMB 557.38 million, representing 80.49 % of the average annual distributable profit realised for those three consecutive years.

(2) Plan or proposed plan for distribution of profit to common shareholders or capital reserve over the last three years (including the reporting period)

Dividend year	Stock dividend per 10 shares	Cash dividend per 10 shares (yuan, before tax)	Capital reserve transferred into share capital per 10 shares	Amount of cash dividend (before tax)	Net profit attributable to shareholders of the Listed Company in the consolidated financial statements for the year of dividend distribution	Percentage of net profit attributable to the shareholders of the Listed Company in the consolidated financial statements (%)
2020	0	0	0	0	–561 485	0
2019	0	0	0	0	608 934	0
2018	0	1.293	0	245 077	810 294	30.24

Unit: thousand RMB

(3) Share repurchase calculated into cash dividend

	Cash dividend	Percentage (%)
2020	491 079 068	N/A

Unit: thousand RMB

2 Fulfilment of commitments

(1) Commitments of the actual controller, shareholders, affiliates, purchaser and related parties of the Company in the reporting period or renewal period

Commitment background	Commitment type	Committing parties	Commitment details	Commitment date and period	Fulfilment period	Was the commitment fulfilled in a timely manner?	If not fulfilled in a timely manner, state the specific reasons for non-fulfilment	If not fulfilled in a timely manner, state the next applicable plan
Commitments related to the restructuring of major assets	Restricted sale of shares	State-owned Assets Company	1. The remaining shares of the Listed Company held must not be transferred within 36 months from the completion of the restructuring. 2. For the remaining shares held in the Listed Company, any shares derived from the distribution of stock dividends or the conversion of the capital reserve into share capital by the Listed Company must also comply with the above commitments. 3. Where the applicable laws and regulations provide otherwise with respect to the lock-up period for the remaining shares in the Listed Company as held by the State-owned Assets Company, or CSRC has other requirements, the State-owned Assets Company shall comply with such regulations or requirements. If the State-owned Assets Company is in breach of the above commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Within 36 months of the completion of the restructuring	Yes	Yes	N/A	N/A
	Restricted sale of shares	Jinsheng Industrial	Newly issued shares of the Listed Company subscribed for by Saurer Intelligent Machinery must not be transferred within 36 months of the date of completion of the issuance.	Within 36 months of the date of issuance	Yes	Yes	N/A	N/A
	Restricted sale of shares	Jinsheng Industrial	1. The shares of the Listed Company assigned by the State-owned Assets Company to Jinsheng Industrial must not be transferred within 36 months of the date on which the restructuring is completed. 2. Within 6 months of the completion of the restructuring, if the closing price of the shares of the Listed Company is lower than the issue price for 20 consecutive trading days; or if at the end of the 6 month period following the completion of the restructuring the closing price is lower than the issue price, the lock-up period for the shares of the Listed Company acquired as a result of the said restructuring (including the shares acquired through the assignment and issuance, similarly hereinafter) will be automatically extended for 6 months. 3. Upon expiration of the above lock-up period, if the results commitment period as specified in the Results Commitment and Compensation Agreement signed by Jinsheng Industrial for restructuring purposes has not expired, or the share compensation obligations under such Agreement have not been fulfilled, the said lock-up period shall be extended to the date of expiration of the results commitment period and the date on which the share compensation obligations are fulfilled (if no compensation is required, then it shall be the date on which the special auditor's report on the committed performance results is publicly announced). 4. Shares of the Listed Company acquired through restructuring, shares derived from the distribution of stock dividends or the conversion of the capital reserve into share capital by the Listed Company must also comply with the above commitments. 5. If the applicable laws and regulations otherwise specify the restriction period for shares in the Listed Company as acquired by Jinsheng Industrial as a result of the restructuring, or the CSRC has other requirements, Jinsheng Industrial shall comply with such regulations or requirements. If Jinsheng Industrial is in breach of the above commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Within 36 months of the completion of the restructuring	Yes	Yes	N/A	N/A
	Restricted sale of shares	CDBC, China Advanced Manufacturing Industry Fund	1. If, upon the completion of the issuance, the Committing Parties have held equity interests in Saurer Intelligent Machinery (subject to the date on which industrial and commercial registration is completed) for less than 12 months, the shares issued by the Listed Company and subscribed for by the Committing Parties using such equity interests must not be transferred for a period of 36 months from the date on which the issuance is completed. If, upon the completion of the issuance, the Committing Parties have held equity interests in Saurer Intelligent Machinery (subject to the date on which industrial and commercial registration is completed) for 12 months, the shares issued by the Listed Company and subscribed for by the Committing Parties using such equity interests must not be transferred for a period of 24 months from the date on which the issuance is completed. 2. Within 6 months of the completion of the restructuring, if the closing price of the shares of the Listed Company is lower than the issue price for 20 consecutive trading days; or if at the end of the 6 month period following the completion of the restructuring the closing price is lower than the issue price, the lock-up period for the shares of the Listed Company as acquired by the Committing Parties as a result of the issuance will be automatically extended by 6 months. 3. For shares in the Listed Company acquired by the Committing Parties through a share issuance, any shares derived from the distribution of stock dividends or the conversion of the capital reserve into share capital by the Listed Company must also comply with the said commitments. 4. If the applicable laws and regulations provide otherwise for the restriction period for shares in the Listed Company as acquired by the Committing Parties as a result of the share issuance, or the CSRC has other requirements, the Committing Parties shall comply with such regulations or requirements. 5. If Committing Parties are in breach of the above commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Within 24 or 36 months from the date of issuance	Yes	Yes	N/A	N/A

Commitment background	Commitment type	Committing parties	Commitment details	Commitment date and period	Fulfilment period	Was the commitment fulfilled in a timely manner?	If not fulfilled in a timely manner, state the specific reasons for non-fulfilment	If not fulfilled in a timely manner, state the next applicable plan
Commitments related to the restructuring of major assets	Other	Jinsheng Industrial, Pan Xueping	After the completion of the transaction, Jinsheng Industrial, as the controlling shareholder of the Listed Company, and Pan Xueping, as the actual controller, are committed to the following: I. Guarantee that the employees of the Listed Company are independent. 1. The Senior Executives of the Listed Company (General Manager, Deputy General Manager, CFO, Board Secretary, etc.) shall hold full-time positions at and receive remuneration from the Listed Company, and will not serve in any capacity other than Director or Supervisor in any other enterprise under the control of the Committing Parties other than the Listed Company and its subsidiaries (hereinafter referred to as "Other Enterprises Controlled by Committing Parties"). 2. The financial staff of the Listed Company shall not concurrently hold any office with or receive remuneration from the Committing Parties/Other Enterprises Controlled by Committing Parties. 3. The personnel and labour relations of the Listed Company shall be independent of the Committing Parties/Other Enterprises Controlled by Committing Parties. 4. The Directors, Supervisors and Senior Executives of the Listed Company shall be elected, replaced, removed, appointed or dismissed in accordance with the applicable laws and regulations and the Company's Articles of Association. The Committing Parties must not interfere in the appointment or dismissal of the above personnel by exceeding the authority of the Board of Directors and the shareholders' meeting of the Listed Company. II. The independence of assets of the Listed Company shall be guaranteed. 1. The Listed Company has independent and complete assets. Such assets are completely under the control of the Listed Company, and are independently owned and operated thereby. 2. The Committing Parties/Other Enterprises Controlled by Committing Parties shall not misappropriate the funds and assets of the Listed Company in any way. 3. No assets of the Listed Company shall be used as guarantees against violations by the Committing Parties/Other Enterprises Controlled by Committing Parties. III. The independence of the organisations of the Listed Company shall be guaranteed. 1. The Listed Company shall establish and improve corporate governance structures in accordance with law, and establish an independent and complete organisational structure that is completely separate from the organisations of the Committing Parties/Other Enterprises Controlled by Committing Parties. 2. The offices and premises of the Listed Company and Committing Parties/Other Enterprises Controlled by Committing Parties shall be separated from each other, and not be combined or mixed under any circumstances. IV. The independence of the business of the Listed Company shall be guaranteed. 1. The Listed Company has the assets, employees and qualifications to carry out its business activities independently, and has the ability to operate independently in the market. 2. Except when exercising the relevant rights in accordance with the applicable laws and regulations and the Articles of Association of the Listed Company, [the Committing Parties] shall not illegally interfere in the operations and business activities of the Listed Company by exceeding the authority of the Board of Directors, shareholders' meeting and the management of the Listed Company. 3. The Committing Parties will regulate and make all efforts to minimise related-party transactions with the Listed Company. Related-party transactions that are unavoidable or are truly necessary shall be subject to trading conditions determined in accordance with fair, reasonable and market-oriented principles. For related-party transactions, the Listed Company will strictly carry out the decision-making procedures and fulfil information disclosure obligations in a timely manner and in accordance with the applicable laws and regulations, the Articles of Association of the Listed Company, and the management rules for related-party transactions. V. The financial independence of the Listed Company shall be guaranteed. 1. The Listed Company shall establish an independent financial and accounting department, and put in place independent financial accounting systems and financial management systems. 2. The Listed Company shall open separate bank accounts and not share any bank account with the Committing Parties/Other Enterprises Controlled by Committing Parties. 3. The Listed Company shall make its financial decisions independently. The Committing Parties shall not interfere in the use of funds of the Listed Company by exceeding the authority of the Board of Directors, the shareholders' meeting and the operational management of the Listed Company. 4. The Listed Company shall pay taxes independently in accordance with law. If Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Long term	No	Yes	N/A	N/A
	Settlement of related-party transactions	Jinsheng Industrial, Pan Xueping	1. The Committing Parties will make all efforts to reduce related-party transactions between the Committing Parties/Other Enterprises Controlled by Committing Parties and the Listed Company. Related-party transactions that are unavoidable or are truly necessary shall be subject to trading conditions determined in accordance with fair, reasonable and market-oriented principles. For related-party transactions, the Listed Company will strictly carry out the decision-making procedures and fulfil information disclosure obligations in a timely manner and in accordance with the applicable laws and regulations, the Articles of Association of the Listed Company, and the management rules for related-party transactions. 2. The Committing Parties/Other Enterprises Controlled by Committing Parties shall not misappropriate the funds and assets of the Listed Company in any way. No assets of the Listed Company shall be used as guarantees against violations by Committing Parties/Other Enterprises Controlled by Committing Parties. 3. The Committing Parties will exercise their rights and fulfil their obligations in accordance with the applicable laws and regulations and the Articles of Association of the Listed Company, and will not use their control and influence over the Listed Company to impair the legitimate rights and interests of the Listed Company and other shareholders by means of related-party transactions. If Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Long term	No	Yes	N/A	N/A

Commitment background	Commitment type	Committing parties	Commitment details	Commitment date and period	Fulfilment period	Was the commitment fulfilled in a timely manner?	If not fulfilled in a timely manner, state the specific reasons for non-fulfilment	If not fulfilled in a timely manner, state the next applicable plan
Commitments related to the restructuring of major assets	Other	Jinsheng Industrial, Pan Xueping	After the completion of the restructuring, the Committing Parties will strictly comply with the provisions of the "Circular on Several Issues Concerning the Regulating of Fund Transactions between Listed Companies and Related Parties and the External Guarantees of Listed Companies" and the "Circular on Regulating the External Guarantees of Listed Companies", and will neither misappropriate the funds of the Listed Company and its holding subsidiaries, nor regulate the external guarantees thereof. If the Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Long term	No	Yes	N/A	N/A
	Other	Jinsheng Industrial, Pan Xueping	1. After the completion of the transaction, the Committing Parties will not interfere in the operational and management activities of the Company by exceeding their authority, nor will they encroach upon the interests of the Company. 2. The Committing Parties are aware of the possible legal consequences that may arise from the aforementioned commitments, and that the Company will assume individual, joint and several liability for any breach of the said commitments.	Long term	No	Yes	N/A	N/A
	Other	Hezhong Investment and its partners, Hehe Investment and its partners, Kimble and its partners, Ningbo Yukang and its partners, and Shenzhen Longding and its partners	1. The Committing Parties, as the partners of Hezhong Investment/Hehe Investment/Kimble/Ningbo Yukang/Shenzhen Longding (including limited partners and general partners), undertake not to transfer any of the partnership property shares held by the Committing Parties during the lock-up period for the shares committed to by Hezhong Investment/Hehe Investment/Kimble/Ningbo Yukang/Shenzhen Longding. 2. Hezhong Investment/Hehe Investment/Kimble/Ningbo Yukang/Shenzhen Longding and their general partners further undertake not to perform any formalities to transfer property shares for the partners during the lock-up period of the shares committed to by the partnerships. 3. If the Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Within 36 months of the date of issuance	Yes	Yes	N/A	N/A
	Settlement of industrial competition	Jinsheng Industrial, Pan Xueping	1. As of the date of this letter of undertaking, the Committing Parties have not invested in any companies, enterprises or other operating entities engaging in business activities that are identical or similar to those of Saurer Intelligent Machinery. The Committing Parties/Other Enterprises Controlled by Committing Parties will not operate for themselves or on behalf of others business activities that are identical or similar to those of Saurer Intelligent Machinery, or engage in activities that constitute acts of industrial competition against Saurer Intelligent Machinery. 2. After the completion of the restructuring, the Committing Parties will not, in any form, engage in any business that constitute competition against the current or future business activities of the Listed Company during the Committing Parties' tenure as the controlling shareholders/actual controllers of the Listed Company. 3. If, after the completion of the restructuring and during the Committing Parties' tenure as the controlling shareholders/actual controllers of the Listed Company, any Other Enterprises Controlled by Committing Parties intend to engage in business that is competitive against the Listed Company, the Committing Parties will exercise their veto power so as to ensure that they are not engaged in any direct or indirect acts of industrial competition against the Listed Company. If any commercial opportunities arise in relation to the activities in the business scope of the Listed Company, the Committing Parties will assign or introduce such opportunities to the Listed Company on a priority basis. 4. If, after the completion of the restructuring and during the Committing Parties' tenure as the controlling shareholders/actual controllers of the Listed Company, the Listed Company changes its business scope such that its business activities constitute competition against the Committing Parties and the Other Enterprises Controlled by Committing Parties, the Committing Parties will (and will ensure that the other enterprises under their control will) take the following measures to eliminate any industrial competition: cease operations of any business that is competitive against the Listed Company; transfer the competitive business to the Listed Company; or transfer the competitive business to unrelated third parties. 5. The Committing Parties will not use their control and influence over the Listed Company to provide confidential information relating to the business operations of the Listed Company to any third parties, or assist third parties in engaging in competitive business against the Listed Company. 6. If the Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.	Long term	No	Yes	N/A	N/A
Other commitments	Restricted sale of shares	Jinsheng Industrial, Hehe Investment and Hezhong Investment	On 3 September 2019 and 5 September 2019, the Company issued the "Announcement on the Repurchase of Company Shares through Centralised Competitive Bidding" (ad hoc announcement 2019-046) and the "Supplemental Announcement on the Repurchase of Company Shares through Centralised Competitive Bidding" (ad hoc announcement 2019-046). Jinsheng Industrial, Hehe Investment and Hezhong Investment committed to not reduce their shareholdings in the Company during the share repurchase period.	Share repurchase period of the Company	Yes	Yes	N/A	N/A
	Restricted sale of shares	Clement Woon and Sheng Yiping	Clement Woon and Sheng Yiping will not reduce their shareholdings in the Company during the share repurchase period.	Share repurchase period of the Company	Yes	Yes	N/A	N/A

(2) Analysis and explanation of the Company on changes in accounting policies and accounting estimates, the reasons behind the changes and their impact

In 2017, the Chinese Ministry of Finance revised the Accounting Standards for Business Enterprises No. 14 – Revenue. The revised standards require companies to adjust the amount of retained earnings and other relevant items in the financial statements at the beginning of the year based on the cumulative effects upon the initial implementation of the Standards, without making adjustments to comparable period information.

The Company implemented the new revenue standards on 1 January 2020. Pursuant to the standards, the Company only adjusted the retained earnings and the amount of other related items in the financial statements as at the beginning of 2020 with respect to the cumulative effects of contracts that had not been completed as of the date of the initial implementation. No adjustments were made to the comparative financial statements.

3 Appointment and dismissal of accounting firms

	Original appointment	Current appointment
Name of domestic accounting firm	PwC China (special general partnership)	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic accounting firm	512	512
Auditing years of domestic accounting firm	3 years	1 year

	Name	Remuneration
Accounting firm performing internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP	220

Unit: 10 thousand RMB

The Resolution to Change Accounting Firms was deliberated on and adopted at the 26th meeting of the ninth session of the Board of Directors and the first extraordinary shareholders' meeting of 2021, which approved the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company for 2020 for a term of one year. The management of the Company was authorised to determine the specific remuneration based on market conditions and as negotiated by the parties. The relevant representatives of the Company were authorised to sign relevant contracts and documents.

4 Material litigation and arbitration

The Company did not have any material litigation or arbitration during the reporting period.

5 Statement on the integrity of the Company and its controlling shareholders and actual controllers during the reporting period

During the reporting period, the Company and its controlling shareholders and actual controllers acted in good faith, and have no large amounts of unpaid debts that are due and outstanding, as judged by the court.

6 Significant related-party transactions

(1) Issues not disclosed in ad hoc announcements

Related parties	Affiliation	Type of related-party transaction	Content of related-party transaction	Pricing principles of related-party transaction	Price of related-party transaction	Contract amount of related-party transaction	Same kinds of transactions (%)	Mode of settlement of related-party transaction	Market price	Reason for larger difference between the transaction price and the market reference price
Xinjiang Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	–	106 817	2.20	According to the agreement	–	–
Kuitun Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	–	81 324	1.68	According to the agreement	–	–
LT Textile International	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	–	17 449	0.36	According to the agreement	–	–
Maigaiti Litai Silk Road Textile Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	–	58 397	1.20	According to the agreement	–	–
Alaer Litai Silk Road Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	–	16 036	0.33	According to the agreement	–	–
Urumqi Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	–	878 973	18.13	According to the agreement	–	–
				–	–	1 158 996	23.90	–	–	–

Details of large amounts of sales returns: None

Explanation of related-party transactions: The Company makes disclosures in accordance with the provisions of the Trading Rules of the Shanghai Stock Exchange for stock listings.

Unit: thousand RMB

7 Significant contracts and their implementation

(1) Guarantees

(a) Information on external guarantees (excluding guarantees to subsidiaries)

Guarantor	Relationship between the guarantor and the Listed Company	Guaranteed party	Amount of guarantee	Signing date of guarantee	Guarantee start date	Guarantee end date	Type of guarantee	Completion of guarantee	Overdue guarantee	Overdue amount of guarantee	Counter-guarantee	Related-party guarantee	Related party relationship
None													

Total amount of guarantees incurred in the reporting period (excluding guarantees to subsidiaries)	0
Total balance of guarantees at the end of the reporting period (A) (excluding guarantees to subsidiaries)	0

(b) Guarantees provided to subsidiaries by the Company and its subsidiaries

Total amount of guarantees provided to subsidiaries in the reporting period	850 000 000
Total balance of guarantees provided to subsidiaries at the end of the reporting period (B)	1 814 380 489

(c) Total amount of guarantees provided (including guarantees to subsidiaries)

Total amount of guarantees provided (A + B)	1 814 380 489
Percentage of total amount of guarantees against the net assets of the Company (%)	46.11
Including:	
Amount of guarantees provided to shareholders, actual controllers and their related parties (C)	0
Direct or indirect debt guarantees provided for guaranteed parties whose asset/liability ratio exceeds 70 % (D)	1 175 000 000
Amount of the total guarantees exceeding 50 % of net assets (E)	0
Total amount of guarantees (C + D + E)	1 175 000 000
Instructions on possible joint and several clearance liabilities for undue guarantees	None
Instructions on guarantees	For details, please refer to ad hoc announcements 2020-003, 2020-012, 2020-019, and 2020-023

Unit: RMB

8 Active corporate social responsibility

(1) Corporate social responsibility

(a) Improving corporate governance

Saurer is continuously improving the structure of the shareholders' meeting, the Board of Directors and the Board of Supervisors in strict accordance with the Company Law, the Securities Law, the Governance Guidelines for Listed Companies and other laws and regulations, in line with the normative documents on the corporate governance of listed companies as issued by CSRC. The Company has expanded the scope of elections of the Board of Directors and further improved the Board's decision-making mechanism. Saurer has also improved its internal control system. Furthermore, the Company has further strengthened the management of information disclosures, regulated its operations, and continuously improved the level of corporate governance to prevent against operational risks and effectively safeguard the legitimate rights and interests of all shareholders.

(b) Protecting the rights and interests of employees and focusing on building a corporate culture

Saurer is a people-oriented company and values the protection of the rights and interests of its employees by building constructive labour relations. The Company organises a range of professional training and team building activities, and has established an atmosphere supporting the growth and development of talents. Around 60 employees of the Company working at its factory located in Übach-Palenberg, Germany, are active in a programme that promotes equality in the workplace. Saurer has also established a leadership development programme for outstanding managers to prepare and train them for leadership roles.

(c) Focusing on environmental protection and advocating environmental protection concepts

The Company's R&D is guided by the E^3 + I concept. This approach improves product performance indicators in for energy saving, economic efficiency and ergonomics, plus intelligence. This in turn lowers energy consumption, reduces raw material costs, and makes production more efficient by lowering the demand for labour. The Company also advocates the paperless office, encourages its employees to sort their garbage, and actively assists in the recycling and reusing of resources.

(d) Engaging in social welfare activities and practising social responsibility

During the reporting period, the Company actively engaged and participated in a number of social welfare activities. Following the outbreak of Covid-19, Saurer actively mobilised internal production resources in order to provide carding production lines for nonwoven fabric to medical equipment manufacturers as the occasion demanded. Saurer also established deep collaborative ties with certain medical equipment manufacturers to boost production of protective equipment. Saurer has joined in donating money and materials to the Jintan District Charity Association in Changzhou, Jiangsu, in an effort to assist medical institutions with epidemic prevention at the city and district levels. In addition, Saurer has continued its support of the Veermata Jijabai Technological Institute (VJTI) in India by installing teaching equipment and other facilities, providing students with a more favourable learning environment.

(2) Environmental information

(a) Companies not listed as major pollutant-discharging entities

Neither Saurer nor its major subsidiaries were listed as major pollutant-discharging entities by China's environmental protection department. The Company is engaged mainly in R&D and the production and sale of complete sets of intelligent textile equipment and key components, and is not in an industry that is responsible for heavy pollution. The major pollutants discharged by the Company include wastewater, waste gas, waste residue and a certain amount of noise generated by the production processes. The Company strictly adheres to laws and regulations relating to environmental protection. Saurer operates management systems based on the internationally applicable ISO 9001 regulations (quality management) at its main production sites and its production sites in Germany are ISO 50001 certified. Currently, Saurer is also working towards a ISO 14001 certification. The Company's product R&D is guided by the E^3 + I concept, which aims to reduce overall energy consumption by providing customers with products that consume less energy and materials, have lower resource expenses and higher production efficiency.

6. Changes in common shares and shareholders

1 Changes in common share capital

(1) Table of changes in common shares

	Before change		Change (+/−)					After change	
	Quantity	Percentage (%)	Newly issued shares	Stock bonus	Shares converted from reserve fund	Other	Subtotal	Quantity	Percentage (%)
Restricted shares	771 085 898	40.68				−771 085 898	−771 085 898	0	0
– State-owned shares									
– Shares held by state-owned legal persons	16 612 641	0.87				−16 612 641	−16 612 641	0	0
– Other domestic shareholdings	754 473 257	39.81				−754 473 257	−754 473 257	0	0
– Held by domestic non-state-owned legal persons	754 473 257	39.81				−754 473 257	−754 473 257	0	0
– Held by domestic natural persons	0	0				0	0	0	0
– Foreign shareholdings									
– Held by foreign legal persons									
– Held by foreign natural persons									
Unrestricted shares	1 124 327 097	59.32				771 085 898	771 085 898	1 895 412 995	100
– RMB-denominated common shares	1 124 327 097	59.32				771 085 898	771 085 898	1 895 412 995	100
– Foreign capital shares listed in China									
– Foreign capital shares listed outside China									
– Other									
Total number of common shares	1 895 412 995	100				0	0	1 895 412 995	100

Unit: share

(a) Explanation of changes in common shares

On 31 July 2017 Saurer received the approval from CSRC (CSRC Licence No. 1397) approving the major asset restructuring of Xinjiang Urban Construction (Group) Co. Ltd and the issuance of shares to Jiangsu Jinsheng Industrial Co. Ltd, et al., for the purchase of assets. On 4 September 2017 the registration of new shares issued for the asset purchase was completed with 1 219 627 217 newly issued shares. On 7 September 2020, the 771 085 898 restricted shares involved in the asset replacement, the share issuance for the purchase of assets and the related-party transactions were listed for circulation. For more details, see Saurer's ad hoc announcement 2020–052.

(b) Changes in restricted share capital

Name of shareholder	Restricted shares at the beginning of 2020	Number of shares released from trading restrictions in 2020	New restricted shares in 2020	Restricted shares at the end of 2020	Reason for trading restrictions	Expiration date of trading restrictions
Jinsheng Industrial	721 247 974	721 247 974	0	0	Asset purchase via share issuance	07. 09. 20
CDBC	16 612 641	16 612 641	0	0	Asset purchase via share issuance	05. 09. 19
China Advanced Manufacturing Fund	33 225 283	33 225 283	0	0	Asset purchase via share issuance	07. 09. 20
	771 085 898	771 085 898	0	0		

Unit: share

2 Shareholders and actual controllers

(1) Total shareholders

Total number of common shareholders at the end of the reporting period (persons)	62 926
Total number of common shareholders at the end of the last trading month before the disclosure date of the Annual Report (persons)	70 809
Total number of preferred shareholders with restored voting rights at the end of the reporting period (persons)	0
Total number of preferred shareholders with restored voting rights at the end of the last trading month before the disclosure date of the Annual Report (persons)	0

(2) Top 10 shareholders and the top 10 tradable shareholders (or holders of shares not subject to a trading moratorium) as at the end of the reporting period

(a) Top 10 shareholders

Name of shareholder	Increase/ decrease in the reporting period	Shares held as at the end of the reporting period	Percent-age (%)	Share subject to a trading moratorium	Pledged or frozen		Nature of shareholder
					Share status	Quantity	
Jiangsu Jinsheng Industrial Co. Ltd	0	889 759 677	46.94	0	Pledged Frozen	799 273 511 50 486 166	Domestic non-state-owned legal person
Saurer Intelligent Technology Co. Ltd's special securities account for repurchases	92 886 448	107 500 773	5.67	0	None	0	Other
China Development Bank Capital Co. Ltd	−18 947 409	61 778 441	3.26	0	None	0	State-owned legal person
Jiangsu Huatai Strategic Emerging Industry Investment Fund (L.P.)	0	49 688 858	2.62	0	None	0	Other
Changzhou Hehe Investment Partnership (L.P.)	0	38 513 087	2.03	0	Pledged	38 510 000	Other
Urumqi State-Owned Assets Management (Group) Co. Ltd	0	30 072 467	1.59	0	None	0	State-owned legal person
Shenzhen Longding Shuming Equity Investment Partnership (L.P.)	233 000	18 103 647	0.96	0	None	0	Other
Huashan Investment Co. Ltd	0	16 612 641	0.88	0	None	0	Domestic non-state-owned legal person
Shanghai Yongjun Equity Investment Partnership (L.P.)	16 611 641	16 611 641	0.88	0	None	0	Other
Liping Han	0	15 089 259	0.80	0	None	0	Domestic natural person

Unit: share

(b) Top 10 holders of shares not subject to trading restrictions

Name of shareholder	Number of tradable shares not subject to trading restrictions	Type and number of shares	
		Type	Quantity
Jiangsu Jinsheng Industry Co. Ltd	889 759 677	RMB-denominated common shares	889 759 677
Saurer Intelligent Technology Co. Ltd's special securities account for repurchases	107 500 773	RMB-denominated common shares	107 500 773
China Development Bank Capital Co. Ltd	61 778 441	RMB-denominated common shares	61 778 441
Jiangsu Huatai Strategic Emerging Industry Investment Fund (L.P.)	49 688 858	RMB-denominated common shares	49 688 858
Changzhou Hehe Investment Partnership (L.P.)	38 513 087	RMB-denominated common shares	38 513 087
Urumqi State-owned Assets Management (Group) Co. Ltd	30 072 467	RMB-denominated common shares	30 072 467
Shenzhen Longding Shuming Equity Investment Partnership (L.P.)	18 103 647	RMB-denominated common shares	18 103 647
Huashan Investment Co. Ltd	16 612 641	RMB-denominated common shares	1 612 641
Shanghai Yongjun Equity Investment Partnership (L.P.)	16 611 641	RMB-denominated common shares	16 611 641
Liping Han	15 089 259	RMB-denominated common shares	15 089 259
Description of the aforementioned shareholders' affiliated relationship or concerted action	Of the top 10 shareholders not subject to trading restrictions, it is unknown whether there is an affiliated relationship among the shareholders or whether they are parties acting in concert.		
Preferred shareholders with restored voting rights and their shareholdings	N/A		

Unit: share

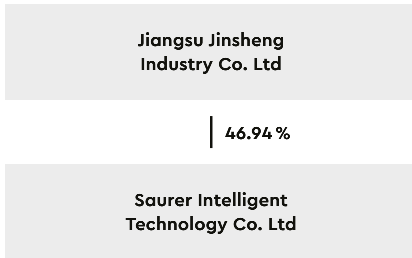
3 Controlling shareholder and actual controller

(1) Controlling shareholder

(a) Legal person

Name	Jiangsu Jinsheng Industry Co. Ltd
Person in charge or legal representative	Pan Xueping
Date of incorporation	25 December 2000
Principal businesses and operations	Manufacture of agricultural machinery, auto parts, electronic products (excluding satellite ground reception facilities), construction machinery and garments; sales of self-produced products; import, export and domestic wholesale of high-grade CNC machine tools and key components; domestic procurement and wholesale of cotton, cotton yarn and textiles.
Shareholdings of listed companies at home and abroad during the reporting period	None
Other explanations	None

(b) Equity and controlling relationship between the Company and its controlling shareholder

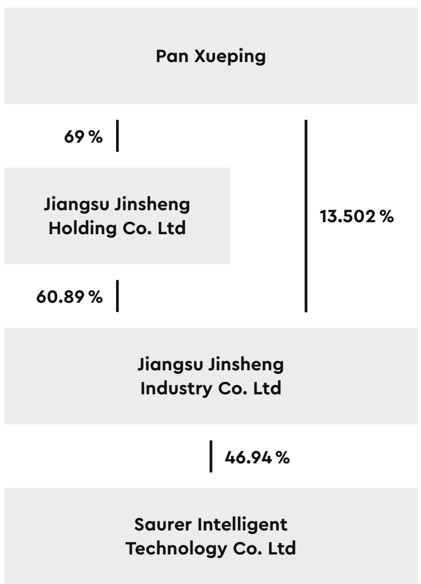


(2) Actual controller

(a) Natural person

Name	Pan Xueping
Nationality	China
Has the right of abode in other countries or regions been obtained?	No
Main occupation and job title	Chairman of the Board of Jiangsu Jinsheng Industry Co. Ltd
Control of domestic and foreign listed companies in the past 10 years	None

(b) Equity and controlling relationship between the Company and its actual controller



7. Directors, Supervisors, Senior Executives and Employees

1 Shareholding changes and remuneration

(1) Shareholding changes and remuneration of incumbent and outgoing Directors, Supervisors, Senior Executives during the reporting period

Name	Position (note)	Gender	Age	Start of tenure	End of tenure	Shares held at beginning of the year	Shares held at end of the year	Increase/decrease during the year	Reason for change	Total remuneration before tax received from the Company during the reporting period (thousand RMB)	Was remuneration received from related parties of the Company?
Pan Xueping	Chairman	Male	57	11.09.2017	–	0	0	0	–	85.5	Yes
	CEO			29.04.2021	–	0	0	0	–		
Stefan Kross	Vice Chairman	Male	65	20.04.2018	–	0	0	0	–	91.7	No
	Director			11.09.2017	–						
Carsten Voigtländer	Vice Chairman	Male	57	25.04.2019	–	0	0	0	–	85.5	No
	Director			16.01.2019	–						
Clement Woon	Director	Male	61	11.09.2017	–	25000	25000	0	–	389.6	No
	Former General Manager			11.09.2017	01.04.2020						
Ding Yuan	Director	Male	50	21.05.2018	–	0	0	0	–	85.5	No
Arthur Yeung	Director	Male	51	21.05.2018	–	0	0	0	–	85.5	No
Guan Ye	Director	Male	50	21.05.2018	–	0	0	0	–	525.2	No
	Former Chief Operating Officer			11.09.2017	29.01.2021						
Guido Spix	Former Independent Director	Male	57	21.05.2018	10.09.2020	0	0	0	–	60.8	No
Wang Shutian	Independent Director	Male	64	05.02.2021	–	0	0	0	–		No
Dominique Turpin	Independent Director	Male	63	21.05.2018	–	0	0	0	–	85.5	No
Chen Jieping	Independent Director	Male	67	11.09.2017	–	0	0	0	–	85.5	No
Xie Manlin	Independent Director	Male	57	11.09.2017	–	0	0	0	–	85.5	No
Zhang Yueping	Chairman of the Supervisory Board	Male	50	11.09.2017	–	0	0	0	–	50.0	Yes
Jin Hao	Supervisor	Male	45	11.09.2017	–	0	0	0	–	50.0	Yes
Liang Taifu	Former Supervisor	Male	39	21.05.2018	09.06.2020	0	0	0	–	22.1	Yes
Pei Guoqing	Supervisor	Male	53	11.09.2017	–	0	0	0	–	88.6	No
Sheng Yiping	Former Supervisor	Male	44	21.05.2018	31.03.2020	163400	163400	0	–	344.3	No
	Former CEO			01.04.2020	28.04.2021						
Zeng Zhengping	Secretary to the Board of Directors	Male	58	11.09.2017	–	0	0	0	–	529.2	No
Lu Yimin	Chief Financial Officer	Female	47	29.11.2017	–	0	0	0	–	462.4	No
Dong Zhanlue	Chief Human Resources Officer	Male	46	29.01.2021	–	0	0	0	–		No
Cheng Rong	Former Chief Human Resources Officer	Female	51	29.04.2019	29.01.2021	0	0	0	–	322.0	No
						188400	188400	0	–	3534.4	

Unit: share

Name	Main work experience
Pan Xueping	Chairman and CEO of the Company, and Chairman of Jinsheng Industrial. Mr Pan also serves as Vice President of the China Textile Machinery Association, China Textile Engineering Society, China Textile Enterprise Association (China Textile Entrepreneurs Federation), and the Changzhou Federation of Industry and Commerce. Before founding Jinsheng Industrial, Mr Pan served as the General Manager of Steel Manufacturing Co. Ltd and the Pacific Group's Shanghai Textile Machinery Plant; Director and Secretary of the Party Committee of Jintan Textile Machinery Plant and Jintan Huajin Machinery Plant; and CEO of the pre-spinning segment of the Switzerland-based Saurer Textile Machinery Group.
Stefan Kross	Director. Previously, Mr Kross served as COO of Volkmann GmbH & Co. KG; member of the Board of W. Schlafhorst AG & Co; CTO of Saurer Spinning Solutions GmbH & Co KG; CEO of the Business Segment of Oerlikon Barag; CEO of Oerlikon Manmade Fibres; and a member of Oerlikon's Executive Committee.
Carsten Voigtländer	Director. Mr Voigtländer previously served as CEO of Vaillant Group (Germany), CEO of Oerlikon Textile, CTO of Neumag GmbH and has a PhD from the Technical University of Braunschweig, Germany.
Clement Woon	Director, and former General Manager and CEO. Mr Woon previously worked at the Oerlikon Group (Switzerland), SATS Ltd (Singapore) and Hexagon Metrology AB (Sweden). He also served successively as the CEO of Oerlikon's textile machinery segment, President and CEO of SATS Ltd and President of Leica Geosystems AG's geodetic surveying operations.
Ding Yuan	Director. Mr Ding is also Vice President and Dean, Cathay Capital Chair Professor of Accounting at China Europe International Business School (CEIBS); Independent Non-executive Director and Chairman of the Audit Committee of Red Star Macalline Group Co. Ltd; Independent Non-executive Director, Chairman of the Audit Committee and a member of the Nominating Committee and Compensation Committee of Landsea Real Estate; Independent Non-executive Director, Chairman of the Compensation Committee and a member of Nominating Committee and Audit Committee of Man Wah Holdings Limited; and Director of Jaccar Holdings. Mr Ding was previously a tenured faculty member at HEC School of Management, Paris (France); Independent Director and Chairman of the Audit Committee of Anhui Gujing Distillery; Independent Director and Chairman of the Audit Committee of TCL Group; and Director and Chairman of the Audit Committee of Mag Industries Corp.
Arthur Yeung	Director. Mr Yeung serves as a Senior Management Advisor at Tencent Group, Dean of TencentX University, President of Y-Triangle Organisation Learning Oasis, Adjunct Professor of Management at CEIBS, and an Independent Non-executive Director of SITC International Holdings Ltd and Country Garden Holdings Ltd. He previously served as CHRO of Acer Group, and as a senior consultant for companies including Alibaba, TSMC, Mary Kay, ING Insurance and TCL-Thomson.
Guan Ye	Director and former COO. Mr Guan has worked in international companies including Ingersoll Rand, TI Automotive and P&G. He also served as the President of Ingersoll Rand Fuxing Holdings, Director of Asia Pacific operations for Ingersoll Rand's Industrial Technologies and Security Technologies segments, and Vice President of TI Automotive's China operations.
Wang Shutian	Independent Director. Mr Wang holds a Bachelor's degree in Industrial Economics and Management from Renmin University of China. He was previously an Honorary President of the China Textile Machinery Association; and as a Cadre, Division Head, Secretary General, Council President and Secretary General, and President of China Textile Machinery Industry Corporation, Technical Equipment Department of the Ministry of Textile Industry, Technical Equipment Department of the China National Textile and Apparel Council, the China Textile Machinery Industry Association and the China Textile Machinery Association.
Dominique Turpin	Independent Director. Professor at International Management Development Institute (IMD) in Lausanne (Switzerland); a part-time member of the Advisory Committee of Waseda Business School (Japan); Académie Internationale des Sciences et Techniques du Sport (AISTS), École cantonale d'art de Lausanne (ECAL), École hôtelière de Lausanne (EHL), all in Lausanne (Switzerland); and Editorial Consultant for Singapore Management Review.
Chen Jieping	Independent Director. Mr Chen is Professor Emeritus of accounting at China European Business School (CEIBS) and an Independent Non-executive Director of Huafa Property Services Group Co. Ltd. Previously, Mr Chen was Deputy Dean of CEIBS and served as Dean of its EMBA programme. Prior to joining CEIBS, Mr Chen served for 13 years as a tenured faculty member and Dean of the Accounting Department at the City University of Hong Kong.
Xie Manlin	Independent Director. Mr Xie is the Director of Jiangsu Xie Manlin Law Firm, and serves as a Director of Xinyuan Asset Management Co. Ltd; Independent Director of Nanjing Putian Telecommunications Co. Ltd; Legal Adviser to the Jiangsu Provincial People's Government and the Nanjing Municipal People's Government; and Supervisor of the Nanjing Bar Association. He was previously employed as an attorney at Nanjing Second Law Firm, an attorney at Nanjing Jinling Law Firm, and served as an Independent Director of the Bank of Nanjing Bank Co. Ltd.
Zhang Yueping	Chairman of the Supervisory Board, and Co-CEO and president of Jinsheng Industrial. Mr Zhang previously served as General Manager and Executive Deputy General Manager of Jinsheng Industrial; Executive Deputy General Manager of Saurer (Jintan) Co. Ltd; and Technical Director and Executive Deputy Director of Jintan Textile Machinery Plant. Mr Zhang has extensive experience in both R&D and management. Prior to joining Jinsheng Industrial, Mr Zhang worked at Changchai Group's Jintan Diesel Engine plant, where he was in charge of the design of processes and special process equipment, plant technical upgrading and technical management.
Jin Hao	Supervisor. Vice President and Chief Legal Officer of Jinsheng Industrial. Mr Jin was previously an attorney at a number of Chinese and international law firms.
Pei Guoqing	Supervisor. Mr Pei is Deputy General Manager of Saurer (Changzhou) Textile Machinery Co. Ltd. He previously worked at Jiangsu Jintan Textile Machinery plant and Jinsheng Industrial.
Sheng Yiping	CEO. Chief Director of Saurer's pre-spinning production line. Mr Sheng has been employed at Saurer (Changzhou) Textile Machinery Co. Ltd since graduating from university. He began in workshop assembly, and served as Product Design Engineer, Project Manager, Secretary to the General Manager, Deputy General Manager and General Manager.
Zeng Zhengping	Secretary to the Board of Directors. Mr Zeng previously served as CFO of ZF (China) Investment Co. Ltd.
Lu Yimin	CFO. Ms Lu previously served as Vice President and CFO of the Overseas Segment at Jinsheng Industrial. She also served as M&A Consulting Director, Senior Manager and Manager at PricewaterhouseCoopers (PwC) China and PwC US.
Dong Zhanlue	CHRO. Mr Dong was previously HR Director at Zhejiang Hengdian Holdings Co. Ltd and CHRO at Zhejiang Supor Co. Ltd from 2003 to 2015. He joined Jiangsu Jinsheng Industry Co. Ltd in 2015, where he served as Vice President and CHRO from 2015 to January 2021.

2 Positions held by incumbent and outgoing Directors, Supervisors and Senior Executives during the reporting period

(1) Positions held in the shareholding company

Name	Name of shareholding company	Position held	Start of tenure	End of tenure
Pan Xueping	Jiangsu Jinsheng Industry Co. Ltd	Chairman	12. 2000	–
Zhang Yueping	Jiangsu Jinsheng Industry Co. Ltd	Director and Deputy General Manager	12. 2000	–
Jin Hao	Jiangsu Jinsheng Industry Co. Ltd	Supervisor, Vice President, Chief Legal Officer	03. 2013	–
Taifu Liang	Jiangsu Jinsheng Industry Co. Ltd	Vice President	10. 2015	–
Pei Guoqing	Jiangsu Jinsheng Industry Co. Ltd	Supervisor	12. 2000	–
Dong Zhanlue	Jiangsu Jinsheng Industry Co. Ltd	Vice President, Chief Human Resources Officer	05. 2015	01. 2021

(2) Positions held at other entities

Name	Name of other entity	Position held	Start of tenure	End of tenure
Pan Xueping	Jiangsu Jinsheng Holdings Co. Ltd	Chairman	07. 2017	–
Pan Xueping	Maigaiti Litai Silk Road Textile Co. Ltd	Executive Director and General Manager	08. 2018	–
Pan Xueping	Jiangsu Changjin Investment Co. Ltd	Executive Director	10. 2009	–
Pan Xueping	Jiangsu Jinsheng Assets Management Co. Ltd	Executive Director	10. 2015	–
Pan Xueping	Kuitun Litai Silk Road Investment Co. Ltd	Chairman	05. 2015	–
Pan Xueping	Shanghai Shenglun Enterprise Management Co. Ltd	Executive Director	02. 2018	–
Pan Xueping	Taicang Litai Textile Mill Co. Ltd	Chairman	06. 2008	–
Pan Xueping	Alaer Litai Silk Road Investment Co. Ltd	Chairman	05. 2018	–
Pan Xueping	Xinjiang Litai Silk Road Investment Co. Ltd	Chairman	04. 2015	–
Pan Xueping	Litai Xingshi (Taicang) Holdings Co. Ltd	Chairman	03. 2015	–
Pan Xueping	Litai Silk Road Holdings Co. Ltd	Chairman	03. 2015	–
Pan Xueping	Urumqi Litai Silk Road Investment Co. Ltd	Chairman	12. 2020	–
Pan Xueping	KOEPFER (Changzhou) Transmission Technology Co. Ltd	Chairman	11. 2013	–
Pan Xueping	Changzhou Litai Textile Co. Ltd	Executive Director	08. 2019	–
Pan Xueping	EMAG China Machinery Co. Ltd	Chairman	11. 2010	–
Pan Xueping	Xinjiang Jinsheng Enterprise Management Co. Ltd	Executive Director	04. 2017	–
Pan Xueping	Heberlein Ceramic Technology Co. Ltd	Executive Director	01. 2015	–
Zhang Yueping	Jiangsu Jinsheng Holdings Co. Ltd	Director	11. 2017	–
Zhang Yueping	Taicang Litai Textile Technology Co. Ltd	Executive Director	05. 2014	–
Zhang Yueping	Jiangsu Wellbiotech Co. Ltd	Chairman	09. 2010	–
Zhang Yueping	Jiangsu Jinsheng International Industries Co. Ltd	Executive Director	06. 2017	–
Zhang Yueping	Maigaiti Litai Silk Road Textile Co. Ltd	Supervisor	08. 2018	–
Zhang Yueping	Kuitun Litai Silk Road Investment Co. Ltd	Director	05. 2015	–
Zhang Yueping	Taicang Litai Textile Mill Co. Ltd	Vice Chairman	06. 2008	–
Zhang Yueping	Alaer Litai Silk Road Investment Co. Ltd	Director	05. 2018	–
Zhang Yueping	Xinjiang Litai Silk Road Investment Co. Ltd	Director	04. 2015	–
Zhang Yueping	Litai Xingshi (Taicang) Holdings Co. Ltd	Director	03. 2015	–
Zhang Yueping	Litai Silk Road Holdings Co. Ltd	Director	03. 2015	–
Zhang Yueping	Urumqi Litai Silk Road Investment Co. Ltd	Director	12. 2020	–
Zhang Yueping	KOEPFER (Changzhou) Transmission Technology Co. Ltd	Director	11. 2013	–
Zhang Yueping	Changzhou Litai Textile Co. Ltd	General Manager	08. 2019	–
Zhang Yueping	EMAG China Machinery Co. Ltd	Director	11. 2010	–
Zhang Yueping	Xinjiang Jinsheng Enterprise Management Co. Ltd	General Manager	04. 2017	–

Name	Name of other entity	Position held	Start of tenure	End of tenure
Jin Hao	Jiangsu Changjin Investment Co. Ltd	Supervisor	01. 2009	–
Jin Hao	Jiangsu Jinsheng Assets Management Co. Ltd	Supervisor	10. 2015	–
Jin Hao	Kuitun Litai Silk Road Investment Co. Ltd	Supervisor	05. 2015	–
Jin Hao	Alaer Litai Silk Road Investment Co. Ltd	Supervisor	05. 2018	–
Jin Hao	Xinjiang Litai Silk Road Investment Co. Ltd	Supervisor	04. 2015	–
Jin Hao	Litai Xingshi (Taicang) Holdings Co. Ltd	Supervisor	03. 2015	–
Jin Hao	Litai Silk Road Holdings Co. Ltd	Supervisor	03. 2015	–
Jin Hao	Urumqi Litai Silk Road Investment Co. Ltd	Supervisor	12. 2020	–
Jin Hao	Changzhou Litai Textile Co. Ltd	Supervisor	08. 2019	–
Jin Hao	Xinjiang Jinsheng Enterprise Management Co. Ltd	Supervisor	04. 2017	–
Jin Hao	Jiangsu Jinsheng International Industries Co. Ltd	Supervisor	06. 2017	–
Jin Hao	Heberlein Ceramic Technology Co. Ltd	Supervisor	01. 2015	–
Ding Yuan	Man Wah Holdings Limited	Independent Non-executive Director	–	–
Ding Yuan	Jaccar Holdings	Director	–	–
Ding Yuan	CEIBS	Vice President and Academic Dean	09. 2006	–
Ding Yuan	Bluestar Adisseo Company	Independent Director	10. 2018	–
Arthur Yeung	SITC International Holdings Company Limited	Independent Non-executive Director	09. 2010	–
Arthur Yeung	Tencent Group	Senior Management Advisor	–	–
Arthur Yeung	CEIBS	Visiting Professor of Management	–	–
Guido Spix	MULTIVAC Sepp Haggenmuller SE & Co. KG	President, Group Chief Technology Officer and Chief Operating Officer	–	–
Dominique Turpin	Waseda Business School	Member of the Advisory Committee	–	–
Dominique Turpin	International Institute of Sports Science and Technology, Lausanne	Member of the Advisory Committee	–	–
Dominique Turpin	Ecole cantonale d'art de Lausanne	Member of the Advisory Committee	–	–
Dominique Turpin	Singapore Management Review	Editorial Consultant	–	–
Chen Jieping	Huajin International Capital Holding Co. Ltd	Independent Non-executive Director	07. 2014	07. 2020
Chen Jieping	Jinmao (China) Hotel Investments and Management Limited	Independent Non-executive Director	03. 2014	03. 2020
Xie Manlin	Jiangsu Xie Manlin Law Firm	Director	12. 1994	–
Xie Manlin	Nanjing Putian Telecommunications Co. Ltd	Independent Non-executive Director	08. 2017	–
Xie Manlin	Jiangsu NandaSoft Technology Company Limited	Independent Non-executive Director	06. 2011	12. 2020
Xie Manlin	Xinyuan Asset Management Co. Ltd	Director	11. 2019	–

3 Remuneration of Directors, Supervisors and Senior Executives

Decision-making procedure for the remuneration of Directors, Supervisors and Senior Executives	The remuneration payable to Directors, Supervisors and Senior Executives is proposed by the Compensation and Nominating Committee and submitted to the Board of Directors for approval. If it is within the scope of the AGM, the remuneration of Directors, Supervisors and Senior Executives shall also be examined and approved by the AGM.
Basis for determining the remuneration of Directors, Supervisors and Senior Executives	Members of the 9th Board of Directors of the Company receive a Director's allowance. However, if a Non-independent Director holds a position in the Company, he/she will receive remuneration commensurate to his/her post in the Company without any additional allowance. Members of the 9th Board of Supervisors receive a Supervisor's allowance. However, if a Supervisor holds a position in the Company, he/she shall receive remuneration commensurate to his/her post in the Company without any additional allowance. Senior Executives of the Company receive remuneration according to the relevant personnel regulations for their posts, and the remuneration is composed of the base salary plus performance bonuses.
Actual remuneration payable to Directors, Supervisors and Senior Executives	For details, see "Shareholding changes and remuneration of incumbent and outgoing Directors, Supervisors, Senior Executives during the reporting period".
Total remuneration actually received by all Directors, Supervisors and Senior Executives as at the end of the reporting period	RMB 35 344 000 (before tax)

4 Changes in Directors, Supervisors and Senior Executives

Name	Position	Change	Reason for change
Liang Taifu	Supervisor	Resignation	New appointment
Guido Spix	Independent Director	Resignation	Resignation
Sheng Yiping	CEO	Resignation	Expiration of contract
Sheng Yiping	Supervisor	Resignation	Resignation
Clement Woon	CEO	Resignation	Expiration of contract

5 Profile of employees of the parent company and main subsidiaries

(1) Employees

Number of employees in service in parent company	14
Number of employees in service in main subsidiaries	4439
Total number of employees in service	4453
Number of retired employees to be covered by the parent company and main subsidiaries	3

(a) Professional composition

Category of professional composition	Number of professionals
Production personnel	2573
Sales personnel	381
After-sales personnel	586
Technical personnel	478
Finance personnel	139
Management and administrative personnel	240
Other	56
	4453

(b) Educational background

Highest qualification received	Number of people
Master's degree or above	445
Undergraduate	980
Qualifications below university level	3028
	4453

(2) Compensation policy
Saurer provides employees with competitive remuneration and benefits. The Company awards annual performance bonuses based both on individual performance and that of the Company. Saurer also offers salary increases and promotion opportunities for employees with outstanding performance. The Company also provides long-term incentives for employees. In Europe, for example, in addition to contributions to statutory pension plans, the Company funds additional pension plans based on local labour market regulations. It also strives to motivate and retain employees in a number of different ways, including career development strategies and profit sharing.

(3) Training scheme
(a) Saurer has a training system that helps employees to acquire new knowledge and skills, and to grow their careers. In addition to regular multichannel communication, Saurer has also established training and succession schemes based on the identification of key talents.

(b) Saurer's employee training system includes onboard training and job skill training. Newly recruited employees grow and develop as they are given instructions and training by experienced staff, such as on-the-job training, technical skills training, and appraisals and evaluations. Saurer also makes arrangements for employees to participate in a wide range of industry training activities, as well as management and technical exchanges. These give employees opportunities to actively expand their contacts in the industry while improving their business skills. Such events raise employees' awareness of the needs of both the industry and the Company.

(4) Labour outsourcing

Total working hours of outsourced labour force	307114
Total remuneration paid for outsourced labour force	RMB 27947400

8. Corporate governance report

1 Corporate governance

(1) Corporate governance
During the reporting period, Saurer continuously improved its corporate governance structure and standardised its operations in strict accordance with the requirements of the Company Law, the Securities Law, Governance Guidelines for Listed Companies, the Shanghai Stock Exchange Listing Rules and the relevant regulations of the CSRC and the Shanghai Stock Exchange, taking into account the actual situation of the Company. The AGM, the Board of Directors, the Supervisory Board, the special committees of the Board of Directors and the management of the Company have effectively safeguarded the interests of investors and the Company by performing their respective duties in accordance with the law. The Company's corporate governance complies with the requirements of the Governance Guidelines for Listed Companies and other relevant regulations.

(a) Shareholders and Shareholders' General Meetings
During the reporting period, Saurer convened and held shareholders' meetings in strict compliance with the applicable laws and regulations, the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting. Matters given careful consideration included voting procedures, the equal treatment of all investors, and the effective safeguarding of the legitimate rights and interests of small and medium-sized shareholders, as well as ensuring that each shareholder has the right to know and participate in Company affairs and exercise their voting rights in accordance with the law.

(b) Controlling shareholders and the Listed Company
During the reporting period, the controlling shareholders of the Company conscientiously performed their fiduciary duties, acted in a legal and compliant manner, exercised their rights as shareholders at shareholders' meetings and did not directly or indirectly interfere with Company business activities or decision-making procedures beyond the AGM or the Board of Directors.

(c) Directors and the Board of Directors
During the reporting period, the number of members and composition of the Board of Directors complied with the requirements of all applicable laws and regulations, as well as the Articles of Association. The Board of Directors carried out its duties in strict compliance with the applicable laws and regulations, the Articles of Association, the Rules of Procedure for the Board, the Working System for Independent Directors and the Implementation Rules for the Special Committees of the Board of Directors. All Directors performed their duties diligently and in good faith, and received the relevant training. Independent directors performed their duties independently to safeguard the overall interests of the Company and its shareholders, and issued independent opinions on important and significant matters. The Strategy, Audit and Compensation and Nominating Committees under the Board of Directors fulfilled their remits, and provided adequate protection for the decision-making of the Board of Directors, thereby reducing risks.

(d) Supervisors and the Supervisory Board
During the reporting period, the number of members and composition of the Supervisory Board complied with the requirements of the applicable laws, regulations and the Articles of Association. The Supervisory Board performed its duties in strict compliance with the applicable laws and regulations, the Articles of Association and the Rules of Procedure for the Supervisory Board. It effectively supervised the Company's financial operations and ensured that Directors and Senior Executives performed their duties in a lawful and compliant manner, thereby actively safeguarding the overall interests of the Company and its shareholders.

(e) Information disclosure management and investor relations management
During the reporting period, Saurer disclosed all information that might have had a significant impact on the production, operation and share price of the Company in a true, accurate, complete, timely and fair manner. Such disclosures were made in strict accordance with the Company Law, the Securities Law, the Administrative Measures for the Disclosure of Information by Listed Companies, the Listing Rules of the Shanghai Stock Exchange and other applicable laws and regulations. Disclosures met all relevant requirements under the Articles of Association, the Information Disclosure Management System, the Business Management System for Delays of and Exemptions from Information Disclosures, and the Investor Relations Management System. These disclosures were made to enhance Company transparency and ensure that all shareholders of the Company have equal access to company information. The Company attaches great importance to the management of investor relations and has strengthened its communication and interaction with investors through numerous channels, including the investor hotline, email, the Shanghai Stock Exchange's E-interaction Platform and investor exchanges. The Company values the views of investors and safeguards their legitimate rights and interests.

(2) Insider information registration management
During the reporting period, the Company was in strict compliance with the applicable laws and regulations governing insider information and the Insider Registration Management System. Saurer registered and recorded the relevant personnel involved in insider information during the course of periodic reports, major asset restructurings and other relevant issues. During the reporting period, there were no incidents in which insider information was used to buy or sell company shares before the disclosure of material and sensitive information that might have affected the share price. No investigations were made into the Company by the regulatory authorities and no requests were made for any rectification during this period.

2 Extraordinary Shareholders' General Meetings and Annual Shareholders' General Meeting

Session	Date	Reference website	Date of disclosure
First extraordinary shareholders' meeting (EGM) in 2020	16.03.2020	SSE (www.sse.com.cn) Ann. No.: 2020-011	17.03.2020
Annual shareholders' meeting (AGM) for 2019	25.08.2020	SSE (www.sse.com.cn) Ann. No.: 2020-046	26.08.2020

Note: the Company held one AGM and one EGM during the reporting period. All proposals submitted by the Company's Board of Directors to the shareholders were approved at the EGM and AGM.

3 Board matters

(1) Directors' attendance at board meetings and shareholders' meetings

		Attendance at board meetings						Attendance at shareholders' meetings
Director name	Independent Director	Required number of board meetings for the year	Attendance in person	Attendance by correspondence	Represented by proxy	Absences	Two successive absences	Attendances
Pan Xueping	No	9	9	7	0	0	No	2
Clement Woon	No	9	9	7	0	0	No	0
Stefan Kross	No	9	9	7	0	0	No	0
Ding Yuan	No	9	9	7	0	0	No	0
Arthur Yeung	No	9	9	7	0	0	No	0
Carsten Voigtländer	No	9	9	9	0	0	No	0
Guan Ye	No	9	9	7	0	0	No	1
Guido Spix	Yes	8	8	8	0	0	No	0
Dominique Turpin	Yes	9	9	9	0	0	No	0
Chen Jieping	Yes	9	9	7	0	0	No	1
Xie Manlin	Yes	9	9	7	0	0	No	0

Number of board meetings held in 2020	9
Including: number of on-site meetings	0
Number of meetings by correspondence	7
Number of meetings on-site combined with meetings by correspondence	2

4 Establishment and implementation of appraisal and incentive mechanisms for Senior Executives

During the reporting period, Saurer determined the remuneration for its Senior Executives on the basis of the existing remuneration plan, which was examined and approved by the Board of Directors. Senior Executives received remuneration according to the relevant personnel requirements corresponding to their positions, comprised of a base salary plus performance bonuses. The Company appraised the performance of its Senior Executives based on the completion of both the Company's annual operating plan and personal work goals. Performance assessments were made objectively and correctly, and company performance appraisal plans were implemented together with the rules and regulations on incentives and penalties.

5 Disclosure of internal control self-assessment report

The Board of Directors assessed the effectiveness of the Company's internal controls for 2020 in accordance with the Basic Standards for Enterprise Internal Control and other relevant internal control regulations. For details, please refer to the Saurer 2020 Internal Control Evaluation Report disclosed by the Company through the Shanghai Stock Exchange, Securities Times, Securities Daily and Shanghai Securities News on 30 April 2021.

6 Audit report for the Company's internal control

Saurer engaged BDO China Shu Lun Pan Certified Public Accountants LLP to audit and issue an opinion on the effectiveness of the Company's internal controls for financial reporting. According to the Saurer 2020 Internal Control Auditor's Report issued by BDO China Shu Lun Pan Certified Public Accountants LLP, the Company maintained effective internal control over financial reporting in all material respects pursuant to the Basic Standards for Enterprise Internal Control and the relevant regulations as of 31 December 2020. The details can be found in the Saurer 2020 Internal Control Auditor's Report disclosed on 30 April 2021 through the Shanghai Stock Exchange, Securities Times, Securities Daily, and Shanghai Securities News.

9. Financial statements and auditor's report

for the year ended 31 December 2020

Important notes

English translation of the financial statements
This auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. The English translation is for reference only. Should there be any inconsistencies between the Chinese and English versions, the Chinese version shall prevail. The English names of certain Chinese companies represent the English translation. They are used for identification purposes only, as no English names have been registered.

Financial figures/amounts
All amounts in the report are in thousand RMB unless otherwise stated.

Auditor's report

To the shareholders of Saurer Intelligent Technology Co. Ltd.

Opinion

What we have audited
We have audited the financial statements of Saurer Intelligent Technology Co. Ltd (hereinafter "the Company"), which comprise:

- the consolidated balance sheet and the parent company's balance sheet as at 31 December 2020;
- the consolidated income statement and the parent company's income statement for the year then ended;
- the consolidated statement of cash flows and the parent company's statement of cash flows for the year then ended;
- the consolidated statement of changes in shareholders' equity and the parent company's statement of changes in owner's equity for the year then ended; and
- notes to the relevant financial statements.

Our opinion
In our opinion, the financial statements attached are prepared, in all material respects, in accordance with the Chinese Accounting Standards for Business Enterprises, and fairly present the consolidated financial position of the Company and the parent company's financial position as at 31 December 2020 and the consolidated operating results and cash flows of the Company and the parent company's operating results and cash flows for the year then ended.

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

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. The response to these matters are based on the overall audit of the financial statements and the formation of audit opinions. We do not express our opinions on these matters separately.

The key audit matters identified in our audit are summarised as follows:

Key audit matter	How our audit addressed the matter
(A) Impairment of goodwill and intangible assets with no fixed useful life See note 4 (13) and note 4 (14) of the financial statements. Saurer Intelligent's goodwill and intangible assets with no fixed useful life (namely, the trademarks) are mainly derived from the acquisition of natural fibre spinning machine and spinning machine specialties business of Oerlikon Group in 2013. As at 31 December 2020, the book value of goodwill was RMB 639 million, accounting for 5 % of total assets, and 12.6 % of net asset; the book value of trademarks was RMB 910 million, accounting for 7.1 % of total assets, and 18 % of net asset. Saurer Intelligent uses a model for predicting the present value of expected future cash flows ("cash flow model") to conduct impairment tests on goodwill and trademarks, and determine the recoverable amounts of goodwill and trademarks based on the present value of its expected future cash flows. When conducting these impairment tests, Saurer Intelligent uses each relevant business unit as an asset group and calculates whether its recoverable amount is lower than its book value, of which the key estimates and assumptions involved include sales growth rate, brand commission rate, gross profit margin and discount rate. Since the amounts of goodwill and trademarks are significant and the management has used key estimates and assumptions when determining their recoverable amounts, we have identified them as key audit matters.	For the impairment tests of goodwill and trademarks, we performed the following procedures: – understood, evaluated and tested internal processes and key controls implemented by Saurer Intelligent's management for the impairment tests on goodwill and trademarks; – compared the actual profitability of this year with the profit budget used in the impairment test of the previous year to evaluate the rationality of the management's budget; – assessed whether the method used by the management to determine the asset group is appropriate; – obtained the cash flow model compiled by the management, understood and evaluated the appropriateness of the evaluation method adopted by the management; – obtained key assumptions and estimates used by the management in the cash flow model, including the used sales growth rate, brand commission rate, gross profit margin, discount rate, etc. For the profit budget used in the model, we compared it with Saurer Intelligent's actual profitability, industry practices, industry data information and other information in this year. For sales growth rate and brand commission rate, we compared them with historical sales growth situation or industry data information, etc.; for forecasted gross profit margin, we compared it with the previous actual gross profit margin and consider market trends; for the discount rate, we made an independent interval estimate on it and compared it with the discount rate in the cash flow model. In addition, we also conducted a sensitivity analysis and considered the potential impact of reasonable fluctuations in the key assumptions adopted by the management in the impairment assessment, and – tested the accuracy of data calculation of the cash flow model. The audit evidence we obtained supports the key estimates and assumptions used by the management in assessing the recoverable amounts of goodwill and trademarks.
(B) Transactions of sales of goods to related parties See note 7 (5) (c) of the financial statements. In 2020, Saurer Intelligent's revenue from sales of products to related parties Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries (collectively referred to as "Litai Xingshi") amounted to RMB 1.16 billion, accounting for 23.9 % of Saurer's sales revenue in 2020. Litai Xingshi purchases equipment from Saurer Intelligent for its own production and operation. Saurer Intelligent contributes significantly to the sales revenue of Litai Xingshi. Moreover, compared with third-party sales, related party sales transactions (including transaction pricing) are the focus of the audit, so we have identified them as key audit matters.	When auditing the sales revenue of Saurer Intelligent to Litai Xingshi, we performed the following procedures: – understood, evaluated and tested the relevant processes of Saurer Intelligent's related party transactions and the management's internal controls; – reviewed sales contracts and held interviews with the management to understand and evaluate the pricing policies of related party transactions and their rationality and consistency, and conducted comparative analysis on related party sales and third-party sales; – made site visits to Litai Xingshi, and conducted sampling checks on the machines purchased from Saurer Intelligent in 2020, to understand the Litai Xingshi's plant construction progress and plan to compare the demand for Saurer Intelligent's equipment and the progress of the installation of related purchased machinery and equipment; – conducted sampling tests on the sales revenue generated by Saurer Intelligent from Litai Xingshi, and checked the risk and reward clauses in relevant contracts and corresponding supporting documents such as customs declaration, invoice and receipt. Tested the sales revenue that occurred around the end of the year to ensure that the sales revenue was recorded in the correct financial statement period; and – corresponded with Litai Xingshi to confirm the total amounts of related party transactions in 2020 and the balances as at 31 December 2020 between Saurer Intelligent and Litai Xingshi. According to the audit procedures we performed, the revenue recognition of products sold by Saurer Intelligent to Litai Xingshi is in line with Saurer Intelligent's revenue recognition accounting policies.

Key audit matter	How our audit addressed the matter
(C) Impairment of accounts receivable As at 31 December 2020, the original value of accounts receivable and long-term receivables in the consolidated financial statements of Saurer Intelligent totaled RMB 5.04 billion, and the total provision for bad debts was RMB 170 million. Saurer Intelligence calculates the expected credit loss of accounts receivable through the default risk exposure of accounts receivable and the expected credit loss rate, and determines the expected credit loss rate based on the default probability and the default loss rate. When determining the expected credit loss rate, Saurer Intelligent, by use of internal historical credit loss experience and other data, and in combination with current conditions and forward-looking information, adjusts the historical data. When evaluating forward-looking information, factors considered include macroeconomic indicators, economic policies, industry risks, and changes in customer conditions. As the determination of expected credit losses involves the management's use of significant accounting estimates and judgments, we have identified the recoverability and impairment assessment of accounts receivable as key audit matters.	In response to the impairment of accounts receivable of Saurer Intelligent this year, we performed the following audit procedures: – understood, evaluated and tested the management's key internal control tests related to the impairment of accounts receivable, mainly including the identification of objective evidence of impairment of accounts receivable, maintenance and analysis of the aging and collection status of accounts receivable, estimation of expected credit loss rate including the use of forward-looking information in the expected credit loss model, and the provision and review of allowance for credit impairment loss on accounts receivable; – for receivables with individually significant amounts or objective evidence showing signs of impairment, we interviewed the management to understand the management's methods and basis for assessing the client's financial operations; we conducted the sampling inspection on the supporting evidence for the management's assessment of the customer's financial operations, including inquiry letter responses of accounts receivable, post-period collections, the customer's credit history, operations and ability to repay; – for accounts receivable with expected credit loss calculated based on the combination of credit risk characteristics, it was required to review the reasonableness of the management's estimates of the expected credit loss rates for the various combinations, based on the divided combinations and on historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, etc., including changes in macroeconomic indicators, economic policies, industry risks and customer conditions, etc.; we evaluated the reasonableness of the expected loss rate, and selected samples to test the accuracy of the combination classification and aging division of accounts receivable; and recalculated the accuracy of the provision amount of expected credit loss. Based on the audit procedures we performed, relevant evidence can support the management's judgment when assessing the impairment of accounts receivable.

Other information
The management of Saurer Intelligent Group shall be responsible for other information. The other information comprises information of the Company's annual report in 2020, but excludes the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will 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.

Responsibilities of the management and the Audit Committee for the financial statements
The management of Saurer Intelligent Group is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining the necessary internal controls to ensure that the financial statements are 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 the matters related to a going concern (if applicable) and using the going concern assumption unless the management either intends to carry out the liquidation or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

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

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional scepticism. We also:

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

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the year 2020 and are therefore the key audit matters. We describe these matters in our auditor's report, unless laws or regulations preclude 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.

BDO China Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China
(Engagement partner)

Certified Public Accountant of China

Shanghai, China, 28 April 2021

Financial statements

Consolidated and Company balance sheets
as at 31 December 2020

Assets

Current assets	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
Cash at bank and on hand	4 (1)	525 988	2 402 917	118 960	456 902
Financial assets held for trading	4 (2)	14 008	6 310	–	–
Accounts receivables	4 (3)	4 291 528	4 163 086	–	–
Factoring of accounts receivables	4 (4)	159 055	7 025	–	–
Advances to suppliers	4 (6)	237 489	117 643	12 898	–
Other receivables	4 (5), 13 (1)	39 889	29 621	432 823	871
Inventories	4 (7)	1 984 364	1 696 138	–	–
Non-current assets maturing within one year	4 (8)	117 067	–	–	–
Other current assets	4 (9)	130 807	207 711	2 214	57
Total current assets		7 500 195	8 630 451	566 895	457 830
Non-current assets					
Long-term receivables	4 (10)	408 545	463 231	–	–
Long-term equity investments	13 (2)	–	–	10 452 842	10 452 842
Fixed assets	4 (11)	1 497 510	1 308 481	–	–
Construction in progress	4 (12)	200 225	381 898	–	–
Intangible assets	4 (13)	1 246 875	1 270 810	–	–
Development costs	4 (13)	316 102	181 951	–	–
Goodwill	4 (14)	638 867	624 922	–	–
Long-term prepaid expenses	4 (15)	1 923	2 913	–	–
Deferred tax assets	4 (16)	234 383	110 530	–	–
Other non-current assets	4 (17)	801 717	228 784	–	–
Total non-current assets		5 346 147	4 573 520	10 452 842	10 452 842
Total assets		**12 846 342**	**13 203 971**	**11 019 737**	**10 910 672**

Liabilities and owners' equity

Current liabilities	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2019 Company	31 December 2018 Company
Short-term borrowings	4 (18)	1 980 668	2 241 300	780 064	741 734
Financial liabilities held for trading	4 (2)	11 132	10 478	–	–
Notes payables	4 (19)	489 000	57 000	366 000	–
Accounts payables	4 (20)	992 716	1 586 229	–	–
Advances from customers	4 (21)	–	260 616	–	–
Contractual liabilities	4 (21)	744 849	–	–	–
Employee benefits payable	4 (22)	339 163	264 419	1 729	585
Taxes payable	4 (23)	49 910	225 445	–	1 618
Other payables	4 (24)	611 883	465 382	1 505 541	1 202 001
Current portion of non-current liabilities	4 (25)	625 374	760 284	–	–
Other current liabilities	4 (26)	38 029	–	–	–
Total current liabilities		5 882 724	5 871 153	2 653 334	1 945 938
Non-current liabilities					
Long-term borrowings	4 (27)	1 315 750	450 000	–	–
Long-term employee benefits payable	4 (29)	440 179	404 415	–	–
Provisions	4 (28)	4 749	16 040	–	–
Deferred revenue	4 (30)	7 070	4 760	120	4 560
Deferred tax liabilities	4 (14)	106 245	125 804	–	–
Total non-current liabilities		1 873 993	1 001 019	120	4 560
Total liabilities		**7 756 717**	**6 872 172**	**2 653 454**	**1 950 498**
Owners' equity					
Paid-in capital	4 (31)	1 895 413	1 895 413	1 895 413	1 895 413
Capital surplus	4 (33)	1 579 834	1 579 834	6 857 481	6 857 481
Less: treasury shares	4 (34)	600 010	108 931	−600 010	−108 931
Other comprehensive income	4 (32)	48 546	3 831	1 534	1 534
Special reserves		–	–	1 447	1 447
Surplus reserve	4 (35)	48 742	48 742	205 662	205 662
Retained earnings	4 (37)	962 457	1 523 915	4 756	107 568
Total equity attributable to equity holders of the Company		3 934 982	4 942 804	8 366 283	8 960 174
Non-controlling interests		1 154 643	1 388 995	–	–
Total owners' equity		5 089 625	6 331 799	8 366 283	8 960 174
Total liabilities and owners' equity		**12 846 342**	**13 203 971**	**11 019 737**	**10 910 672**

The accompanying notes to the financial statements form an integral part of these financial statements.
Legal representative: Pan Xueping. Accounting principal: Lu Yimin. Head of the accounting department: Lu Yimin

Consolidated and Company income statements
for the year ended 31 December 2020

	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
1. Revenue	**4 (33), 4 (38), 13 (3)**	**4 849 549**	**8 575 309**	**–**	**140 045**
Total operating costs		5 305 441	7 561 485	–	–
Thereof: cost of sales	4 (44), 4 (38), 13 (3)	−3 869 130	−6 024 662	–	−140 045
– Taxes and surcharges	4 (39)	−17 684	−29 471	−48	−123
– Selling and distribution expenses	4 (40)	−326 579	−498 664	−590	−23 698
– General and administrative expenses	4 (41)	−438 510	−379 477	−57 679	−101 983
– Research and development expenses	4 (42)	−401 297	−460 291	–	–
– Financial income – net	4 (43)	−252 241	−168 920	−44 510	−20 316
– Including: interest expense		−153 443	−93 172	−36 021	−15 828
– Interest income		25 491	9 097	181	77
Add: other income	4 (47)	12 125	13 435	5	–
– Investment income	4 (48)	–	11 578	–	–
– Including: income from investment in associates and joint ventures		–	–	–	–
– Income from derecognition of financial assets measured at amortised cost		–	–	–	–
– Credit impairment loss	4 (54)	−110 233	−21 168	–	–
– Asset impairment loss	4 (54)	−88 257	−19 966	–	–
– Income from asset disposal	4 (49)	−2 693	138	–	–
2. Operating profit		**−644 950**	**997 841**	**−102 822**	**−146 120**
Add: non-operating income	4 (50)	6 897	28 826	10	–
Less: non-operating expenses	4 (51)	−125 155	−115 756	–	−8
3. Profit/(losses) before tax		**−763 208**	**910 911**	**−102 812**	**−146 128**
Less: income tax expenses	4 (52)	−91 666	−120 748	–	–
4. Net profit/(losses)		**−671 542**	**790 163**	**−102 812**	**−146 128**
Classification by business continuity					
– Net income from continuing operations		−671 542	790 163	−102 812	−146 128
– Net income from discontinuing operations		–	–	–	–
Classification by ownership					
– Attributable to equity holders of the Company		−561 458	608 934	–	–
– Non-controlling interests		−110 084	181 229	–	–
5. Other comprehensive income, net of tax		**55 447**	**64 814**	**–**	**–**
Other comprehensive income attributable to equity holders of the Company, net of tax		44 715	52 271	–	–
Other comprehensive income that will not be reclassified to profit or loss		−12 707	−60 670	–	–
– Changes in measurement of the defined benefit plans assets/liabilities		−12 707	−60 670	–	–
Other comprehensive income items, which will be reclassified to profit or loss		57 422	112 941	–	–
– Effective part of cash flow hedging reserve		391	−46	–	–
– Foreign currency translation difference		57 031	112 987	–	–
Other comprehensive income attributable to non-controlling interests, net of tax		10 732	12 543	–	–
6. Total comprehensive income		**−616 095**	**854 977**	**−102 812**	**−146 128**
Attributable to equity holders of the Company		−516 743	661 205	–	–
Attributable to non-controlling interests		−99 352	193 772	–	–
7. Earnings per share					
Basic earnings per share in Yuan	4 (36)	−0.30	0.32	–	–
Diluted earnings per share in Yuan	4 (36)	−0.30	0.32	–	–

Consolidated and Company cash flow statement
for the year ended 31 December 2020

1. Cash flows from operating activities	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
Cash received from sales of goods or rendering of services		5 583 738	6 895 669	–	–
Cash received relating to other operating activities	4 (53) (a)	23 250	30 188	414	609 077
Subtotal of cash inflows		5 606 988	6 925 857	414	609 077
Cash paid for goods and services		−4 441 080	−4 286 409	–	−164 635
Cash paid to and on behalf of employees		−1 610 900	−1 713 637	−9 654	−3 383
Payment of taxes and surcharges		−223 728	−530 174	−48	−1 962
Cash paid related to other operating activities	4 (53) (b)	−423 901	−648 370	−47 740	−695 206
Subtotal of cash outflows		−6 699 609	−7 178 590	−57 442	−865 186
Net cash flows from/used in operating activities		**−1 092 621**	**−252 733**	**−57 028**	**−256 109**
2. Cash flows from investing activities					
Investment profits received		–	653	–	–
Cash received from disposal of fixed assets, intangible assets and other long-term assets		5 168	9 875	–	–
Cash received related to other investing activities	4 (53) (c)	–	2 626 162	–	–
Subtotal of cash inflows		5 168	2 636 690	–	–
Cash paid to acquire fixed assets, intangible assets and other long-term assets		−328 517	−399 880	–	–
Cash paid for other investing activities	4 (53) (d)	−7 044	−850 493	–	−10 010
Subtotal of cash outflows		−335 561	−1 250 373	–	−10 010
Net cash flows from/used in investing activities		**−330 393**	**1 386 317**	**–**	**−10 010**

The accompanying notes to the financial statements form an integral part of these financial statements.
Legal representative: Pan Xueping. Accounting principal: Lu Yimin. Head of the accounting department: Lu Yimin

Consolidated and Company cash flow statement

for the year ended 31 December 2020

3. Cash flows from financing activities	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
Cash received from bank borrowings		3 341 852	2 240 921	778 323	791 620
Cash received from other financing activities	4 (53) (e)	697 620	64 000	207 846	609 850
Subtotal of cash inflows		4 039 472	2 304 921	986 169	1 401 470
Cash repayments of bank borrowings		−2 663 346	−3 631 913	−741 734	−150 000
Dividend distributed and/or payment of interest		−223 882	−470 292	−34 280	−278 044
Including: dividends distributed to non-controlling interests of subsidiaries		−67 500	−135 000	−597 745	−260 478
Cash paid for other financing activities	4 (53) (f)	−1 604 265	−197 548	−1 373 759	−688 522
Subtotal of cash outflows		−4 491 493	−4 299 753	−387 590	712 948
Net cash flows from/used in financing activities		**−452 021**	**−1 994 832**	**−387 590**	**712 948**
4. Effect of foreign exchange fluctuation on cash and cash equivalents		**22 829**	**−350**	**–**	**–**
5. Net decrease/increase in cash and cash equivalents		**−1 852 206**	**−861 598**	**−444 618**	**446 829**
Add: cash and cash equivalents at the beginning of the year		1 973 341	2 834 939	446 892	63
6. Cash and cash equivalents at the end of the year		**121 135**	**1 973 341**	**2 274**	**446 892**

The accompanying notes to the financial statements form an integral part of these financial statements.
Legal representative: Pan Xueping. Accounting principal: Lu Yimin. Head of the accounting department: Lu Yimin

Consolidated statement of changes in owners' equity

for the year ended 31 December 2020

	Equity attributable to the parent company								
	Paid-in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Subtotal	Non-controlling interests	Total owners' equity
Balance at 1 January 2020	**1 895 413**	**1 579 834**	**108 931**	**3 831**	**48 742**	**1 523 915**	**4 942 804**	**1 388 995**	**6 331 799**
Movements for the year ended 31 December 2018									
Comprehensive income	–								
Net profit									
Other comprehensive income									
Total comprehensive income				44 715		−561 458	−516 743	−99 352	−616 095
Repurchase of Treasury shares			491 079				−491 079		−491 079
Profit distribution									
– Dividend payment								−135 000	−135 000
Balance at 31 December 2020	**1 895 413**	**1 579 834**	**600 010**	**48 546**	**48 742**	**962 457**	**3 934 982**	**1 154 643**	**5 089 625**

	Equity attributable to the parent company						Non-controlling interests	Total owners' equity
	Paid-in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Paid-in capital	Capital surplus
Balance at 31 December 2018	**1 895 413**	**1 579 834**	**–**	**−48 440**	**48 742**	**1 177 607**	**1 334 619**	**5 987 775**
Changes in accounting policies	–	–	–	–	–	−18 320	−4 396	−22 716
Balance at 1 January 2019	**1 895 413**	**1 579 834**	**–**	**−48 440**	**48 742**	**1 159 287**	**1 330 223**	**5 965 059**
Movements for the year ended 31 December 2019								
Comprehensive income								
Net profit	–	–	–	–	–	608 934	181 229	790 163
Other comprehensive income	–	–	–	52 271	–	–	12 543	64 814
Total comprehensive income	–	–	–	52 271	–	608 934	193 772	854 977
Repurchase of treasury shares	–	–	−108 931	–	–	–	–	−108 931
Profit distribution								
– Dividend payment	–	–	–	–	–	−244 306	−135 000	−379 306
Balance at 31 December 2019	**1 895 413**	**1 579 834**	**−108 931**	**3 831**	**48 742**	**1 523 915**	**1 388 995**	**6 331 799**

The accompanying notes to the financial statements form an integral part of these financial statements.
Legal representative: Pan Xueping. Accounting principal: Lu Yimin. Head of the accounting department: Lu Yimin

Company statement of changes in owners' equity
for the year ended 31 December 2019

	2020								
	Equity attributable to the parent company								
	Paid-in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Surplus reserves	Undistributed profits	Subtotal	Non-controlling interests	Total owners' equity
Balance as at 1 January 2020	**1 895 413**	**1 579 834**	**−108 931**	**3 831**	**48 742**	**1 523 915**	**4 942 804**	**1 388 995**	**6 331 799**
Movements for the year ended 31 December 2020									
Comprehensive income						−561 458		−99 352	−660 810
Net profit									
Other comprehensive income				44 715					44 715
Total comprehensive income			0	44 715	0	−561 458	0	−99 352	−616 095
Repurchase of Treasury shares			−491 079						−491 079
Profit distribution									
– Dividend payment								−135 000	−135 000
Balance as at 31 December 2020	**1 895 413**	**1 579 834**	**−600 010**	**48 546**	**48 742**	**962 457**	**3 934 982**	**1 154 643**	**5 089 625**

	2019								
	Equity attributable to the parent company								
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Subtotal	Non-controlling interests	Total owners' equity
Balance as at 31 December 2018	**1 895 413**	**1 579 834**		**−48 440**	**48 742**	**1 177 607**	**4 653 156**	**1 334 619**	**5 987 775**
						−18 320	−18 320	−4 396	−22 716
Balance as at 1 January 2019	**1 895 413**	**1 579 834**		**−48 440**	**48 742**	**1 159 287**	**4 634 836**	**1 330 223**	**5 965 059**
Movements for the year ended 31 December 2019									
Comprehensive income									
Net profit						608 934		193 772	802 706
Other comprehensive income				52 271					52 271
Total comprehensive income				52 271		608 934		193 772	
Repurchase of Treasury shares			−108 931						854 977
Profit distribution									
– Dividend payment						−244 306	−244 306	−135 000	−379 306
Balance as at 31 December 2019	**1 895 413**	**1 579 834**	**108 931**	**3 831**	**48 742**	**1 523 915**	**4 942 804**	**1 388 995**	**6 331 799**

The accompanying notes form an integral part of these financial statements.
Legal representative: Pan Xueping. Principal in charge of accounting: Lu Yimin. Head of accounting department: Lu Yimin

Notes to the financial statements

For the year ended 31 December 2020

1 General information

Saurer Intelligent Technology Co. Ltd (formerly known as "Xinjiang Urban Construction (Group) Co. Ltd", hereinafter "the Company") is a limited liability company with its registered office located at Room 1505, Weitai Building, No. 1 Weitai South Road, Urumqi Economic and Technological Development Zone, Xinjiang Uygur Autonomous Region, People's Republic of China.

With the approval from the Xinjiang Uygur Autonomous Region Economic System Reform Commission regarding the "Request for the Establishment of Xinjiang Urban Construction (Group) Co. Ltd" (XTG [1992] No. 58), the Company was set up by six entities including the Urumqi Water Supply Company, the Urumqi Municipal Engineering Company, the Urumqi Municipal Engineering Construction Office, the Urumqi Municipal Water Conservation Office, the Urumqi Municipal Engineering Maintenance Management Office and the Urumqi Suburban Highway Maintenance Management Office, with targeted placement to other legal persons and internal employees. The Company was registered with the Urumqi Administration for Industry and Commerce on 25 February 1993, and obtained the Business License for Corporate Legal Persons No. 6500001000005. The total registered capital of the Company was RMB 7 500 000 when it was established. After five share rights issues and two capital increases, the Company's total paid-in capital increased to RMB 100 541 029 as of 29 August 2000.

In 2003, with the approval from the China Securities Regulatory Commission (CSRC) regarding the "Public Offering of Shares by Xinjiang Urban Construction (Group) Co. Ltd" (CSRCZ [2003] No. 75), the Company issued 60 000 000 A-shares with par value of RMB 1.00 each by fixed pricing to the public in the secondary market. The registered total share capital increased to RMB 160 541 029.

In 2006, after the resolutions and the second Extraordinary General Meeting (EGM) the Company decided to issue shares non-public to specific investors. In July 2007, the plan was approved by the CSRC in the "Announcement Regarding the Appproval for non-public of Shares by Xinjiang Urban Construction (Group) Co. Ltd" (CSRC issued [2007] No. 177). With the private issuing of 43 000 000 common shares, the total share capital increased to RMB 203 541 029.

According to the resolutions of the Company's Annual General Meeting (AGM) in 2007, the Company issued two bonus shares as dividend for every 10 shares; and used the capital reserve to transfer 6 shares for every 10 shares. After the conversion, the total share capital increased to RMB 366 373 852.

In 2008, after the resolutions of the third EGM, the Company decided to issue non-public shares to specific investors. The plan was approved by the CSRC in the "Announcement Regarding the Appproval for non-public of Shares by Xinjiang Urban Construction (Group) Co. Ltd" (CSRC [2008] No. 1450). With the private issuing of 84 150 000 common shares, the total share capital increased to RMB 450 523 852.

According to the resolution of the 2008 AGM, the Company transferred every 10 shares of the capital surplus into 5 shares of paid-in capital. Total share capital increased to RMB 675 785 778.

The Company's 17th EGM on 28 December 2016 and the first EGM of 2017 on 23 January 2017 deliberated and adopted the "Proposal on the Company's Replacement of Major Assets and Issuance of Shares for Purchase of Assets and Related-party Transactions", the "Draft Report on the Company's Replacement of Major Assets and Issuance of Shares for Purchase of Assets and the associated trading scheme", the Proposal on "Approval of Jiangsu Jinsheng Industry Co. Ltd to Increase the Company's Shares by Means of An Offer" and other proposals related to this reorganisation. The Company then carried out a series of major asset restructurings, with specific plans as follows:

(1) Major asset replacement
In August 2017, the Company used all assets and liabilities (the "Disposed Assets") as at 31 August 2016 (the base date of assets valuation), excluding cash of RMB 185 million (hereinafter "exchange-out assets") in exchange with 95 % of the equity in Saurer Intelligent Machinery Co. Ltd (hereinafter "Saurer Intelligent Machinery") held by 17 shareholders of Saurer Intelligent Machinery, excluding Shanghai Yongyun Huachuang Equity Investment Partnership (hereinafter "Shanghai Yongyun"). In this transaction, the assets disposed of were valued at RMB 2 212 400 000, and the assets acquired were valued at RMB 9 737 500 000. The above-mentioned cash of RMB 185 000 000 retained by the Company was distributed as cash dividend to all former shareholders before the Company issued shares and purchased the assets.

(2) Undertaking of the asset disposal and transfer of shares
Jiangsu Jinsheng Industry Co. Ltd (hereinafter "Jinsheng Industrial") exchanged parts of shares of Saurer Intelligent Machinery for the exchange-out assets of the Company. The exchange-out assets were undertaken by the Company's original holding shareholder Urumqi State-owned Assets Management (Group) Co. Ltd (hereinafter "State-owned Company") or the designated third party (hereinafter "Assets Receiver"). As the consideration of the exchange-out assets, the State-owned Company transferred its 22.11 % stake in the Company to Jinsheng Industrial (149 400 432 common shares).

(3) Issue shares and purchase assets
In August 2017, regarding the difference amounting to RMB 7 525 100 000 aising from the major asset replacement mentioned above, the Company issued to 17 shareholders of Saurer Intelligent Machinery excluding Shanghai Yongyun, 1 219 627 217 common shares at a face value of RMB 1.00 and an issue price of RMB 6.17 each. The difference between the face value and the issue price amounting to RMB 6 305 472 712 was recognised as capital reserves. Therefore, the total share capital increased to RMB 1 895 412 995.

In August 2017, the settlement of exchange-out assets was completed, and the exchange of assets in the major asset reorganisation was fully completed. Therefore, 25 August 2017 was the settlement date of this major asset replacement.

With the resolution of the fifth meeting of the eighth term of of the Board held on 25 August 2017 and the fifth EGM on 11 September 2017, the Company was renamed to Saurer Intelligent Technology Co. Ltd.

The additional registered capital and paid-in capital due arising from the deals mentioned above was verified by Pricewaterhouse Coopers Zhong Tian LLP with the capital verification report (PwC [2017] No. 801).

The business scope of the Company and its subsidiaries after majore asset restructuring covers: production, R&D and sales of complete intelligent textile equipment; production, R&D and sales of robots, robot systems, robot application technology, and software products; design, production, R&D and sales of automated intelligent equipment; production, R&D and sales of intelligent packaging machinery; design, production and sales of intelligent electromechanical and information products; providing the related technical consultancy and technical services; import and export of agent products and technology.

On 29 November 2017, the Company held the third meeting of the ninth Board of Directors and passed the resolution regarding "The Acquisition of 5 % shares of Saurer Intelligent Machinery Co. Ltd by cash". The Company spent RMB 715 342 466 to acquire 5 % equity of Saurer Intelligent Machinery held by Shanghai Yongyun. Saurer Intelligent Machinery became a wholly-owned subsidiary of the Company after the acquisition.

Upon completion of the deals mentioned above, Jinsheng Industrial and other shareholders were holding 45.93 % and 54.07 % of the Company's equity respectively.

From 7 December 2017 to 6 December 2018, Jinsheng Industrial increased its stake in the Company by 19 111 271 shares. After that, Jinsheng Industrial and other shareholders hold 46.94 % and 53.06 % of the Company's equity respectively.

On 1 September 2019 and 18 September 2019, the resolution of share purchase through centralized bidding was passed by the Company's ninth board meeting and the third EGM in 2019. The Company was allowed to repurchase by means of centralized bidding own shares with its own capital or self-raised funds of no less than RMB 600 000 000 and no more than RMB 1 200 000 000. The shares to be repurchased were intended to be used for equity incentive and employee stock ownership plans. The repurchase period is within 12 months from the date when the general meeting passed the share repurchase plan. Upto 17 September 2020, the Company has repurchased its 107 500 773 shares through centralized bidding transactions through a dedicated securities repurchase account, and the total amount paid was RMB 600 010 274.40. After the repurchase, Jinsheng Industrial and other shareholders hold 46.94 % and 53.06 % of the Company's shares respectively.

As at 31 December 2020, the Company has issued a total of 1 895 412 995 shares with a registered capital of RMB 1 895 412 995. Registered place: Room 1505, Weitai Building, No. 1 Weitai South Road, Urumqi Economic and Technological Development Zone, Xinjiang. The Company's unified social credit code is 916500000MA77T382X9. The Company's main business activities are: production, R&D and sales of intelligent textile equipment; production, R&D and sales of robots, robotic systems, robotic application technologies and software products; design, production, R&D and sales of intelligent automation equipment; production, R&D and sales of intelligent packaging machinery; design, manufacturing and sales of intelligent electromechanical and information products; provision of related technical consultation and technical services; import and export business of self-operated and agency products and technologies.

On 31 December 2020, Jinsheng Industrial was the largest shareholder of the company.

The financial statements were authorized for publication by the Company's Board of Directors on 28 April 2021.

Please refer to note 5 (Equity in other entities) for relevant information on the Company's subsidiaries.

2 Summary of significant accounting policies and accounting estimates

The specific accounting policies and accounting estimates are determined based on the production and management featours of the Company mainly reflected in Financial instruments note 2 (9), Inventories note 2 (11), Fixed assets note 2 (15), Judgments criteria for development expenses for capitalisation, goodwill and intangible assets with non-fixed useful life 2 (19), and Revenue note 2 (25), etc.

(1) Basis of preparation
The financial statements were prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards, and the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter "Accounting Standards for Business Enterprises"), as well as the disclosure provisions of the "Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting" issued by the CSRC.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises
The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company's and its group as at 31 December 2020, and the financial performance, the cash flows and other information for the year ended 31 December 2020.

(3) Accounting period
The Company's accounting year starts on 1 January and ends on 31 December.

(4) Functional currency
The functional currency of the Company and its domestic subsidiaries is Renminbi (RMB). The Company's overseas subsidiaries, joint ventures and associates can determine their functional currencies according to the primary economic environment of locations. Foreign currencies are translated into RMB when preparing financial statements. The financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The assets and liabilities acquired from business combination by the combining party (including the goodwill formed by the acquisition by the final controller of the combinee) are measured at book value of assets and liabilities in the consolidated financial statements of the final controller on the combination date. The share premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total face value of shares issued). If the share premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

(b) Business combinations involving enterprises not under common control

The combination costs are the fair value, on the acquisition date, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquiree. The Company shall recognise the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognise the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss. The identifiable assets, liabilities and contingent liabilities of the acquiree that are obtained by the acquirer from combination and conform to the recognition criteria shall be measured at the fair value on the acquisition date.

Direct relevant expenses arising from the business combination are included in the current profit or loss upon occurrence. Trading expenses on issuing equity securities or debt securities for the business combination are included in the initially recognised amount of the equity securities or the debt securities.

(6) Preparation of the consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

The consolidation scope of consolidated financial statements is determined on the basis of control, covering the Company and all the subsidiaries. Control means the power owned over the investee by the Company which enjoys the variable return through participating in activities related to the investee, and has the ability to affect the return by using the power over the investee.

(a) Procedures of consolidation

The Company treats the enterprise group as a whole accounting entity, and prepares the consolidated financial statements with uniform accounting policies that reflect the overall financial position, operating results and cash flows of the Company group. The effects of internal transactions between the Company and its subsidiaries and among subsidiaries are set off. If the internal transaction indicates that the relevant assets have impairment losses, the losses shall be fully recognised. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, are adjusted according to the accounting policies and accounting periods of the Company.

The share of owners' equity, current net profit or loss and current comprehensive income of subsidiaries attributable to minority owners are presented separately, and respectively, under the owners' equity in the consolidated balance sheet; the net profit in the consolidated income statement; and the total comprehensive income in the consolidated income statement. If the current loss shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority equity will be written down accordingly.

(i) Acquisition of company shares or assets

If the Company acquired company shares or assets during the reporting period, the operating results and cash flows of the newly acquired subsidiaries or assets for the period from the date of acquisition to the end of the reporting period are included in the consolidated financial statements; the starting balance of the consolidated financial statements and relevant items in the comparative statements are adjusted accordingly.

Where control can be exercised on the investee under common control for additional investment or other reasons, the equity investments held before the control over the combinee is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognised from the later of the date when the original equity is obtained or the date when the combining party and the combined party are under the same control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

If the Company has acquired the subsidiaries or business from the business combination not under common control during the reporting period, they are included in the consolidated financial statements based on the fair values of various identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

Where the Company can control the investee not under common control for additional investments, it shall remeasure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and book value in the current investment income. Other comprehensive income reclassified into profits or losses later and other changes in the owner's equity under the equity method involved in the equity of acquiree held by the Company before the purchase date shall be transferred to the current investment income for the purchase date.

(ii) Disposal of subsidiaries

General treatment methods

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal will be re-measured by the Company at its fair value on the date of loss of the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date is included in the investment income of the period at the loss of control. Other comprehensive incomes reclassified into profits or losses later and other changes in the owner's equity under the equity method, associated with the equity investments of the original subsidiary, are transferred into investment income of the period when control is lost.

Disposal of subsidiaries by stages

If the control is lost due to disposal of the equity investments in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions will be treated as a package deal:

- The transactions are concluded at the same time or under the consideration of mutual effect;
- The transactions as a whole reach a complete business result;
- The occurrence of a transaction depends on that of at least one other transaction; and/or
- A single transaction is uneconomical but it is economical when considered together with other transactions.

When these transactions belong to a package of transactions, they are accounted for as a transaction of disposing subsidiary and losing control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control is recognised as other comprehensive income in the consolidated financial statements, and is transferred into current profit or loss upon loss of control.

When these transactions belong to a package of transactions, before the loss of control the partial disposal of equity investments in subsidiaries without losing control shall be subject to the accounting treatments; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

(iii) Acquisition of non-controlling interests of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the acquisition of non-controlling interests and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. Where the share premium is insufficient to offset, retained earnings will be adjusted.

(iv) Partial disposal of equity investments in subsidiaries without losing control

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the disposal cost achieved from the partial disposal of long-term equity investments in subsidiaries, and share of net assets of subsidiaries corresponding to the disposal of long-term equity investments and calculated constantly from the acquisition date or combination date. Where the share premium is insufficient to offset, retained earnings will be adjusted.

(b) Classification of joint venture arrangements and accounting treatment methods of joint operation

Joint venture arrangements are classified into joint operation and joint venture.

Joint operation refers to those joint venture arrangements, relevant assets and liabilities which are assumed by the parties to the joint venture.

The Company confirms the following items relating to the share of interests in joint operation:

- Assets it solely holds and its share of jointly-held assets based on its percentage;
- Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- Revenues from sale of output from the joint operation;
- Revenues from sale of output from the joint operation based on its percentage; and
- Separate costs and costs for the joint operation based on the shares held by the Company.

See note 2 (14) Long-term equity investments for the Company's investment in joint ventures accounted for under the equity method.

(7) Cash and cash equivalents
Cash refers to the Company's cash on hand and the unrestricted deposits. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(8) Foreign currency translation
(a) Foreign currency transactions
Foreign currency transactions are translated into RMB using the approximate spot exchange rate prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rate on the balance sheet date; exchange differences arising from these translations are recognised in the profit or loss for the current period directly, except those exchange differences arising from specific foreign currency borrowings related to the acquisition or construction of an asset qualifying for capitalisation.

(b) Translation of foreign currency financial statements
The assets and liabilities items in the balance sheet for operations outside China are translated at the spot exchange rates on balance sheet date. Among the shareholders' equity items, those items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of operations outside China are translated at the spot exchange rates prevailing on the date when transactions occur. Foreign currency translation differences arising from the above conversion are included in other comprehensive income. Items in the statement of cash flows of operations outside China are translated at the spot exchange rate on the date when such cash flows occur. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

When the Company disposes of an overseas business, the translation differences in foreign currency financial statements related to such overseas business shall be transferred in the current profit or loss from the owners' equity.

(9) Financial instruments
Financial instruments are contracts that form financial assets in one party and financial liabilities or equity instruments in the other party. When the Group becomes a party to a financial instrument contract, the related financial assets or financial liabilities are recognised.

(a) Financial assets
(i) Classification and measurement
The Group divides financial assets into: (1) financial assets at amortisation cost; (2) financial assets at fair value through other comprehensive income (FVOCI); (3) financial assets at fair value through profit or loss (FVPL).

- Financial assets at amortisation cost
Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. Those financial assets include cash and cash equivalents, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables. Acquisition debt investment due within one year is classified as other current assets.

- Financial assets at fair value through other comprehensive income (FVOCI)
FVOCI: assets that are held for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in profit or loss using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss. Such financial assets including receivables financing and other debt investment.

Other acquisition debt investment due within one year is classified as other current assets.

Such financial assets include receivables financing and other creditors' investment, etc. The Company presented other creditors' right investment maturing within one year from the balance sheet date as non-current assets maturing within one year; other creditors' right investment maturing within one year (inclusive) at the time of acquisition are presented as other current assets.

- Financial assets at fair value through current profit or loss (FVPL)
The debt instruments measured at amortised cost and measured at fair value through other comprehensive income will be measured at fair value through current profit or loss and presented as the financial assets held for trading. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may designate some financial assets as the financial assets measured at fair value through the current profit or loss. Such financial assets that have been or are expected to be held for over one year from the balance sheet date were presented as other non-current financial assets.

Equity instruments
The Company measures all equity instruments without control, joint control or significant influence on it at fair value through the current profit or loss; those expected to be held for over one year from the balance sheet date are presented as other non-current financial assets.

In addition, the Company designates some non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income and presents them as other equity instrument investments. Dividend income related to such financial assets is included in the current profit or loss.

(ii) Impairment
For financial assets measured at amortised cost, debt instrument investments and financial guarantee contracts measured at fair value through other comprehensive income, the Company recognises loss provision based on expected credit losses.

The Company recognises expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable under the contract and the cash flows expected to be received, taking into account reasonable and substantiated information about past events, current conditions and forecasts of future economic conditions, weighted by the risk of default.

On the balance sheet date, the Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument has not increased significantly since the initial confirmation, it is in the first stage, and the Company measures the provision for loss according to the expected credit loss in the next 12 months. If the credit risk of a financial instrument has increased significantly since its initial recognition but no credit impairment has occurred, it is in the second stage and the Company measures the provision for loss according to the expected credit loss of the instrument throughout its life. If a financial instrument has suffered credit impairment since its initial recognition, it is in the third stage, and the Company measures the provision for loss according to the expected credit loss of the instrument throughout its life.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures the provision for loss according to the expected credit losses in the next 12 months.

For the financial instruments in the first stage and the second stage, as well as those with lower credit risk, the Company calculates the interest income according to its book balance without deducting the impairment provision at actual interest rate. For the financial instruments in the third stage, the interest income is calculated according to the book balance minus the amortised cost after the provision for impairment at the actual interest rate.

For notes receivable, accounts receivable and receivables financing resulting from daily operating activities such as the sale of goods and rendering of services, the Company measures the loss provision based on the expected credit losses for the entire duration, regardless of whether there is a significant financing component.

When the expected credit loss information on individual financial assets cannot be assessed at a reasonable cost, the Company divides the receivables into several portfolios based on the credit risk characteristics, and calculates the expected credit losses on a portfolio basis. The basis for determining the portfolios and provision method is as follows:

Accounts receivable:

Portfolio 1	aging portfolio
Portfolio 2	special risk customers

Other receivables:

Portfolio 3	loans from/to related parties
Portfolio 4	receivables other than the above portfolios

Accounts receivables financing:

Bank acceptance	banks with low credit risk

For the accounts receivable classified into portfolios, and notes receivable, accounts receivable and receivables financing resulting from daily operating activities such as the sale of goods and rendering of services, the Company may use historical credit loss experience, and in combination with the current situation and the forecast of future economic conditions, may prepare a comparison table of the overdue days of accounts receivable and the expected credit loss rate for the entire duration to calculate expected credit losses. For the notes receivable, receivables financing and other receivables classified into portfolios, the Company may use historical credit loss experience, and in combination with the current situation and the forecast of future economic conditions, may calculate expected credit losses through risk exposure at default and the expected credit loss rate for the future 12 months or the entire duration.

The Company includes the accrued or reversed loss provision into the current profit or loss. For debt instruments measured at fair value through other comprehensive income, the Company adjusts other comprehensive income when it recognises impairment losses or gains in the current profit or loss.

(iii) Derecognition of financial assets
A financial asset is derecognised when any of the following criteria is met:

- the contractual right of collecting cash flows of financial assets is terminated;
- the financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- the financial asset has been transferred, and the Company neither transfers nor retains nearly all the risks and rewards associated with the ownership of the financial assets but retains its control over the financial assets.

When other equity instrument investment is derecognised, the difference between its book value and the sum of the consideration received and the accumulated amount of changes in fair value originally directly included in other comprehensive income shall be included in retained earnings. When a remaining financial asset is derecognised, the difference between its book value of the financial asset and the sum of the consideration received and the accumulated amount of changes in the fair value originally included in other comprehensive income will be included in the current profit or loss.

(b) Financial liabilities
At initial recognition, financial liabilities are classified into financial liabilities measured at fair value through the current profit or loss and other financial liabilities.

The Company's financial liabilities are mainly financial liabilities measured at amortised cost, including notes payable, accounts payable, other payables and borrowings. Such financial liabilities are initially measured at the balance of the fair value less relevant transaction expenses, and subsequently measured at amortised cost by the effective interest method. The financial liabilities maturing within one (inclusive) year are presented as current liabilities; the financial liabilities that mature over one year but will be expire within one (inclusive) year following the balance sheet date are presented as the non-current liabilities maturing within one year; the remaining financial liabilities are presented as non-current liabilities.

A financial liability (or a part of a financial liability) is derecognised when all or part of the obligation is dissolved. Where the Company enters into an agreement with a creditor to substitute the existing financial liability with any new financial liability, and the new financial liability is substantially different from the existing one in terms of contractual terms, it shall derecognise the existing financial liability, and at the same time recognise the new financial liability.

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognised in whole or in part, and the financial liabilities of which terms have been modified shall be recognised as new financial liabilities.

Where financial liabilities are derecognised in whole or in part, the difference between the book value of the financial liabilities derecognised and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in current profit or loss.

(c) Determination of fair value of financial assets and financial liabilities
The fair value of a financial instrument traded in an active market is determined by the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation method. At the time of valuation, the Company adopts the most appropriate valuation method for instruments that have enough data and other supporting information available, and selects assets or liabilities with consistent characteristics to compare transactions. Unobservable inputs are used only when relevant observable inputs cannot be obtained.

(10) Hedging instruments
Hedging instruments are the financial instrument designated by the Company for hedging, whose changes in fair value or cash flow are expected to offset the changes in fair value or cash flow of the hedged item. The Company's hedging is classified as fair value hedging and cash flow hedging. When hedging instruments meet the following criteria, the Company applies hedge accounting:

(i) the hedging relationship is only composed of qualified hedging instruments and hedged items;

(ii) at the beginning of hedging, the Company formally designates the hedging instruments and the hedged items, and prepares written documents on the hedging relationship, risk management strategies and objectives for which the Company engages in the hedging. This document specifies at minimum the hedging instrument, the hedged item, the nature of the hedged risk, the hedging effectiveness evaluation method (including the analysis of the causes of the invalid part of the hedging and the method of determining the hedging ratio) and other contents;

(iii) the hedging relationship meets the requirements for hedging effectiveness.

The Company determines that a hedging relationship meets the requirements for hedging effectiveness if the hedging meets both of the following conditions at the same time:

(i) there is an economic relationship between the hedged item and hedging instrument, which causes the value of the hedging instrument and the hedged item to change in opposite directions due to the same exposure to the hedged risk;

(ii) the credit risk does not play a dominant role in the value change in the value change caused by the economic relationship between the hedged item and the hedging instrument;

(iii) the hedge ratio of a hedging relationship is equal to the ratio of the number of actually hedged items by the Company to the actual number of hedging instruments that hedge them, but does not reflect an imbalance in the relative weights of hedged items and hedging instruments.

When the fair value hedging meets the above conditions, the profits or losses generated by the hedging instruments shall be recognised in the current profit or loss. When the hedging instrument is a hedge for non-tradable equity instrument investments that has been selected to be measured at fair value through other comprehensive income, the profit or loss generated from the hedging instrument shall be recognised as other comprehensive income.

When the cash flow hedging meets the above conditions, the portion of the profit or loss generated by the hedging instrument that is a valid hedge shall be recognised in other comprehensive income as cash flow hedging reserves, and the portion that is not a valid hedge shall be recognised in the current profit or loss.

When the hedged item is a forecast transaction and the forecast transaction results in the Company's subsequent recognition of a non-financial asset or non-financial liability, or the forecast transaction of a non-financial asset or non-financial liability creates a firm commitment to which fair value hedge accounting applies, the Company transfers the amount of the cash flow hedging reserves originally recognised in other comprehensive income to the amount initially recognised for that asset or liability.

For cash flow hedges that do not fall into the above circumstance, the Company will transfer the amount out of cash flow hedging reserves originally recognised in other comprehensive income to the profit or loss during the same period in which the expected cash flows affect profit or loss.

If the amount of the cash flow hedge reserve recognised in other comprehensive income is a loss, and that loss is not expected to be recovered in whole or in part in a future accounting period, the Company transfers the portion that is not expected to be recovered from other comprehensive income to the current profit or loss.

(11) Inventories
(a) Classification and cost of inventories
Inventories are classified into raw materials, goods in process, finished goods, stock commodities and spare parts, etc.

Inventories are initially measured at cost, and the inventory cost includes the procurement cost, processing cost and other expenses arising from making the inventory at their present location and condition.

(b) Measurement method for inventories dispatched
The inventories are measured at weighted average method when dispatched.

(c) Basis for determining net realisable values of inventories
On the balance sheet date, the inventories shall be valuated at the lower of their costs or net realisable values. Where the inventory costs are higher than the net realisable values, the provision for inventory depreciation reserves shall be made. During routine activities, net realisable values of inventories refer to the amounts of the estimated selling prices of inventories minus the estimated costs to completion, estimated selling expenses, and relevant taxes and surcharges.

Net realisable values of merchandise inventories held directly for sale, such as finished goods, stock commodities, and available-for-sale materials, are measured at the estimated selling prices less estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realisable values of material inventories which need further processing are measured at the estimated selling prices less the estimated costs of completion, estimated sales expenses, and relevant taxes and surcharges in the normal production process. Net realisable values of inventories held for the purpose of fulfilment of sales contracts or service contracts are calculated on the basis of the contract prices; if the quantity of inventories held exceeds that stated in the contract, the net realisable values of the excessive part are calculated on the basis of normal selling prices.

When the provision for inventory depreciation reserves is made, where the previous factor rendering the write-down of the inventory value has been eliminated, for which the net realisable value of the inventory is higher than the book value of the same, the provision for inventory depreciation shall be reversed from the amount of provision for inventory depreciation originally made, and the reversed amount shall be included in the current profit or loss.

(d) The Company adopts the perpetual inventory system.

(e) Low-value consumables and packaging materials are amortised under the lump-sum amortisation method.

(12) Contract assets
Accounting policies as of 1 January 2020

(a) Recognition method and criteria for contract assets
The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfilment obligations and customer payments. The right of the Company to the charge of consideration via goods transfer or service rendering to the customer (this right depends on other factors apart from the time lapsed) shall be presented as contract assets. The contract assets and contract liabilities under the same contract shall be presented at net amount. The Company presents as its receivables its right to receive consideration from customers unconditionally (only depending on the time lapsed).

(b) Determination method and accounting treatment for the expected credit loss of contract assets
See note 2 (9) (a) (ii) Impairment of financial assets, for the determination method and accounting treatment for the expected credit loss of contract assets

(13) Assets held for sale
Where the Company recovers its book value mainly through selling (including the exchange of non-monetary assets with commercial essence) but not continuously using a non-current asset or disposal group, such non-current assets or disposal groups shall be classified into the category of assets held for sale.

The Company recognises non-current assets or disposed asset portfolios meeting the following conditions at the same time as assets held for sale:

(a) According to the general practice for selling such types of assets or disposed asset portfolios in similar transactions, the asset or portfolio can be immediately sold in the prevailing circumstance;

(b) The sale of the asset or portfolio is very likely to happen, which means that the Company has resolved a plan for its sale and has acquired the purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

Regarding the non-current assets or disposal groups held for sale (except for financial assets, deferred income tax assets, or assets formed by employee compensation), if its book value is higher than the net value after fair value less the selling expenses, the book value is written down to the net of fair value less selling expenses, the amount of write-down is recognised as asset impairment loss and included in the current profit or loss, and the provision for impairment of assets held for sale is made simultaneously.

(14) Long-term equity investments
Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises joint control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

(a) Recognition of initial investment costs
Long-term equity investments acquired through business combination
For long-term equity investments in subsidiaries acquired from business combinations under common control, the initial cost of the investment shall be recognised at the share of book value of the owner's equity of the combinee in the consolidated financial statements of the ultimate controller on the acquisition date. The share premium in the capital reserve is adjusted according to the difference between the initial investment cost of long-term equity investment and the book value of the consideration paid; if there is no sufficient share premium in the capital reserve for write-downs, the retained earnings are adjusted. If it is available to exercise control over an investee under the common control due to additional investment, etc., the difference between the initial investment cost of the long-term equity investment recognised in accordance with the above principle and the sum of the book value of the long-term equity investment before reaching combination date plus the book value of the new consideration paid for further acquisition of shares at the date of combination shall be used to adjust the share premium; and if the share premium is insufficient to be offset, retained earnings shall be reduced.

For long-term equity investments in subsidiaries acquired from business combinations not under common control, the initial cost of the investment shall be recognised at the combination costs determined on the acquisition date. Where the Company can control the investee not under common control due to additional investments or other reasons, the initial investment cost should be the sum of the book value of equity investments originally held and newly increased investment cost.

Long-term equity investments obtained by means other than business combination
For long-term equity investments acquired through cash payments, the initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, the initial investment cost is the fair value of the issued equity securities.

(b) Subsequent measurement and recognition of profit or loss
Long-term equity investments accounted for under the cost method
Long-term equity investments of the Company in its subsidiaries are accounted for under the cost method, unless they comply with the conditions for held-for-sale. Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognises the proportion it shall have in the cash dividends or profits declared by the investee as its investment income.

Long-term equity investment accounted for under the equity method
Long-term equity investments in associates and joint ventures are accounted for under the equity method. If the initial investment cost is in excess of the share of fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment. If the initial investment cost is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss, and will be adjusted to the initial cost of long-term equity investment.

The Company shall, based on its attributable share of the net profit or loss and other comprehensive income realised by the investee, respectively recognise the investment income and other comprehensive income, and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to other changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter "Other Changes in Owners' Equity"), the Company shall adjust the book value of the long-term equity investment and include such change in the owners' equity.

When recognising the share of the investee's net profit or loss, other comprehensive income and changes in other owners' equity that the Company shall benefit from, based on fair value of various identifiable assets and others of the investee on acquisition and according to accounting policies and accounting periods of the Company, the Company shall recognise such share after making adjustments to the investee's net profit and other comprehensive income.

The profit or loss of the internal transactions that are not realised arising among the Company, affiliated enterprises, and joint ventures will be set off at the part attributable to the Company and the investment income will be recognised on that basis, except those assets investments or sale constitute business. Unrealised losses from internal transactions between the Company and any investee shall be recognised in full if they belong to the losses from asset impairment.

The Company's net loss incurred by joint ventures or associates, except for the obligation to assume additional losses, is written down to zero to the extent of the book value of the long-term equity investment and other long-term interests that substantially constitute the net investment in the joint ventures or associates. Where the joint ventures or associates realise net profits later, the Company shall restore the income shared after making up for unrecognised losses undertaken by such income.

(c) Disposal of long-term equity investments
For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current investment income.

If a long-term equity investment accounted for under the equity method is partially disposed of and the remaining equity interest is still accounted for under the equity method, other comprehensive income recognised from accounting of the original equity investments under the equity method is carried forward in proportion to the corresponding percentage using the same basis as the direct disposal of the related assets or liabilities by the investee, and other changes in owners' equity are carried forward to the current profit or loss according to the same proportion.

In case the joint control or significant influence over the investee is lost for disposal of equity investments and other reasons, for other comprehensive income recognised from accounting of the original equity investments under the equity method, accounting treatment should be made by using the same basis for the investee to directly dispose of the relevant assets or liabilities when the equity method is no longer adopted for accounting. Owner's equity recognised from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution shall all be transferred to the current investment income when the equity method confirmed is no longer adopted.

If the Company loses the control over the investee due to disposal of partial equity investments or for other reasons, when it prepares individual financial statements, if the remaining equity can exercise joint control or significant influence on the investee, such investments should be changed to be accounted for under the equity method and the remaining equity should be deemed to have be adjusted on acquisition, namely when the equity method is adopted for accounting. Other comprehensive income recognised prior to the acquisition of control of the investee is carried forward in proportion to the corresponding percentage using the same basis as the direct disposal of the related assets or liabilities by the investee, and other changes in owners' equity recognised as a result of the adoption of the equity method of accounting are carried forward proportionately to current profit or loss. If the remaining equity cannot exercise joint control or significant influence over the investee, it is recognised as a financial asset, and the difference between its fair value and its book value at the date of loss of control is recognised in current profit or loss, and all other comprehensive income and other changes in owners' equity recognised prior to the acquisition of control of the investee are carried forward.

If the disposal of subsidiaries' equity investments belongs to a package deal where the loss of control is by stages through multiple transactions, the accounting treatment shall take each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost. Before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be recognised as other comprehensive income in the individual financial statements; at the loss of control, all is transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.

(15) Fixed assets

(a) Recognition and initial measurement of fixed assets
Fixed assets comprise buildings, machinery and equipment, other equipment and land ownership. Fixed assets are recognised when it is probable that the related economic benefits will flow into the Company and the costs can be measured reliably.

Fixed assets are initially measured at cost with the consideration of the expected discard expenses.

Subsequent expenditures incurred for fixed assets are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and their related costs can be measured reliably. All other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation method
Fixed assets are depreciated using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. For fixed assets where the provision for impairment has been made, the related depreciation amount in the future is determined at the book value of the fixed assets where the provision for impairment has been deducted based on the remaining useful life. If the components of a fixed asset have different useful lives or cause economic benefit for the Company in different ways, a different depreciation rate or method is adopted for depreciation on an individual component basis.

The depreciation method, depreciation life, residual rate and annual depreciation rate of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings and constructions	20–60 years	0.0–5.0 %	1.58–5.0 %
Machinery equipment and other equipment	3–20 years	0.0–10.0 %	4.5–33.33 %
Land ownership (outside China)	Infinite	–	–

The estimated useful life, estimated net residual value and depreciation method applied to the asset are reviewed and adjusted as appropriate at the end of each year.

The Company's land ownership is in Switzerland, Germany, India and the US and is held by non-Chinese subsidiaries. Such land ownership has an infinite useful life, thus no depreciation is recognised.

(c) Disposal of fixed assets
A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes is recognised in profit and loss for the current period.

(16) Construction in progress

Construction in progress is measured at actual cost. Actual costs include building costs, installation costs, borrowing costs eligible for capitalisation and other expenditures necessary to achieves the conditions for its intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(17) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction or production of assets eligible for capitalisation should be capitalised and recorded into relevant asset costs; other borrowing costs should be recognised as costs according to the amount incurred and be included into the current profit or loss.

Assets eligible for capitalisation refer to fixed assets, investment properties, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

(a) Capitalisation period of borrowing costs
Capitalisation period refers to the period from the beginning of capitalisation to the cease of capitalisation, excluding the period of capitalisation suspension of borrowing costs.

Borrowing costs may be capitalised only when all the following conditions are met:

(i) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalisation, have already been incurred;

(ii) Borrowing costs have already been incurred;

(iii) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

Capitalisation of borrowing costs is ceased when the acquired and constructed or produced assets eligible for capitalisation have reached their intended use or sale status.

(b) Period of suspension for capitalisation
If the acquisition, construction or production activities of assets eligible for capitalisation are abnormally interrupted for more than three months, the capitalisation of borrowing costs may be suspended; if the interruption is a necessary procedure for the acquired, constructed or produced assets eligible for capitalisation to reach the working conditions for their intended use or sale, the borrowing costs continue to be capitalised. Borrowing costs incurred during the interruption are recognised in the current profit or loss and continue to be capitalised until the acquisition, construction or production of the assets restarts.

(c) Calculation method of capitalisation rate and capitalisation amount of borrowing costs
For special borrowings used for acquiring and constructing or producing assets eligible for capitalisation, the costs of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment are recognised as the capitalisation amount of borrowing costs.

For general borrowings used for acquiring and constructing or producing assets eligible for capitalisation, the amount of general borrowings to be capitalised is calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalisation rate of used general borrowings. The capitalisation rate is calculated by weighted average interest rate of general borrowings.

During the capitalisation period, the balance of exchange from the principal and interest of the special borrowings in foreign currency is capitalised, and included in the cost of assets eligible for capitalisation. The balance of exchange from the principal and interest of borrowings in foreign currency other than the special borrowings in foreign currency should be included in the current profit or loss.

(18) Intangible assets
Intangible assets include land use rights, customer relationships, patents, trademarks, computer software and capitalisation of research and development expenses, which are measured at cost, except for intangible assets acquired in a business combination under common control; these are recorded at fair value at the date of purchase.

(a) Measurement method for intangible assets
(i) The Company initially measures intangible assets at cost on acquisition. The costs of externally acquired intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the assets for their intended use.

(ii) Subsequent measurement
The useful lives of intangible assets are analysed and determined on acquisition. For intangible assets with limited useful life, the straight-line amortisation method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets are deemed as those with indefinite useful life and are not amortised.

(b) Estimate of useful lives of intangible assets with definite useful lives

	Estimated useful lives	Amortisation method	Basis
Land use rights (within China)	50 years or remaining useful life	Average amortisation method	Estimated useful life
Customer relationship	5–10 years	Average amortisation method	Expected period of benefit
Patents	5–10 years	Average amortisation method	Valid years specified by the law
Computer software	2–5 years	Average amortisation method	Estimated useful life

If the payments of externally purchased land and buildings are difficult to distribute between the land use right and buildings, they will be all handled as fixed assets.

The expected use life and amortisation method of intangible assets with limited useful lives are reviewed at the end of every year with proper adjustments made.

(c) Trademarks, including registered trademarks, have no fixed useful life and are not amortised.

(d) Research and development
The Company's expenditures for its internal research and development projects are classified into research expenditures and development expenses.

The research stage is when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

The development stage is when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

(e) The expenditures in research stage will be included in the current profit or loss on occurrence. The expenditures in the development stage will be recognised as intangible assets only if all the following conditions are satisfied:

- it is technically feasible to complete the intangible asset for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial, and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible assets during its development phase can be measured reliably.

Expenditures at the development phase that do not meet the above conditions are recognised in the current profit and loss. Development expenses that have been included in profit or loss in prior periods will not be recognised as an asset in future periods. Capitalised expenditure in the development stage is listed as development costs in the balance sheet, and is transferred to intangible assets at the date that the asset is ready for its intended use – capitalisation of research and development expenses.

(19) Long-term prepaid expenses
Long-term prepaid expenses include all kinds of expenditures for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on a straight-line basis over the expected benefit period and presented as the net value of actual expenditures less the accumulated amortisations.

(20) Impairment of long-term assets
Fixed assets (excluding land with indefinite useful life), construction in progress, long-term deferred expenses, intangible assets with finite useful life, long-term equity investments in subsidiaries, joint ventures and associates, etc., are tested for if there is any indication that the assets may be impaired at the balance sheet date; land and intangible assets with indefinite useful lives and intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of any sign of possible impairment. If the result of the impairment test shows that the recoverable amount of the asset is lower than its carrying value, a provision for impairment and an impairment loss are recognised for the difference. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. Provision for impairment of fixed assets is made on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the asset portfolio that the individual asset belongs to is determined. The asset group is the smallest asset group that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Other fixed assets (land use ownership) and intangible assets with indefinite useful life, and intangible assets not ready for their intended use are tested for impairment at least annually, irrespective of whether they have signs of impairment or not.

Once the above asset impairment loss is recognised, it will not be reversed in subsequent accounting periods.

(21) Contract liabilities
Accounting policies as of 1 January 2020
The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfilment obligations and customer payments. The obligation to transfer goods or provide services to customers due to the Company's received or receivable customers considerations is presented as contract liabilities. The contract assets and contract liabilities under the same contract are presented by their net amount.

(22) Employee benefits
(a) Accounting treatment of short-term remuneration
During the accounting period of an employee providing services, the Company recognises the short-term compensation actually incurred as liabilities and includes them in the current profit or loss or the related asset costs.

The social insurance premiums and the housing provident fund paid by the Company for its employees, together with the labour union expenditures and employee education fund drew as required are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

The employee welfare expenses incurred in the Company are included in the current profit or loss or assets-related cost based on the actually incurred amount, in which the non-monetary benefits are measured at fair value.

(b) Accounting treatment of post-employment benefits
The Company operates a number of pension plans and other post-employment benefits in China, Germany, and Switzerland. The plans include defined benefit plans and defined contribution plans.

A defined contribution plan is a pension plan for which the Company has no further payment obligations once the fixed contributions have been paid to a separate fund. The amounts based on the defined contribution plan are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit retirement benefit liabilities recognised in the balance sheet are the present value of the defined benefit obligations less the fair value of the planned assets. The defined benefit obligation is calculated each year by an independent actuary at the interest rate of high-quality corporate bond or treasury bond with similar obligatory term and currency type under the expected cumulative benefit unit method. Service fees (including current-service costs, past-service costs and settlement gains or losses) related to the defined benefit plan and net interest are recorded in profit or loss for the current period or related asset costs. When the service of an employee in subsequent years will result in a level of benefit under the defined benefit plan significantly higher than that in the previous year, the Company recognises the accumulated defined benefit plan obligation on a straight-line basis over the period from the time the employee provides service that results in the enterprise's first benefit obligation under the defined benefit plan to the time the employee provides service that no longer results in a significant increase in that benefit obligation. In determining this vesting period, it is not required to consider the significant increase in the defined benefit plan obligation due solely to an increase in future salary levels. Changes arising from the re-measurement of net liabilities or net assets of defined benefit plan are included into other comprehensive income.

(c) Basic endowment insurance and unemployment insurance
Services mainly include technical services and after-sales services. The related revenue is recognised when the services have been rendered, costs of related revenue can be reliably measured and the economic benefits associated with services may flow into the Group.

(d) Termination benefits
If the Company terminates its labour relationship with employees before the end of a labour contract, or encourages employees to accept voluntary redundancy before the end of a labour contract, compensation incurred from dismissal is recognised as liabilities and recorded into the current profit or loss at the earliest of the following dates: when the Company is unable to unilaterally withdraw the plan on the cancellation of labour relationship or the layoff proposal; or when the Company recognises the cost related to restructuring concerning payment of termination benefits.

Termination benefits expected to be paid within one year of the balance sheet date are expressed as employee compensation payable.

(23) Dividend distribution and treasury shares
Cash dividends are currently recognised as liabilities when they are approved by the board of shareholders.

The Company measures the amount of shares purchased, transferred or cancelled by the Company through the treasury shares account. If the Company purchases shares of the Company for the purpose of rewarding employees, treasury shares are debited according to the amount actually paid and also makes a record of the reserve. The ending debit balance of the treasury shares account reflects the amount of shares held by the Company that have not been transferred or cancelled.

(24) Provisions
Provisions for external guarantees, legal proceedings, product warranties and onerous contracts are recognised when the Company has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from the passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provisions expected to be paid within one year of the balance sheet date are expressed as other current liabilities.

(25) Revenue recognition
(a) Accounting policies as of 1 January 2020
The Company recognises revenue when its performance obligations as stipulated in the contract are fulfilled, that is, when the customer obtained control of the related goods or services. Obtaining control of related goods or services refers to being able to dominate the use of the goods or the services and obtain almost all economic benefits from them.

Where the contract contains two or more performance obligations, the Company will allocate the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation on the contract commencement date. Meanwhile, the Company measures the income according to the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration that the Company expects to receive for the transfer of goods or services to customers, excluding amounts collected on behalf of third parties and amounts that are expected to be returned to customers. The Company determines the transaction price in accordance with the terms of the contract and in combination with its past practice, and takes into account the impact of variable consideration, the existence of significant financing elements in the contract, non-cash consideration and consideration payable to the customer. The Company determines a transaction price that includes variable consideration at an amount not to exceed the accumulatively recognised revenue which is highly unlikely to have a major reversal when the relevant uncertainty is eliminated. Where there is a significant financing element in a contract, the Company determines the transaction price based on the assumed amount of cash to be paid when the customer obtains control of the goods or services, and amortises the difference between the transaction price and the contract consideration over the contract period at the effective interest method.

(i) If the Company meets one of the following conditions, it shall fulfill the performance obligation within a certain period of time; otherwise, it shall fulfill the performance obligation at a certain point in time:

- the customer obtains and consumes the economic benefits brought by the performance of the Company while the company is performing the obligation;
- customers are able to control the goods under construction in the Company's performance process; or
- the goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed to date.

For performance obligations fulfilled within a certain period of time, the Company recognises revenue pursuant to the progress of performance in that period, unless the performance progress cannot be reasonably determined. The Company uses either the output or input method to determine the performance progress, taking into account the nature of the goods or services. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the Company recognises the revenue according to the amount of the cost incurred until the performance progress can be reasonably determined.

(ii) For performance obligations fulfilled at a certain point in time, the Company recognises revenue when the customer obtains control of the relevant goods or services. The Company will consider the following signs when judging whether the customer has acquired control over the goods or services, including:

- the Company has a present right to receive payment for the goods or services i.e., the customer has a present obligation to pay for the goods or services;
- the Company has transferred the legal title of the goods to the customer;
- the Company has physically transferred the goods to the Customer;
- the Company has transferred to the customer the principal risks and rewards of ownership of the goods i.e., the customer has received the principal risks and rewards of ownership of the goods;
- the customer has accepted the goods or services, etc.

No similar business with different business models resulting in differences in accounting policies for revenue recognition.

(b) Accounting policies as of 1 January 2020
(i) Sales of goods
Pursuant to the timing for risk transfer or delivery terms as agreed in the sales contract/agreement, revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

(ii) Instalment sales of goods with financing nature
The Company adopts the method of instalment collection for part of its sales. The payments of sales contracts or agreements are collected on a deferral basis with the nature of financing, the Company determines the amount of sales revenue according to the fair value of the receivable at contract price or agreement price. The difference between the receivable at contract price or agreement price and its fair value will be amortised over the term of the contract or agreement using the effective interest rate, and will be recognised as current profit and loss.

(iii) Rendering of services
Services mainly include technical services and after-sales services. The related revenue is recognised when the services have been rendered, costs of related revenue can be reliably measured and the economic benefits associated with services may flow into the Company.

(26) Contract costs
Accounting policies as of 1 January 2020
The contract costs are divided into contract performance costs and contract acquisition costs.

If the Company does not apply the scope of the relevant standards such as inventories, fixed assets or intangible assets for the costs incurred in performing the contract, such costs shall be recognised as an asset categorised as contract performance cost when the following conditions are met:

- the costs are directly related to a current or expected contract obtained,
- the costs increase the resources of the Company to fulfil its performance obligations in the future; and
- the cost is expected to be recovered.

If the incremental cost incurred in the Company on account of contract acquisition is expected to be recoverable, it, as the contract acquisition cost, will be recognised as an asset.

Assets related to contract cost are amortised on the basis for the recognition of revenue from goods or services relevant to such assets. However, if the amortisation period of contract acquisition cost is less than one year, the Company will include such cost in the current profit or loss when it occurs.

If the carrying amount of the assets related to contract costs is higher than both of the following two differences, the Company will make an impairment provision for the part exceeding and recognise it as loss from asset impairment:

- the remaining consideration expected to be obtained due to the transfer of goods or services related to the asset; and
- the estimate of costs that will occur in order to transfer the relevant goods or services.

If the factors of impairment in the previous period have changed later, causing the difference to be higher than the carrying amount of the asset, the provision for asset impairment that was originally accrued should be reversed and included in the current profit or loss, but the reversed carrying amount of the asset shall not exceed the carrying amount of the asset on the date of reversal under the assumption that no provision for impairment is made.

(27) Government grants
Government grants refer to monetary and non-monetary assets obtained by the Company from the government.

Government grants are recognised only if the Company is able to comply with all the attached conditions, and is likely to receive the grants. Government grants are classified into assets-related government grants and income-related government grants.

Asset-related government grants are government grants that the Company obtains for the purposes of purchase, construction or acquisition of long-term assets. Income-related government grants refer to government grants excluding the asset-related government grants.

Assets-related government grants are used to set off the book value of relevant assets or recognised as deferred revenue. If such grants are recognised as deferred revenue, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (If such grants are relevant to routine activities of the Company, they will be included in other income; if such grants are irrelevant to routine activities of the Company, they will be included in non-operating revenue).

Income-related government grants used to compensate for relevant costs or losses which will occur in the following period in the Company are recognised as deferred revenue, and are included in the profit or loss during the period when relevant costs or losses are recognised (if the grants are relevant to routine activities of the Company, they will be included in other income; if the grants are irrelevant to routine activities of the Company, they will be included in non-operating revenue) or used to offset relevant costs or losses.

The interest subsidies for policy-based preferential loans obtained by the Company are subject to the following accounting treatments based on two kinds of situations:

(a) if the finance department appropriates the interest subsidies to the lending bank, and the lending bank provides the loan at the policy-based preferential interest rate to the Company, the Company will take the book-entry value at the loan amount actually received, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate; or

(b) if the finance department directly appropriates the interest subsidies to the Company, the Company will use the corresponding interest subsidies to offset related borrowing costs.

(28) Deferred tax assets and deferred tax liabilities
Income tax includes the current income tax and deferred income tax. Except for the income tax from the business combination or transactions or matters directly recognised in owners' equity (including other comprehensive income), the Company includes the current income tax and deferred income tax into the current profit or loss.

The deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences).

A deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for the deduction of taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Taxable temporary differences related to investments in subsidiaries, associates and joint ventures are recognised as deferred tax liabilities; unless the Company is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. For the deductible temporary differences related to investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognised when the temporary differences may be reversed in the foreseeable future and they are likely to be obtained to set off the taxable income of deductible temporary differences in the future.

At the balance sheet date, the Company reviews the carrying amount of deferred income tax assets. If it is unlikely to obtain sufficient taxable income taxes to offset against the benefit of deferred tax assets, the carrying amount of deferred tax assets shall be written down. If it is likely to obtain sufficient taxable income, the carrying amount of deferred tax assets written down will be recovered.

If the Company has the legal right to settle in net amounts and intends to settle in net amounts or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company are presented based on the net amount after offset.

On the balance sheet date, when the following conditions are met, the deferred tax assets and deferred tax liabilities are not presented by net amount after offset:

- the taxpayer has the legal right to settle the current tax assets and current tax liabilities on a net basis;
- deferred tax assets and deferred tax liabilities are related to the tax which is imposed on the same taxpayer by the same tax collection authority, or on different taxpayers but, in each important future period in connection with the reversal of deferred tax assets and liabilities, the involved taxpayer intends to settle the current tax assets and liabilities on a net amount basis, or obtain assets at the time of discharging liabilities.

(29) Leases
(a) Operating leases
(i) Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are included in the current expenses. Initial direct costs relating to lease transactions incurred by the Company are recognised as current expenses.

If the expense related to the lease paid by the Company is assumed by the lessor of the asset, then such expenses are deducted from total lease fees, and the balances are amortised over the lease terms and charged to the current expenses.

(ii) Fees collected by the Company for leased assets are, amortised with the straight-line method and recognised as relevant lease revenue for the whole lease term excluding the rent-free period. Initial direct costs related to lease transactions paid by the Company are included in the period charges; if it is a large amount, it is capitalised and included in the current income by stages within the whole lease term on same basis for recognition of lease revenue.

If the Company bears the lease-related expenses which should be undertook by the lessee, the Group deducts this part of expense from the rent income, and amortises the net amount over the lease term.

(b) Finance leases
(i) The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payment is accounted for as unrecognised financing charges and is amortised using the effective interest method over the lease term and includes them in the financial expenses. The Company records the initial direct expenses in the values of leased assets.

(ii) For assets rented out under a finance lease, the Company recognises the difference between the sum of finance lease receivables and the unguaranteed residual value on the date of the lease's beginning, and the present value thereof as unrealised financing income, and recognises the same as lease revenue over the periods when rent is received in the future. The Company's initial direct expenses related to lease are included in the initial measurement of finance lease payment receivable, and the income recognised in the lease term is decreased accordingly.

(30) Segment information

The Company determines operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component part of the Company that satisfies all of the following requirements: (1) it can earn revenue and expenses in daily activities; (2) its operating results are regularly reviewed by the Company's management to determine its allocation of resources and to evaluate its performance; (3) the information on its financial position, operating results and cash flows is available to the Company. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they will be merged into one operating segment.

(31) Critical accounting estimates and judgments

The Company continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including rational expectations of future events.

(a) Critical judgments

(i) Critical judgment of significant increase in credit risk
The main criteria for the Company to judge the significant increase in credit risk is that one or more of the following indicators change significantly: the operating environment of the debtor, internal and external credit ratings, significant changes in actual or expected operating results, the value of guarantees and the significant decrease in the credit rating of the guarantor. The Company's main criteria for determining whether credit impairment has occurred are one or more of the following conditions: the debtor has significant financial difficulties, other debt restructuring or likely bankruptcy.

(b) Critical accounting estimates and assumptions
The following critical accounting estimates and key assumptions may have significant risk causing significant adjustment to the book value of assets and liabilities in next accounting year:

(i) Measurement of expected credit loss
The Company calculates the expected credit loss based on the default risk exposure and the expected credit loss, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Company uses data such as historical credit loss experience and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Company include gross domestic product, production price index, etc. The Company regularly monitors and reviews the assumptions related to the calculation of expected credit losses. The above estimation techniques and key assumptions have not undergone major changes in 2020.

(ii) Estimated impairment of goodwill, fixed assets and intangible assets with infinite useful lives
The Company conducts impairment tests on goodwill and fixed assets and intangible assets with no fixed (infinite) useful life every year. The recoverable amount of asset groups and combinations of asset groups that include goodwill, fixed assets and intangible assets with uncertain useful lives is the fair value of the asset (or asset group) minus disposal expenses and the present value of its estimated future cash flows (whichever is higher). The calculation of the recoverable amounts requires the use of accounting estimates.

If the management revises the gross margin, sales growth rate and brand commission rate used in the calculation of the future cash flows of asset groups and groups of asset groups, the Company needs to adjust the impairment provisions for goodwill, fixed assets with no fixed useful life and intangible assets. If management modifies the pre-tax discount rate used for cash flow discounting, and the revised pre-tax discount rate is higher than the one applied currently, the Company is required to make additional provision for impairment of goodwill, fixed assets and intangible assets with infinite useful life.

If the actual gross margin, sales growth rate, brand commission rate and pre-tax discount rate are higher or lower than management's estimates, the Company cannot reverse impairment losses on goodwill, fixed assets and intangible assets with non-fixed useful life for which provision has been made.

(iii) Accounting estimates for inventory depreciation reserves
The Company assesses the net realisable value of inventory on a regular basis, and recognises the decline in the value of inventories in excess of their costs over their net realisable value. When estimating the net realisable value of inventories, the Company considers the purpose of holding inventories, and uses the available information as the basis for the estimation, including the estimated selling price of inventories. The net realisable value of inventories may vary based on changes in market prices or the actual use of inventories. Therefore, the amount of inventory depreciation reserves may change and thus affect profit or loss.

(iv) Useful lives and residual values of intangible assets (excluding trademarks)
The Company's management estimates the expected useful lives of intangible assets with finite useful lives. The estimates are based on the historical actual useful lives of intangible assets of similar nature and functions, and industry practices. The economic environment, technical environment and other environments may have a significant impact on the useful lives of intangible assets; and changes in the economic environment, technical environment, and other environments may also lead to major changes in the expected realisation of economic benefits related to intangible assets. Different estimates may affect the amortisation of intangible assets and current profit or loss.

(v) Income tax and deferred income tax
The Company is subject to income taxes in many countries/jurisdictions. There are some transactions and events for which the ultimate tax treatment is uncertain during the ordinary course of business. Significant judgment is required from the Company in determining the provision for income taxes in all countries/jurisdictions. If the final tax outcome for these tax issues is different from the amounts recorded initially, such differences will have an impact on the income tax and deferred taxes during the final determination period.

Deferred tax assets and deferred tax liabilities are measured at the applicable rate at the time of realisation of estimated deferred tax assets or settlement of deferred tax liabilities. Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that future taxable income will be available.

The Company's management recognises deferred tax assets according to the enacted or substantially enacted tax laws and the best estimate of the Company's realisable earnings in the future years in which the deferred tax assets will be realised. However, estimates of future earnings or future taxable income require a large number of judgments and estimates, together with tax planning strategies. Different judgments and estimates will affect the recognised amount of deferred tax assets. The management re-assesses the estimates on earnings and other estimates made on each balance sheet date.

(vi) Provisions
It is probable that there will be an outflow of economic benefits due to product warranties and the amount is uncertain. The Company recognises provisions in accordance with the best estimate of the outflow to perform the relevant present obligations. The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The Company's management estimates the product warranty costs based on the historical experience of similar projects or the expected costs. However, many judgments and estimates are needed to estimate the actual warranty costs in the future, and different judgments and estimates will affect the amount of estimated liabilities recognised. During the warranty process, the Company continuously reviews and revises the expected warranty costs and reevaluates them.

(32) Significant changes in accounting policies and accounting estimates

(a) In 2017, the Ministry of Finance revised the "Accounting Standards for Business Enterprises No. 14 – Revenue" (the "New Revenue Standards"). According to the revised standards, the first implementation of the standards should adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year based on the cumulative impact amount, and the information for the comparable period will not be adjusted.

The Company implemented the New Revenue Standards from 1 January 2020. In accordance with the standards, the Company adjusted the retained earnings at the beginning of 2020 and other related items in the financial statements for the cumulative impact amount of contracts that have not been completed on the first implementation date. The comparative financial statements are not adjusted.

The main impact is as follows:

Contents of and reasons for changes in accounting policies	Examination and approval process	Affected items in the financial statements	Affected amount as at 1 January 2020	
			Consolidated	Parent company
As a result of the implementation of the New Revenue Standards, the Company allocates the purchase price obtained from sales based on the relative proportion of sales of goods, provision of transportation services and installation services, and reclassifies the advance related to sales of goods to contract liabilities and other current liabilities	Adopted at the 23rd meeting of the ninth board of directors	Accounts receivable	−131 429	–
		Accounts payable	−71 374	–
		Other payables	−60 055	–
		Advances from customers	−260 616	–
		Contract liabilities	253 576	–
		Other current liabilities	7 040	–

Compared with the original income standard, the impact of the implementation of the New Revenue Standards on the related items in the 2020 financial statements is as follows (increase/decrease):

Affected items of balance sheet	Affected amount as at 31 December 2020	
	Consolidated	Parent company
Accounts receivable	−199 448	–
Accounts payable	−126 082	–
Other payables	−73 366	–
Advance from customers	−782 878	–
Contract liabilities	744 849	–
Other current liabilities	38 029	–

Affected items in the income statement	Affected amount occurred in 2020	
	Consolidated	Parent company
Operating revenue	−67 924	–
Operating costs	14 114	–
Selling and distribution expenses (Remark)	−82 038	–

Remark: The packaging and transportation costs incurred for the performance of the contract were adjusted from selling and distribution expenses to the operating costs for presentation.

(b) The Ministry of Finance issued the "Interpretation No. 13 of Accounting Standards for Business Enterprises" (CK [2019] No. 21) (hereinafter "Interpretation No. 13") on 10 December 2019 for implementation as of 1 January 2020. No retroactive adjustment was required.

(i) Identification of related parties
Interpretation No. 13 clarifies that the following circumstances constitute related parties: the enterprise and joint ventures or associates of other members of the enterprise group to which it belongs (including parent companies and subsidiaries); joint ventures of the enterprise and other joint ventures or associates of the enterprise. In addition, Interpretation No. 13 also clarifies that two or more enterprises that are merely under the significant influence of one party do not constitute related parties, and adds that associates include associates and their subsidiaries, and joint ventures include joint ventures and their subsidiaries.

(ii) Definition of business
The Interpretation No. 13 has perfected three elements for business composition, refined the judging conditions on business composition, and introduced the option of the "concentration test", so as to simplify to some extent the judgment on whether the business combination not under common control constitutes business, and other questions.

The Company implemented the Interpretation No. 13 as of 1 January 2020, for which the comparative financial statements are not adjusted. The implementation of Interpretation No. 13 does not have significant impact on the Company's financial position and operating results.

(c) The Ministry of Finance issued the "Provisions on Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic" (CK [2020] No. 10) on 19 June 2020, for implementation as of 19 June 2020, which allows companies to adjust COVID-19-related rent concessions that occurred between 1 January 2020 and the implementation date of the provisions. In accordance with the provisions, enterprises may choose to adopt the simplified method of accounting for rent concessions such as rent reductions and deferred payment for rent that meet the conditions and are directly triggered by the COVID-19.

The Company has made accounting treatment by the simplified method for rent reduction in the scope applicable to the above-mentioned provisions and accordingly adjusted the reduction of relevant rents incurred during the period from 1 January 2020 to the date of implementing such provisions according to such provisions.

Implementation of the "Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic" has no material impact on the Company's financial position and operating results.

(33) Changes in principal accounting estimates

The Company has no changes in significant accounting estimates during the reporting period.

(34) First implementation of new lease standards and impact on relevant items of the financial statements at the beginning of the current year

Consolidated Balance Sheet

	Balance as at 31 December 2019	Balance as at 1 January 2020	Adjusted amount		
			Reclassification	Remeasurement	Total
Accounts receivable	4 163 086	4 031 657	−131 429	–	−131 429
Accounts payable	1 586 229	1 514 855	−71 374	–	−71 374
Other payables	465 382	405 327	−60 055	–	−60 055
Advance from customers	260 616	–	−260 616	–	−260 616
Contract liabilities	–	253 576	253 576	–	253 576
Other current liabilities	–	7 040	7 040	–	7 040

3 Taxation

(1) The main categories and rates of taxes applicable to the Company for the year ended 31 December 2020 are set out below:

Category	Tax base	Tax rate
Corporate income tax	Taxable income	Note 3 (1) (a)
Value added tax (VAT)	VAT payable	Note 3 (1) (b)
Urban maintenance and construction tax	Turnover tax paid	7.00 %
Educational surcharge	Turnover tax paid	3.00 %
Local educational surcharges	Turnover tax paid	2.00 %

(a) Corporate income tax
The corporate income tax rates applicable to the Company and its main subsidiaries are set out below:

	Countries and regions	Tax rate for 2020
Saurer Intelligent Technology Co. Ltd	China	25.00 %
Saurer Intelligent Machinery Co. Ltd	China	25.00 %
Saurer Hong Kong Machinery Co. Ltd	Hong Kong	16.50 %
Saurer Asia Machinery Co. Ltd	Hong Kong	16.50 %
Saurer (Jiangsu) Textile Machinery Co. Ltd	China	15.00 %
Saurer (Changzhou) Textile Machinery Co. Ltd	China	15.00 %
Saurer (Changzhou) Texparts Components Co. Ltd	China	25.00 %
Saurer (Shanghai) Textile Machinery Technology Co. Ltd	China	25.00 %
Saurer Financial Leasing Co. Ltd	China	25.00 %
Changzhou Jintan Saurer Investment Co. Ltd	China	25.00 %
Saurer Xinjiang Intelligent Machinery Co. Ltd	China	15.00 %
Saurer Intelligent Technology AG	Switzerland	17.57 %
Saurer Têxtil Soluções Ltda.	Brazil	34.00 %
SAURER AG	Switzerland	17.53 %
Saurer Czech s.r.o.	Czech Republic	19.00 %
Saurer Technologies GmbH & Co. KG	Germany	30.77 %
Saurer Spinning Solutions GmbH & Co. KG	Germany	32.21 %
Saurer Fibrevision Ltd	UK	19.00 %
Schlafhorst Machines LLP	India	34.90 %
Saurer Textile Solutions Pvt. Ltd	India	33.38 %
Zinser Textile Machines LLP*	India	Not applicable
Saurer México S.A. de C.V.	Mexico	30.00 %
Saurer Components Pte. Ltd	Singapore	17.00 %
Saurer Tekstil A.S.	Turkey	22.00 %
Saurer Inc.	US	24.36 %
Saurer Technologies Management GmbH	Austria	30.80 %
Saurer Intelligent Machinery LLC	Uzbekistan	12.00 %

* Zinser Textile Machines LLP was incorporated in November 2016 and has not yet commenced operations.

According to the "Circular on the corporate income tax policy concerning deductions for equipment and appliances" (CS[2018] No. 54) issued by the Chinese State Taxation Administration, the Company's subsidiaries in China can deduct the whole purchase cost for new equipment less than RMB 5 million between 1 January 2018 and 31 December 2020, taking the deduction when calculating taxable income in the month following when the assets were put into use.

(b) Value-added tax (VAT)
The Company and Chinese domestic subsidiaries use the "exempt, credit, refund" method on goods exported. VAT input on purchase of raw materials, fuel, power and some fixed assets can be deducted from VAT output. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate, less deductible VAT input for the current period. The tax payable of the Company's overseas subsidiaries is calculated using the taxable sales amount multiplied by the applicable tax rate in each country, less deductible VAT input for the current period. The VAT rate in 2020 ranges from 2.75 % to 34 % (in 2019: 2.75 % to 34 %).

(2) Tax preference
According to the "Circular on the comprehensive promotion of the VAT programme in lieu of collecting business tax from the Ministry of Finance and the State Administration of Taxation" (CF [2016] No. 36), taxable services provided by enterprises registered in China's service outsourcing demonstration cities in the pilot areas engaged in offshore service outsourcing business are exempted from VAT. Approved by the State Taxation Administration in Jintan District, Changzhou City, Jiangsu Province, China, relevant technical services and after-sales services of Saurer (Jiangsu) Textile Machinery Co. Ltd, a subsidiary of the Company, are exempted from VAT from 1 May 2016.

Saurer (Jiangsu) Textile Machinery Co. Ltd, a subsidiary of the Company, obtained the high-tech enterprise certificate No. GR201832005674 issued by the Jiangsu Province Science and Technology Office, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, SAT on 30 November 2018; from 1 January 2018 to 31 December 2020, corporate income tax was levied at a reduced tax rate of 15 %.

Saurer (Changzhou) Textile Machinery Co. Ltd, a subsidiary of the Company, obtained the high-tech enterprise certificate No. GR201832004488 issued by the Jiangsu Province Science and Technology Office, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, SAT on 30 November 2018; from 1 January 2018 to 31 December 2020, corporate income tax was levied at a reduced tax rate of 15 %.

According to the relevant provisions of the "Circular of the Ministry of Finance and the State Taxation Administration on the VAT policy for software products" (CS [2011] No. 100), the VAT imposed exceeding 3 % will be refundable as soon as it is imposed for the 17 % (16 % as of 1 May 2018 and 13 % as of 1 April 2019) VAT imposed by ordinary VAT payers for selling software products developed and produced by them. The software business of Saurer (Changzhou) Textile Machinery Co. Ltd, a subsidiary of the Company, applied the rebate policy from 1 October 2018 with approval from the State Taxation Administration in Jintan District, Changzhou City, Jiangsu Province, China.

According to Article 2 of the "Circular of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on issues concerning tax policies for in-depth implementation of development strategies in China's western region" (CS [2011] No. 58), the enterprises established in western regions with industry projects listed in the "Catalogue of encouraged industries in the western region" and have revenues from this business accounting for over 70 % of total revenue shall be subject to the reduced corporate tax rate of 15 % from 1 January 2011 to 31 December 2020. Approved by the State Taxation Bureau of Urumqi Economic and Technological Zone (Toutunhe District) on 2 January 2018, Saurer Xinjiang Intelligent Machinery Co. Ltd, a subsidiary of the Company, paid corporate income tax at a rate of 15 % in 2018, 2019 and 2020.

Saurer Intelligent Technology AG, a subsidiary of the Company, obtained reductions in both direct federal and local state income tax in Switzerland: a) Direct federal tax reductions will be granted for 10 years from 15 May 2018 for a maximum cumulative tax credit of CHF 22 643 291, subject to certain conditions and requirements. b) State income tax: for 10 years from 1 July 2018, Saurer Intelligent Technology AG is exempted from 60 % of the income tax generally due on annual taxable income exceeding CHF 2 000 000.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2020	31 December 2019
Cash on hand	19	27
Cash at bank	120 831	1 973 544
Other cash balances	405 138	429 346
	525 988	2 402 917
Including: total deposits outside China	132 120	105 197

Other monetary funds are listed as follows:

	31 December 2020	31 December 2019
Deposit for bank acceptance bills	289 400	57 000
Performance bond	64 342	370 792
Borrowing margin	50 022	–
Other deposits	1 374	1 554
	405 138	429 346

As at 31 December 2020, other cash balances included: RMB 64 342 000 placed as a security deposit for letters of guarantee; bank acceptance bills deposits of RMB 289 400 000; loan deposits of RMB 50 022 000; and other various cash deposits totalling RMB 1 374 000.

As at 31 December 2019, other cash balances included: RMB 370 792 000 placed as a security deposit for letters of guarantee; bank acceptance bills deposits of RMB 57 000 000, and other various cash deposits totalling RMB 1 554 000.

(2) Financial assets/financial liabilities held for trading

	31 December 2020	31 December 2019
Financial assets held for trading – Forward foreign exchange contracts – cash flow hedges	14 008	6 310
Financial liabilities held for trading – Forward foreign exchange contracts – cash flow hedges	11 132	10 478

The Company's subsidiaries Saurer Spinning Solutions GmbH & Co. KG, Saurer Technologies GmbH & Co. KG, Saurer Intelligent Technology AG, and Saurer Inc. entered into foreign exchange forward contracts to mitigate risks of exchange rate fluctuations related to foreign exchange receipts or foreign exchange payments for the years ending 31 December 2020 and 31 December 2019. Some of the foreign exchange forward contracts signed by the Group meet the conditions for applying hedge accounting. These foreign exchange forward contracts for buying or selling EUR, USD, GBP, SGD and CHF at fixed exchange rates are cash flow hedges.

For the year ended 31 December 2020, net losses arising from changes in fair value of the effective portion of cash flow hedges amounting to RMB 485 000 (in 2019: net loss of RMB 56 000) were recorded in other comprehensive income. The cash flow hedges had no non-effective portion.

As at 31 December 2020, the notional amount of the outstanding foreign exchange forward contracts of the Group were equivalent to RMB 493 391 000 (2019: 617 178 000) and will expire within one year.

(3) Accounts receivables

	31 December 2020	31 December 2019
Accounts receivables	4 988 012	4 686 805
Less: long-term receivables (note 4 (10))	−551 970	−463 348
	4 436 042	4 223 457
Less: provision for bad debts	−144 514	−60 371
	4 291 528	4 163 086

Accounts receivables falling due after one year are shown in long-term receivables.

(a) Aging analysis of accounts receivables

	31 December 2020	31 December 2019
Not due	343 588	1 626 523
Overdue within 3 months	1 984 844	950 940
Overdue between 3 and 6 months	230 316	132 941
Overdue between 6 and 12 months	441 042	655 533
Overdue more than 1 year	1 436 252	857 520
	4 436 042	4 223 457
Less: provision for bad debts	144 514	60 371
	4 291 528	4 163 086

(b) Allowance for bad debts
For accounts receivables, the Group measures the loss allowance based on the expected credit loss for the entire duration.

(i) Portfolio 1: Aging group

	As at 31 December 2020			As at 31 December 2019		
	Balance	Provision for bad debts		Balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount	Amount	Lifetime expected credit loss rate	Amount
Not due	343 588	0.03–2.32 %	–1 505	547 832	0.03–1.75 %	–1 341
Overdue within 3 months	101 470	0.08–15.69 %	–4 940	243 393	0.83–18.37 %	–2 286
Overdue between 3 and 6 months	26 189	1.80–21.08 %	–2 250	14 616	3.21–23.31 %	–1 686
Overdue between 6 and 12 months	12 752	19.42–100.00 %	–9 710	8 119	6.80–29.26 %	–1 678
Overdue more than 1 year	7 161	22.72–100.00 %	–5 714	14 244	42.90–100.00 %	–7 181
	491 160		–24 119	828 204		–14 172

Portfolio 2: Special risk group

	As at 31 December 2020			As at 31 December 2019		
	Balance	Provision for bad debts		Balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount	Amount	Lifetime expected credit loss rate	Amount
Special risk customers	3 944 882	0.19–5.28 %	–120 395	3 395 253	0.36–1.80 %	–46 199

(ii) Provision, reversal or recovery of bad debt reserves in 2020:

	31 December 2019	Increase or decrease in 2020			Foreign currency translation differences	31 December 2020
		Provision	Recovery or reversal	Write-off or charge off		
Portfolio 1	14 172	9 701	1 705	331	2 282	24 119
Portfolio 2	46 199	74 196	–	–	–	120 395
	60 371	83 897	1 705	331	2 282	144 514

Reversal or recovery of significant amount of provision for bad debts in 2020:

	Amount reversed or recovered	Basis for determining the original provision for bad debts and its rationality	Reason for reversal or recovery	Recovery method
China customer A	388	Provision by aging	Improvement of customer operations	Cash collected
China customer B	1 317	Provision by aging	Improvement of customer operations	Cash collected
	1 705			

(iii) Accounts receivable actually written off in 2020

	Amount written off
Accounts receivable actually written off	331

Of which, significant accounts receivables written off:

	Nature	Amount	Reason	Write-off procedures performed	Whether it is a related party transaction
China customer C	Accounts receivables for goods	54	Several collection attempts	Write-off upon examination and approval	No
China customer D	Accounts receivables for goods	277	Several collection attempts	Write-off upon examination and approval	No
		331			

(iv) Summary and analysis on top 5 of accounts receivable and long-term receivables as at 31 December 2020:
The aggregate amount of of accounts receivables from the top five customers as at 31 December 2020 was RMB 4 447 828 000, accounting for 89 % of the total ending balances of accounts receivables and long-term receivables, and the aggregate amount of the corresponding ending balance of provision for bad debts was RMB 146 703 000.

As at 31 December 2020, the receivables from Litai Xingshi were RMB 2 935 134 000 (including tax). As of the date of approval of the financial statements for disclosure, a total of RMB 215 million (including tax) of Litai Xingshi has been collected from the balance of accounts receivable as at 31 December 2020.

(v) No accounts receivable derecognised due to the transfer of financial assets

(4) Accounts receivables financing

	31 December 2020	31 December 2019
Notes receivables	159 055	7 025

The Group's subsidiary discounts and endorses part of bank acceptance notes based on its daily working capital management, and meets the conditions for derecognition. Therefore, the bank acceptance bills of the subsidiary are classified to financial assets measured at FVOCI.

The Group does not have any bank acceptance note for impairment provision. As at 31 December 2020, the Group measures bad debt provisions based on the expected credit losses throughout its lifetime; no provision for bad debts is required for bank acceptance notes. The Group believes that the bank acceptance notes it holds do not have significant credit risk and will not cause significant losses due to bank default.

As at 31 December 2020, the Group's subsidiary Saurer (Jiangsu) Textile Machinery Co. Ltd pledged notes receivables of RMB 1 080 000 to the bank for letters of guarantee amounting to RMB 1 080 000; pledged notes receivable of RMB 120 000 000 to the bank for short-term borrowings of RMB 114 000 000.

As at 31 December 2019, the Group's subsidiary Saurer (Jiangsu) Textile Machinery Co. Ltd pledged notes receivable of RMB 2 224 000 to the bank forletters of guarantee amounting to RMB 1 906 000.

As of 31 December 2020, the Group's endorsed or discounted but receivable notes listed in the receivable financing are as follows:

	Derecognition	No derecognition
Bank acceptance notes	479 669	9 480

(5) Other receivables

	31 December 2020	31 December 2019
Interest receivable	–	57
Dividends receivable	–	–
Other receivables	39 889	29 564
	39 889	29 621
Less: provision for bad debts	–	–

(a) Other receivables
(i) Disclosure by aging

	31 December 2020	31 December 2019
Within 1 year	26 298	12 828
1 to 2 years	1 428	8 534
Over 2 years	12 163	8 202
	39 889	29 564
Less: provision for bad debts	–	–
	39 889	29 564

(ii) Other receivables actually written off in 2020

	Amount written off
Actual write-off of other receivables	1 800

Of which, write-off of significant other receivables:

	Nature	Balance	Reason for write-off	Write-off procedures performed	Whether it is due to the related transaction
Jiangsu Jintan Management Committee Economic Development Zone	Project establishment deposit	1 800	End of project establishment phase	Write-off upon examination and approval	No
		1 800			

(iii) Classification by nature of payment

	31 December 2020	31 December 2019
Loans receivables from employees	10 982	8 179
Deposits receivables	4 430	7 167
Tax refund receivables	6 462	1 818
Others	18 015	12 400
	39 889	29 564

(iv) Analysis of top 5 other receivables as at 31 December 2020

	Nature	Balance	Aging	% of the total amount	Provision for bad debts
Shanghai Huatian Real Estate Development Co. Ltd	Housing rental deposit	903	Over 3 years	2.26 %	–
Jiangsu Taiji Industry New Materials Co. Ltd	Bidding margin	500	Within 1 year	1.25 %	–
Shanghai Intellectual Property Court	Security deposit	500	Over 3 years	1.25 %	–
Oerlikon (China) Technology Co. Ltd	Housing rental deposit	493	Over 3 years	1.24 %	–
Shanghai Hongqiao Economic & Technological Development Zone United Development Co. Ltd	Housing rental deposit	367	Over 2 years	0.92 %	–
		2 763		6.92 %	–

(6) Advances to suppliers

(a) The aging of advances to suppliers is analysed as follows:

	31 December 2020		31 December 2019	
	Amount	% total balance	Amount	% total balance
Within 6 months	161 725	68 %	51 184	44 %
6 to 12 months	69 370	29 %	13 188	11 %
Over 1 year	6 394	3 %	53 271	45 %
	237 489	100 %	117 643	100 %

As at 31 December 2020, advances to suppliers with aging over one year were unsettled advances totalling RMB 6 394 000 (as at 31 December 2019: RMB 53 271 000).

(b) As at 31 December 2020 and 31 December 2019, the top 5 advances to suppliers are analysed by balance as follows:

	Total balance of the top 5 advances to suppliers	% of total advances to suppliers
31 December 2020	90 655	38 %
31 December 2019	49 521	42 %

(7) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2020			31 December 2019		
	Carrying amount	Provision for inventory depreciation and provision for impairment of contract performance costs	Carrying amount	Carrying amount	Provision for inventory depreciation	Carrying amount
Raw materials	1128612	−112310	1016302	1000786	−53283	947503
Goods in progress	244153	−7724	236429	208098	−2419	205679
Finished goods and stock commodities	463550	−8197	455353	251730	−11587	240143
Spare parts and accessories	338835	−62555	276280	345775	−42962	302813
	2175150	−190786	1984364	1806389	−110251	1696138

(b) Provision for inventory depreciation and provision for impairment of contract performance costs:

	31 December 2019	1 January 2020	Increase in 2020	Decrease in 2020		Foreign currency translation difference	31 December 2020
			Provision	Reversal	Write-off		
Raw materials	53283	53283	82217	−16511	−6258	−421	112310
Goods in progress	2419	2419	5346	−166		125	7724
Finished goods and stock commodities	11587	11587	4831	−6814	−1366	−41	8197
Spare parts and accessories	42962	42962	20652	−1298	−8	247	62555
	110251	110251	113046	−24789	−7632	−90	190786

(8) Non-current assets maturing within one year

	31 December 2020	31 December 2019
Long-term receivables maturing within one year	117067	–
	117067	–

(9) Other current assets

	31 December 2020	31 December 2019
Prepaid corporate income tax	58631	124474
VAT input	72176	83237
	130807	207711

(10) Long-term receivables

(a) Details of long-term receivables

	31 December 2020			31 December 2019			Range of discount rate
	Carrying amount	Provision for bad debts	Carrying amount	Carrying amount	Provision for bad debts	Carrying amount	
Instalment proceeds from sale of goods	603023	26358	576665	512389	117	512272	1.8–5.1%
Less: unrealised financing income	−51053	–	−51053	−49041	–	−49041	–
Less: amount maturing within one year	−140634	−7319	−133315	–	–	–	–
Including: unrealised financing income	−16248	–	−16248	–	–	–	–
	427584	19039	408545	463348	117	463231	–

The minimum instalment receivables that will be received after the balance sheet date are as follows:

Remaining collection term	31 December 2020
Within 1 year	140634
1 to 2 years	84958
2 to 3 years	84958
Over 3 years	292473
	603023

(b) Provision for bad debts of long-term receivables

	31 December 2019	Changes in 2020			31 December 2020
		Provision	Recovery or reversal	Write-off or charge off	
Provision made on portfolio basis	117	26241	–	–	26358
Less: non-current assets maturing within one year	–	−7319	–	–	−7319
	117	18922	–	–	19039

(11) Fixed assets

(a) Fixed assets and disposal of fixed assets

	31 December 2020	31 December 2019
Fixed assets	1 497 510	1 308 481
Disposal of fixed assets	–	–
	1 497 510	1 308 481

(b) Breakdown of fixed assets

	Buildings and constructions	Machinery equipment and other equipment	Land ownership	Total
Total cost				
(1) Balance as at 31 December 2019	893 924	1 166 306	118 864	2 179 094
(2) Increase in 2020	10 896	359 538	–	370 434
– Purchase	1 743	70 595	–	72 338
– Transfers from construction in progress	9 153	288 943	–	298 096
(3) Decrease in 2020	–	−20 889	–	−20 889
– Disposal or scrapping	–	−20 889	–	−20 889
(4) Foreign currency translation difference	−2 986	−88	−5 671	−8 745
(5) Balance as at 31 December 2020	901 834	1 504 867	113 193	2 519 894
Total accumulated depreciation				
(1) Balance as at 31 December 2019	150 445	712 672	–	863 117
(2) Increase in 2020	30 982	133 231	–	164 213
– Provision	30 982	133 231	–	164 213
(3) Decrease in 2020	–	−15 095	–	−15 095
– Disposal or scrapping	–	−15 095	–	−15 095
(4) Foreign currency translation difference	−1 067	3 528	–	2 461
(5) Balance as at 31 December 2020	180 360	834 336	–	1 014 696
Total impairment				
(1) Balance as at 31 December 2019	–	7 496	–	7 496
(2) Increase in 2020	–	–	–	–
– Provision	–	–	–	–
(3) Decrease in 2020	–	–	–	–
– Disposal or scrapping	–	–	–	–
(4) Translation differences of foreign currency statement	–	192	–	192
(5) Balance as at 31 December 2020	–	7 688	–	7 688
Carrying amount				
(1) 31 December 2020	721 474	662 843	113 193	1 497 510
(2) 31 December 2019	743 479	446 138	118 864	1 308 481

(c) Fixed assets with pending certificate of title

	Book value	Reason for failure to complete the formalities for the certificate of title
Production workshop at Xinjiang Plant	271 375	Handling in process

In 2020, depreciation of fixed assets was RMB 164 213 000 (2019: RMB 140 664 000).

The cost of fixed asset transfers from construction in progress in 2020 was RMB 298 096 000 (2019: RMB 325 540 000).

(12) Construction in progress

	31 December 2020	31 December 2019
Construction in progress	200 225	381 898
Project materials	–	–
	200 225	381 898

(a) Details of construction in progress

	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Xinjiang Plant Construction Project	145 851	–	145 851	262 749	–	262 749
Other plants and equipment	54 374	–	54 374	119 149	–	119 149
	200 225	–	200 225	381 898	–	381 898

(b) Changes in major construction in progress in 2020

Project name	Budget	31 December 2019	Increase in 2020	Transfer to fixed assets in 2020	Transfer to intangible assets in 2020	Other decreases in 2020	Foreign currency translation differences	31 December 2020	% of engineering investment to budget	Work progress	Accumulated capitalisation amount of interest	Including: borrowing costs capitalised in 2020	Capitalisation rate for borrowing costs in 2020	Capital source
Xinjiang Plant Construction Project	900 000	262 749	104 663	221 167	394	–	–	145 851	71 %	71 %	35 299	8 124	4.62 %	Self-raised and borrowed
Other plants and equipment	167 995	119 149	52 530	76 929	36 673	–	−3 703	54 374	32 %	32 %	–	–		–
		381 898	157 193	298 096	37 067	–	−3 703	200 225			35 299	8 124		

Note: As at 31 December 2020, the plant construction of the subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd has been pledged as collateral for short-term borrowings and long-term borrowings. See notes 4 (18) and 4 (27).

(13) Intangible assets/development expenditure

	Land use rights	Customer relations	Patents	Trademarks	Software and others	Capitalising R&D expenditure – technology	Total
Original carrying amount							
(1) 31 December 2019	118 427	117 679	355 491	891 788	67 429	181 349	1 732 163
(2) Increase in 2020	–	–	–	–	41 007	13 223	54 230
– Purchase	–	–	–	–	3 940	824	4 764
– Internal research and development	–	–	–	–	–	12 399	12 399
– Transfer-in of construction in progress	–	–	–	–	37 067	–	37 067
(3) Decrease in 2020	–	–	–	–	–3 518	–5 553	–9 071
– Disposal	–	–	–	–	–3 518	–5 553	–9 071
(4) Foreign currency translation difference	–	170	8 969	22 119	1 227	–1 766	30 719
(5) 31 December 2020	118 427	117 849	364 460	913 907	106 145	187 253	1 808 041
Accumulated amortisation							
(1) 31 December 2019	8 710	75 844	243 219	–	40 807	87 628	456 208
(2) Increase in 2020	2 247	11 130	44 921	–	7 779	36 253	102 330
– Provision	2 247	11 130	44 921	–	7 779	36 253	102 330
(3) Decrease in 2020	–	–	–	–	–3 518	–5 553	–9 071
– Disposal	–	–	–	–	–3 518	–5 553	–9 071
(4) Foreign currency translation difference	–	352	5 691	–	–2 363	2 704	6 384
(5) 31 December 2020	10 957	87 326	293 831	–	42 705	121 032	555 851
Impairment							
(1) Balance as at 31 December 2019	–	–	–	–		5 145	5 145
(2) Increase in 2020	–	–	–	–		–	–
– Provision	–	–	–	–		–	–
(3) Decrease in 2020	–	–	–	–		–	–
– Disposal	–	–	–	–		–	–
(4) Foreign currency translation difference	–	–	–	–		170	170
(5) Balance as at 31 December 2020	–	–	–	–		5 315	5 315
Carrying amount							
(1) 31 December 2020	107 470	30 523	70 629	913 907	63 440	60 906	1 246 875
(2) 31 December 2019	109 717	41 835	112 272	891 788	26 622	88 576	1 270 810

(a) In 2020, the amortisation of intangible assets amounted to RMB 102 330 000 (2019: RMB 92 546 000).

As at 31 December 2020, the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd placed land use rights with a book value of RMB 85 533 000 (original price of RMB 92 802 000) (2019: land use rights with a book value of RMB 87 507 000), as security collateral for a bank loan. The mortgage term was up to 48 months from 21 June 2019 (note 4 (27)).

On 31 December 2020, during the impairment test for intangible assets-trademark, the management of the Company estimated the future cash flow of trademark rights based on historical experience and predictions on market development. The management determines the brand commission rate (1.5 %) based on historical experience and the Company's brand maintenance-related expense ratio, and uses a discount rate that can reflect the specific risks of trademark rights (pre-tax discount rate 16 % – 17 %). The above assumptions are used to analyse the recoverable amount of trademark rights and are consistent with the Company's historical experience or relevant external information sources.

As at 31 December 2020, the capitalisation of R&D expenses-technology formed through the Company's internal R&D accounted for 5 % of the book value of intangible assets (as at 31 December 2019: 7 %).

As at 31 December 2020, the Company's subsidiary Saurer AG made a total of CHF 753 000 (equivalent to RMB 5 315 000) for impairment of certain R&D projects (as at 31 December 2019: CHF 753 000 (equivalent to RMB 5 145 000)).

(b) Development expenses

Project name	31 December 2019	Increase in 2020	Decrease in 2020		Foreign currency translation difference	31 December 2020
		Expenditures on R&D	Recognised as intangible assets	Recognised in profit or loss		
Project 1	44 567	7 367	–	–	1 240	53 174
Project 2	4 157	47 905	–	–2 442	–	49 620
Project 3	2 660	35 833	–	–	2 908	41 401
Project 4	24 915	8 402	–	–	750	34 067
Project 5	7 706	4 089	–	–	305	12 100
Project 6	5 177	6 323	–	–	216	11 716
Project 7	5 204	33 326	–5 111	–22 618	175	10 976
Project 8	8 596	1 723	–	–	244	10 563
Project 9	5 801	2 751	–	–	185	8 737
Project 10	3 553	4 450	–	–	149	8 152
Others	69 615	388 204	–7 288	–376 237	1 302	75 596
	181 951	540 373	–12 399	–401 297	7 474	316 102

R&D expenditures incurred in 2020 amounted to RMB 540 373 000 (2019: RMB 574 603 000), of which RMB 401 297 000 (in 2019: RMB 460 291 000) was the expenditure incurred on the research phase and recognised in profit or loss during the current year, RMB 12 399 000 (2019: RMB 23 591 000) was recognised as intangible assets, and RMB 316 102 000 (2019: RMB 181 951 000) was incurred in the development phase and included in the year-end balance of development costs.

In 2020, development expenditure accounted for 26 % of total research and development expenses in the current period (2019: 20 %).

(14) Goodwill

Name of the investee or matters forming goodwill	31 December 2019	Increase in 2020	Decrease in 2020	Foreign currency translation difference	31 December 2020
		Formed from the business combination	Disposal		
Original book value					
Acquisition of natural fibres and textile components business from Oerlikon Group	609 556	–	–	13 522	623 078
Acquisition of Verdel twisting operations	15 366	–	–	423	15 789
	624 922	–	–	13 945	638 867
Provision for impairment	–	–	–	–	–
Book value	624 922	–	–	13 945	638 867

Goodwill is the result of the acquisition of the natural fibres and textile components business from the Oerlikon Group in 2013 and the acquisition of the Verdel twisting operations in 2015.

The allocation of goodwill to the asset groups and combination of asset groups are summarised by operating segments as follows:

	31 December 2020	31 December 2019
Spinning Solutions	532 405	520 827
Technologies	106 462	104 095
	638 867	624 922

The main hypothesis for future discounted cash flows:

	Spinning Solutions	Technologies
Growth rate during forecast period	−2 – 23 %	6 – 10 %
Growth rate during stability period	1.00 %	1.00 %
Gross profit rate	30 – 31 %	23 – 26 %
Discount rate	14.63 %	14.37 %

The Company determines the growth rate and gross profit rate on the basis of historical experience and the prediction of market development and uses the pre-tax rate that can reflect the specific risk of the asset groups and combination of asset groups as the discount rate. The recoverable amount of the asset groups or combination of asset groups is calculated using the estimated cash flows determined according to the five-year budget approved by the management. Fixed growth rates will be used as basis of estimation after five years. The cash flows beyond the five-year period are calculated based on the estimated sales growth rates. The estimated sales growth rates are determined based on the estimated data of the market by management. Management determines budgeted gross margins on the basis of historical experience and the prediction of market development. The assumptions above are used to assess the recoverable amount of each asset group or combination of asset groups within the corresponding business segment. According to the result of the impairment test, the recoverable amount of asset group or combination of asset groups is higher than its carrying amount. Thus, no impairment loss is recognised. The allocation of goodwill has not changed in 2020.

(15) Long-term prepaid expenses

	31 December 2019	Increase in 2020	Amortisation in 2020	Foreign currency translation difference	31 December 2020
Leasehold improvement	2 913	206	1 167	−29	1 923
	2 913	206	1 167	−29	1 923

(16) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offset

	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Bad debts provision for accounts receivables	39 807	9 765	100 033	19 651
Provision for inventory depreciation	46 662	9 574	46 591	10 036
Defined benefit plan	307 381	88 131	272 114	87 428
Provisions	203 071	39 716	88 013	18 230
Estimated liabilities	351	89	5 334	842
Depreciation of fixed assets	5 320	1 039	10 878	1 180
Amortisation of intangible assets	54 909	7 621	57 287	7 481
Deductible losses	1 054 266	257 470	372 170	67 596
Internal unrealised profits offset	114 453	24 016	62 754	11 642
Others	–	–	12 883	3 967
	1 826 220	437 421	1 028 057	228 053
Including:				
Expected to reverse within one year (inclusive)		340 630		131 963
Expected to reverse after one year		96 791		96 090
		437 421		228 053

(b) Deferred tax liabilities before offset

	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	132 057	23 027	151 014	29 083
Amortisation of intangible assets	696 097	145 796	457 512	84 221
Capitalised development costs	239 221	76 055	207 150	65 592
Defined benefit plan	121 559	16 075	134 308	18 989
Bad debts provision for accounts receivables	5 515	1 485	4 909	867
Provision for inventory depreciation	3 341	490	12 558	1 889
Interest receivables	477	118	621	154
Others	263 144	46 237	224 363	42 532
	1 461 411	309 283	1 192 435	243 327
Including:				
Expected to reverse within one year (inclusive)		17 041		10 692
Expected to reverse after one year		292 242		232 635
		309 283		243 327

(c) Deferred tax assets or liabilities presented by net amount after offset

	31 December 2020		31 December 2019	
	Amount offset in deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after the offset	Amount offset in deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after the offset
Deferred tax assets	203 038	234 383	117 523	110 530
Deferred tax liabilities	203 038	106 245	117 523	125 804

(d) Breakdown of unrecognised deferred tax assets

	31 December 2020	31 December 2019
Deductible temporary difference	152 933	160 871
Deductible losses	480 539	334 255
	633 472	495 126

(e) Deductible losses of unrecognised deferred tax assets will expire in the following years:

	31 December 2020	31 December 2019
2020	–	1 028
2021	2 210	2 210
2022	506	506
2023	122 455	122 455
2024	195 602	205 080
2025 and later	159 766	2 976
	480 539	334 255

(17) Other non-current assets

	31 December 2020	31 December 2019
Defined benefit plan assets	121 559	134 308
Pre-payment for machinery equipment	44 147	68 217
Deposit and interest	624 760	15 000
Other	11 251	11 259
	801 717	228 784

As at 31 December 2020, the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd pledged the deposit of RMB 615 000 000 to banks as security for long-term loans of RMB 820 000 000 (4 (25) and 4 (27)).

(18) Short-term borrowings

	Original currency	31 December 2020	31 December 2019
Pledged borrowings (a)	EUR	98 323	96 734
Pledged borrowings (b)	RMB	114 000	–
Fiduciary borrowings	RMB	–	250 000
Guaranteed borrowings (c)	RMB	995 913	623 069
Guaranteed and mortgaged borrowings	RMB	–	245 000
Guaranteed borrowings (d)	EUR	356 273	669 330
Guaranteed borrowings (e)	INR	74 307	55 143
Guaranteed borrowings	USD		2 024
Guaranteed and pledged borrowings (f)	RMB	80 000	300 000
Guaranteed, pledged and mortgaged borrowings (g)	RMB	250 000	–
Bill discounting not derecognised (h)	RMB	9 480	–
Interest payable		2 372	–
		1 980 668	2 241 300

(a) As at 31 December 2020, the Company's pledged borrowings amounted to EUR 12 281 000 (equivalent to RMB 98 323 000), with the Company's RMB 50 000 000 of L/G deposits as the pledge.

(b) As at 31 December 2020, the Company's pledged borrowings amounted to RMB 114 000 000, with the Company's RMB 120 000 000 of bills as pledges.

(c) As at 31 December 2020, the bank's RMB guaranteed borrowings amounted to RMB 995 913 000, which were the borrowings of the Company and its subsidiaries Saurer (Jiangsu) Textile Machinery Co. Ltd, Saurer (Changzhou) Textile Machinery Co. Ltd and Saurer Xinjiang Intelligent Machinery Co. Ltd, with maximum guarantee warranty and joint liability guarantee warranty respectively provided by the Company, Jinsheng Industrial and Pan Xueping and his wife, Mrs Chen Meifang.

(d) As at 31 December 2020, the bank's EUR guaranteed borrowings amounted to EUR 44 489 000 (equivalent to RMB 356 273 000), which were the borrowings of Saurer Hong Kong Machinery Co. Ltd and Saurer Spinning Solutions GmbH & Co. KG, which are subsidiaries of the Company.

(i) Saurer Hong Kong Machinery Co. Ltd borrowed EUR 10 000 000 (equivalent to RMB 80 081 000), which was guaranteed by Saurer Spinning Solutions GmbH & Co. KG.

(ii) Saurer Spinning Solutions GmbH & Co. KG borrowed EUR 34 489 000 (equivalent to RMB 276 192 000), which was guaranteed by Saurer Hong Kong Machinery Co. Ltd, a subsidiary of the company.

(e) As at 31 December 2020, the bank's INR guaranteed borrowings were INR 837 815 000 (equivalent to RMB 74 307 000), which was guaranteed by the Company's subsidiary Saurer Hong Kong Machinery Co. Ltd for another subsidiary Saurer Textile Solutions Pvt. Ltd.

(f) As at 31 December 2020, the total borrowing amount was RMB 80 000 000, with a maximum guarantee warranty by Jinsheng Industrial and Pan Xueping and Mrs Chen Meifang, and part of the equity pledged by Jiangsu Jinsheng Industry Co. Ltd.

(g) As at 31 December 2020, the total borrowing amount was RMB 250 000 000 with a maximum guarantee warranty by Jinsheng Industrial, Pan Xueping and Mrs Chen Meifang, and Zhang Yueping and his wife, mortgage guarantee with the real estate and land use right of Saurer (Changzhou) Textile Machinery Co. Ltd, and the real estate of Saurer Intelligent Machinery Co. Ltd and the equipment of Saurer Xinjiang Intelligent Machinery Co. Ltd, and the pledge over part of the equity of Jiangsu Jinsheng Industry Co. Ltd held by Pan Xueping.

(h) As at 31 December 2020, the total borrowing amount was RMB 9 480 000, which was the Company's notes receivable that were discounted but not yet due and did not meet the conditions for derecognition.

As at 31 December 2020, the annual interest rate range for short-term borrowings is 0.70 % to 9.20 % (as at 31 December 2019: 0.65 % to 9.50 %).

There were no overdue short-term borrowings as at 31 December 2020 and 31 December 2019.

(19) Notes payable

	31 December 2020	31 December 2019
Bank acceptance note	489 000	57 000

(20) Accounts payables

	31 December 2020	31 December 2019
Material trade payables	992 716	1 586 229

As at 31 December 2020, accounts payables with aging over one year amounted to RMB 37 837 000 (2019: RMB 62 628 000), comprising mainly unsettled material trade payables.

(21) Advances from customers/contract liabilities

	31 December 2020	31 December 2019
Advances from customers	744 849	260 616

As at 31 December 2020, advances from customers with aging over one year amounted to RMB 45 601 000 (2019: RMB 74 366 000), mainly comprising advances for machinery orders.

(22) Employee benefits payables

	31 December 2019	Increase in 2020	Decrease in 2020	Foreign currency translation difference	31 December 2020
Short-term employee benefits	182 077	1 563 005	−1 504 968	1 479	241 593
Defined contribution plans	3 359	35 868	−24 478	156	14 905
Termination benefits	1 923	1 711	−211	−255	3 168
Long-term employee benefits maturing within one year	77 060	79 497	−78 010	950	79 497
	264 419	1 680 081	−1 607 667	2 330	339 163

(a) Short-term employee benefits

	31 December 2019	Increase in 2020	Decrease in 2020	Foreign currency translation difference	31 December 2020
Wages and salaries, bonuses, allowances and subsidies	122 901	1 408 034	−1 292 210	2 181	240 906
Employee welfare	150	6 081	−6 340	18	−91
Social security contributions	1 132	70 388	−70 398	−78	1 044
Including:					
– Medical insurance	951	68 657	−68 570	−80	958
– Work-related injury insurance	167	1 094	−1 192	2	71
– Maternity insurance	14	637	−636	–	15
Housing funds	379	10 623	−10 738	–	264
Labour union funds and employee education funds	3 654	2 033	−2 562	–	3 125
Other short-term employee benefits	53 861	65 846	−122 720	−642	−3 655
	182 077	1 563 005	−1 504 968	1 479	241 593

(b) Defined contribution plans

	31 December 2019	Increase in 2020	Decrease in 2020	Foreign currency translation difference	31 December 2020
Basic pensions	3 054	33 299	−22 013	167	14 507
Unemployment insurance	305	2 569	−2 465	−11	398
	3 359	35 868	−24 478	156	14 905

(23) Taxes and surcharges payable

	31 December 2020	31 December 2019
Value-added tax	2 465	30 290
Enterprise income tax payables	11 780	137 689
Individual income tax payables	14 284	17 517
Urban maintenance and construction tax	2 032	2 308
Educational surcharges	493	1 672
Stamp tax	146	714
Taxes withholding and paid	16 874	31 058
Others	1 836	4 197
	49 910	225 445

(24) Other payables

	31 December 2020	31 December 2019
Interest payable	–	–
Dividends payable	67 500	–
Other payables	544 383	465 382
	611 883	465 382

(a) Dividends payable

	31 December 2020	31 December 2019
Common stock dividends to minority shareholders of subsidiaries	67 500	–

(b) Other payables

	31 December 2020	31 December 2019
Payables to related parties	706	701
Third-party borrowings	162 420	–
Overpayment from customers	58 154	50 748
Bank loan interest payables	–	2 099
Accrued agent fees	52 924	63 317
Accrued expenses	44 097	122 470
Accrued rebates	6 563	9 364
IT maintenance fees	5 483	5 525
Payables for projects	99 555	85 699
Freight payable	31 558	42 033
Professional service fees payable	15 133	25 057
Purchase of fixed assets	3 413	20 026
Customer deposit payables	1 258	9 067
Others	63 119	29 276
	544 383	465 382

As at 31 December 2020, the other payables with aging over one year amounted to RMB 96 452 000 (2019: RMB 31 384 000), mainly comprising non-trade payables, which have not yet been paid because they have not yet been settled.

(25) Current portion of non-current liabilities

	31 December 2020	31 December 2019
Current portion of long-term borrowings	217 212	491 626
Current portion of provisions	408 162	268 658
	625 374	760 284

(a) Current portion of long-term borrowings

	Original currency	31 December 2020	31 December 2019
Guaranteed borrowings	EUR	–	421 626
Guaranteed borrowings	RMB	58 000	–
Pledged	RMB	57 000	–
Guaranteed and mortgaged borrowings	RMB	100 000	70 000
Interest payable		2 212	–
		217 212	491 626

As at 31 December 2020 and 31 December 2019, the Company had no overdue current portion of long-term borrowings.

(26) Other current liabilities

	31 December 2020	31 December 2019
Output tax to be carried forward	38 029	–

(27) Long-term borrowings

	31 December 2020	31 December 2019
Guaranteed and mortgage borrowings (a)	200 000	270 000
Guaranteed borrowings (b)	525 000	421 626
Pledged borrowings (c)	555 750	–
Pledged and guaranteed borrowings (d)	250 000	250 000
Interest payable	2 212	–
Less: non-current liabilities maturing within one year	−217 212	−491 626
	1 315 750	450 000

(a) As at 31 December 2020, bank guarantee and mortgage loans amounting to RMB 200 000 000 (of which RMB 100 000 000 are due within one year) were borrowed from a domestic bank by Saurer Xinjiang Intelligent Machinery Co. Ltd, a subsidiary of the Company, for a loan term of four years, with a joint liability guarantee pledged by the building and land use rights of Saurer Xinjiang Intelligent Machinery Co. Ltd with a maximum mortgage term not exceeding 48 months from 21 June 2019.

(b) As at 31 December 2020, bank guaranteed borrowings amounting to RMB 525 000 000 (of which RMB 58 000 000 are due within one year) were borrowed by the Company's subsidiary, Saurer Xinjiang Intelligent Machinery Co. Ltd

- RMB 50 000 000 was borrowed from a bank, which was guaranteed by the Company and Mr Pan Xueping and his wife, Mrs Chen Meifang.
- RMB 475 000 000 was borrowed from a bank, which was guaranteed by the Company and Mr Pan Xueping and Mrs Chen Meifang.

(c) As at 31 December 2020, bank pledged loans amounting to RMB 555 750 000 (of which RMB 57 000 000 is due within one year) were borrowed by the Company's subsidiary, Saurer Xinjiang Intelligent Machinery Co. Ltd.

- RMB 270 750 000 was borrowed from a bank, which was pledged by a certificate of deposit of RMB 300 000 issued by Saurer Xinjiang Intelligent Machinery Co. Ltd.
- RMB 285 000 000 was borrowed from a bank, which was pledged by a certificate of deposit of RMB 300 000 000 issued by Saurer Xinjiang Intelligent Machinery Co. Ltd.

(d) As at 31 December 2020, bank guarantee and pledge loans amounting to RMB 250 000 000 were borrowed from a domestic bank by Saurer Xinjiang Intelligent Machinery Co. Ltd, a subsidiary of the Company, for a loan term of three years, with a joint liability guarantee by the Company and pledged with a deposit of RMB 15 000 000 from Saurer Xinjiang Intelligent Machinery Co. Ltd.

As at 31 December 2020, the annual interest rate range of the long-term borrowings is from 3.85 % to 6.65 % (2019: 1.90 % to 5.23 %).

(28) Provisions

	31 December 2019	Increase in 2020	Decrease in 2020	Foreign currency translation difference	31 December 2020
Product warranties	190 504	108 479	−40 127	3 684	262 540
Restructuring costs for sites outside China	60 613	117 840	−55 212	1 613	124 854
Others	33 581	2 231	−10 133	−162	25 517
	284 698	228 550	−105 472	5 135	412 911
Less: provision due within one year					
Product warranties	181 553	108 479	34 131	3 436	259 337
Restructuring costs for sites outside China	60 613	117 840	55 212	1 613	124 854
Others	26 492	1 445	3 643	−323	23 971
	268 658	227 764	92 986	4 726	408 162
Non-current portion of provisions					
Product warranties	8 951	–	−5 996	248	3 203
Others	7 089	786	−6 490	161	1 546
	16 040	786	−12 486	409	4 749

(29) Long-term employee benefits payable

	31 December 2020	31 December 2019
Defined benefit plan	495 193	458 780
Other employee benefits	24 483	22 695
Less: payables within one year	−79 497	−77 060
	440 179	404 415

(a) Changes in defined benefit plans

The Company's defined benefit pension plans mainly exist in subsidiaries in Germany and Switzerland. The assets of the Company's defined benefit pension plan are mainly held by independent entities (such as foundations) that are separate from the Company. The plans are reviewed by qualified actuaries in accordance with local practice and prescribed frequency. Actuarial assumptions used for calculating the defined retirement benefit liabilities and current related service costs will vary depending on the economic conditions of the country or region where the plan is located.

(i) Changes in the current value of defined benefit pension plans

	2020	2019
31 December 2019	1 147 224	999 257
Defined benefit cost recorded in current profit and loss	56 344	60 456
– Current service cost	54 780	47 344
– Past service cost	−3 339	136
– Settlement gains ("−" for losses)	254	216
– Net income from interest	4 649	12 760
Defined benefit cost recorded in other comprehensive income	29 598	115 257
– Actuarial gains ("−" for losses)	–	–
– Differences in actuarial assumptions	16 130	99 596
– Adjustment based on experience	13 468	15 661
Other movement	−45 592	−41 543
– Consideration paid upon settlement		
– From companies	–	–
– From employees participating in plan	8 433	8 341
– Benefits paid/transferred	−54 025	−49 884
Foreign currency translation difference	32 548	13 797
31 December 2020	1 220 122	1 147 224

(ii) Fair value of plan assets

	2020	2019
31 December 2019	822 752	789 833
Defined benefit cost recorded in current profit or loss	2 166	8 616
– Net interest	2 166	8 616
Defined benefit cost recorded in other comprehensive income	3 051	12 875
– Return on plan assets (other than those included into interest net income)	3 051	12 875
Other movement	−5 857	−6 188
– Consideration paid upon settlement		
– From companies	32 187	29 439
– From employees participating in plan	8 433	8 341
– Benefits paid/transferred	−46 477	−43 968
Foreign currency translation difference	24 376	17 616
31 December 2020	846 488	822 752

(iii) Net liabilities (net assets) of defined benefit plan

	2020	2019
31 December 2019	324 472	209 424
Defined benefit cost recorded in current profit or loss	54 178	51 840
Defined benefit cost recorded in other comprehensive income	26 547	102 382
Other movement	−31 563	−39 174
31 December 2020	373 634	324 472

(iv) Changes in the retirement benefits of the Company are as follows:

	Defined benefit plan liabilities	Defined benefit plan assets	Net liabilities of the Group
31 December 2019	458 780	–134 308	324 472
Defined benefit cost recorded in current profit or loss			
– Current service cost	45 252	9 528	54 780
– Past service cost	–3 339	–	–3 339
– Gain on settlement ("–" for losses)	70	184	254
– Net interest	2 616	–133	2 483
Defined benefit cost recorded in other comprehensive income			
– Actuarial gains ("–" for losses)			
– Differences in actuarial assumptions	16 867	–737	16 130
– Adjustment based on experience	1 130	12 338	13 468
– Return on plan assets	–2 793	–258	–3 051
Other movement			
– Consideration paid upon settlement			
– From companies	–28 146	–4 041	–32 187
– From employees participating in plan	–	–	–
– Benefits paid/transferred	–7 548	–	–7 548
Foreign currency translation difference	12 304	–4 132	8 172
31 December 2020	495 193	–121 559	373 634

	Defined benefit plan liabilities	Defined benefit plan assets	Net liabilities of the Group
31 December 2018	372 662	–163 238	209 424
Defined benefit cost recorded in current profit or loss			
– Current service cost	38 621	8 723	47 344
– Past service cost	136	–	136
– Gain on settlement ("–" for losses)	43	173	216
– Net interest	5 601	–1 457	4 144
Defined benefit cost recorded in other comprehensive income			
– Actuarial gains ("–" for losses)			
– Differences in actuarial assumptions	63 829	35 767	99 596
– Adjustment based on experience	9 492	6 169	15 661
– Return on plan assets	–1 452	–11 423	–12 875
Other movement			
– Consideration paid upon settlement			
– From companies	–24 831	–4 608	–29 439
– From employees participating in plan	–	–	–
– Benefits paid/transferred	–5 916	–	–5 916
Foreign currency translation difference	595	–4 414	–3 819
31 December 2019	458 780	–134 308	324 472

This note is presented at the net value of defined benefit pension plans and fair value of plan assets.

(v) The main actuarial assumptions used in estimating the liabilities at the balance sheet date were as follows:

	31 December 2020		31 December 2019	
	Germany	Switzerland	Germany	Switzerland
Discount rate	0.43 %	0.20 %	0.65 %	0.10 %
Salary growth rate	0.00 %	1.50 %	0.00 %	0.50 %
Pension growth rate	1.55 %	0.00 %	1.55 %	0.00 %

(vi) The sensitivity analysis of principal actuarial assumptions used in determining the present value of defined benefit obligations in 2020 is as follows:

	Change in assumption	Impact on defined benefit obligations	
		Increase in assumption	Decrease in assumption
Discount rate	Change by 0.5 %	Decrease by 6.35 %	Increase by 7.09 %
Salary growth rate	Change by 0.5 %	Increase by 0.31 %	Decrease by 0.41 %
Pension growth rate	Change by 0.5 %	Increase by 0.2 %	Decrease by 0.19 %
Life expectancy	Change of 1 year	Increase by 1.42 %	Decrease by 1.56 %

The sensitivity of principal actuarial assumptions adopted in determining the present value of defined benefit plan obligations in 2019 is analysed as follows:

	Change in assumption	Impact on defined benefit obligations	
		Increase in assumption	Decrease in assumption
Discount rate	Change by 0.5 %	Decrease by 6.36 %	Increase by 7.25 %
Salary growth rate	Change by 0.5 %	Increase by 0.46 %	Decrease by 0.48 %
Pension growth rate	Change by 0.5 %	Increase by 0.31 %	Decrease by 0.20 %
Life expectancy	Change of 1 year	Increase by 1.50 %	Decrease by 1.51 %

(vii) The plan assets portfolio of the Company is mainly composed of the following investment products:

	31 December 2020	31 December 2019
Cash and cash equivalents	27 642	24 667
Equity instruments	120 148	126 430
Debt instruments	142 010	137 462
Real estate	156 681	164 710
Investment funds	249 717	237 797
Others	150 290	131 686
	846 488	822 752

(30) Deferred revenue

	31 December 2019	Increase in 2020	Decrease in 2020	31 December 2020	Explanation
Government grants	4 760	4 340	2 030	7 070	The corresponding appropriation was shown as deferred income at the end of 2020 because the specific project has not yet started

Items involving government grants:

	31 December 2020	New grants in 2020	Amount included in the current profit or loss in 2020	31 December 2020	Related to assets/ related to income
National Smart Manufacturing Integrated Standardisation and New Model Application Project (a)	4 560	–	–	4 560	Related to assets
Funds for entrepreneurship technician studio (b)	200	–	–	200	Related to assets
Government grants for the first (set) major technology equipment issued by People's Insurance Company of China (c)	–	2 030	2 030	–	Related to income
Special funds for strategic emerging industries in autonomous region (d)	–	500	–	500	Related to assets
Special subsidies for smart manufacturing equipment (e)	–	1 800	–	1 800	Related to assets
One-time employment subsidy for labour force in difficulty	–	10	–	10	Related to income
	4 760	4 340	2 030	7 070	

(a) In order to promote the intelligent manufacturing, the Finance Bureau of Shuimogou District, Xinjiang Urumqi City allocated special funds to the Company totalling RMB 4 560 000 on 19 October 2018. The special funds must be earmarked for the construction of intelligent manufacturing sites, development and integration of intelligent systems, and procurement of core intelligent manufacturing equipment. As the specific project is not yet fully operational, the amount is shown as deferred income at the end of 2020.

(b) In order to enhance the talent cultivation of highly skilled personnel, the Employment Service Management Office of Urumqi Economic and Technological Development Zone allocated RMB 200 000 to the Company's subsidiary, Saurer Xinjiang Intelligent Machinery Co. Ltd. Because the specific project has not yet started, the funds were shown as deferred income at the end of 2020.

(c) According to the first set of major technical equipment insurance cooperation agreement, the subsidy amounted to RMB 2 030 000 in 2020, which was included in the current profit and loss.

(d) The Department of Finance of Xinjiang Uygur Autonomous Region and the Department of Science and Technology of Xinjiang Uygur Autonomous Region allocated a subsidy fund of RMB 500 000 to the Company's subsidiary, Saurer Xinjiang Intelligent Machinery Co. Ltd in 2020 as part of its 2019 R&D special project financing. This is to be used for Saurer Xinjiang's research and development of key technologies for the intelligent production site for textile machinery. Because the project has not yet started, the funds were shown as deferred income at the end of 2020.

(e) The Department of Finance of Xinjiang Uygur Autonomous Region and the Department of Science and Technology of Xinjiang Uygur Autonomous Region allocated RMB 1 800 000 to the Company's subsidiary, Saurer Xinjiang Intelligent Machinery Co. Ltd in 2020 as part of its 2020 R&D special project financing. This is to be used for Saurer Xinjiang's research and development of key technologies for the intelligent production site for textile machinery. Because the project has not yet started, the funds were shown as deferred income at the end of 2020.

(31) Paid-in capital

	31 December 2019	Increase or decrease in 2020					31 December 2020
		Issuance of new shares	Stock dividend	Public reserve funds	Others	Subtotal	
Ordinary shares	1 895 413	–	–	–	–	–	1 895 413

(32) Other comprehensive income

	31 December 2019	2020: Amount before income tax in 2020	2020: Less: amount previously included in the other comprehensive income and currently transferred to the profit or loss	2020: Less: transfer from previous other comprehensive income	2020: Less: income tax expenses	2020: Attributable to the parent company, net of tax	2020: Attributable to non-controlling interests, net of tax	31 December 2020
1. Items that cannot be reclassified into profit or loss	−59 740	−12 857	–	–	−10 788	−12 707	10 638	−72 447
Including: changes in re-measurement of the defined benefit plan	–	–	–	–	–	–	–	–
Other comprehensive income that cannot be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
Changes in fair value of other equity instrument investments	–	–	–	–	–	–	–	–
Changes in the fair value of the company's own credit risk	–	–	–	–	–	–	–	–
Actuarial profit or loss of defined benefit plan	−59 740	−26 545	–	–	−10 788	−12 707	−3 050	−72 447
Differences arising from translation of foreign-currency financial statements	–	13 688	–	–			13 688	
2. Other comprehensive income that will be reclassified into profit or loss	63 571	57 595	–	–	79	57 422	94	120 993
Including: other comprehensive income that can be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
Changes in fair value of other creditor's right investment	–	–	–	–	–	–	–	–
Amount of financial assets reclassified into other comprehensive income	–	–	–	–	–	–	–	–
Provision for credit impairment of other creditor's right investment	–	–	–	–	–	–	–	–
Cash flow hedging reserve	76	564	–	–	79	391	94	467
Translation differences of foreign currency financial statements	63 495	57 031	–	–		57 031		120 526
Total other comprehensive income	3 831	44 738	–	–	−10 709	44 715	10 732	48 546

	31 December 2018	2019: Amount before income tax in 2019	2019: Less: amount previously included in the other comprehensive income and currently transferred to the profit or loss	2019: Less: transfer from previous other comprehensive income	2019: Less: income tax expenses	2019: Attributable to the parent company, net of tax	2019: Attributable to non-controlling interests, net of tax	31 December 2019
1. Other comprehensive income that cannot be reclassified into profit or loss	930	−75 268	–	–	−27 151	−60 670	12 553	−59 740
Including: changes in re-measurement of the defined benefit plan	–	–	–	–	–	–	–	–
Other comprehensive income that cannot be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
Changes in fair value of other equity instrument investments	–	–	–	–	–	–	–	–
Changes in the fair value of the company's own credit risk	–	–	–	–	–	–	–	–
Actuarial profit or loss of defined benefit plan	930	−102 382	–	–	−27 151	−60 670	−14 561	−59 740
Translation differences of foreign currency financial statements	–	27 114	–	–	–	–	27 114	–
2. Other comprehensive income that will be reclassified into profit or loss	−49 370	113 021	–	–	90	112 941	−10	63 571
Including: other comprehensive income that can be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
Changes in fair value of other creditor's right investment	–	–	–	–	–	–	–	–
Amount of financial assets reclassified into other comprehensive income	–	–	–	–	–	–	–	–
Provision for credit impairment of other creditor's right investment	–	–	–	–	–	–	–	–
Cash flow hedging reserve	122	34	–	–	90	−46	−10	76
Translation differences of foreign currency financial statements	−49 492	112 987	–	–		112 987		63 495
Total other comprehensive income	−48 440	37 753	–	–	−27 061	52 271	12 543	3 831

(33) Capital reserves

	31 December 2019	Increase in 2020	Decrease in 2020	31 December 2020
Other capital reserves – capital increase by subsidiary	1 579 834	–	–	1 579 834

As at 8 December 2018, Saurer Intelligent Machinery, a subsidiary of the Company, brought in seven investors for an increase in its share capital, including the Nongyin Xinsilu (Jiaxing) Investment Partnership Enterprise (Limited Partnership) which is led by the Nongyin Financial Property Investment Co. Ltd. The Company signed an "Investment Agreement" and a "Subscription Agreement" with each investor. As at 29 December 2018, the Company received the subscription amount of RMB 3 000 000 000. After the subscription, the Company holds 80.65 % shares of Saurer Intelligent Machinery. The changes on the registration were completed on 15 February 2019.

The Company calculated the net asset share of the subsidiary based on the shareholding before the subscription. The difference between the net asset share and the net asset share of the subsidiary calculated based on the respective shareholding after the subscription was recorded in capital surplus, amounting to RMB 1 579 834 000.

(34) Treasury shares

	31 December 2019	Increase in 2020	Decrease in 2020	31 December 2020
Repurchase of shares of the Company	108 931	491 079	–	600 010

On 1 September 2019 and 18 September 2019, the Company's ninth Board of Directors meeting and the third EGM of shareholders in 2019 approved the proposal to repurchase Company shares by means of centralised bidding. It was agreed that the Company's own or self-raised funds should not be less than RMB 600 000 000 and not more than RMB 1 200 000 000. The Company's shares will be repurchased by centralised bidding, which will be used for equity incentive and employee stock ownership plan, and the buyback period will be within 12 months from the date when the share repurchase plan is approved by the general meeting of shareholders.

As of 31 December 2020, the Company has repurchased its 107 500 773 shares through centralised bidding transactions, and the total amount paid was RMB 600 010 000. (2019: 14 614 325 shares, RMB 108 931 000).

According to Article 8 of the Detailed Rules for the Implementation of Share Repurchase by Listed Companies of the Shanghai Stock Exchange, "if a listed company repurchases its shares by means of centralised bidding or offer with cash as consideration, the amount to repurchase shares already spent in the current year shall be regarded as cash dividends, and shall be included in the relevant proportion of cash dividends in that year." The accumulated amount to repurchase shares of the Company in 2019 accounts for 17.9 % of the distributable profit realised in 2019. The Company does not plan to distribute cash dividends separately.

(35) Surplus reserve

	31 December 2019	1 January 2020	Increase in 2020	Decrease in 2020	31 December 2020
Statutory surplus reserve	48 742	48 742	–	–	48 742

In accordance with the Company Law of the People's Republic of China, the Company should appropriate net profit (after offsetting accumulated losses of previous years) to the statutory surplus reserve, in which the statutory surplus reserve accounts for no less than 10 % of net profit. The Company can cease appropriation when the statutory surplus reserve amounts to more than 50 % of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase in the paid-in capital after approval from the appropriate authorities. No surplus reserve was appropriated by the Company due to net losses in 2020 (2019: None).

(36) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the Company:

	2020	2019
Consolidated net profit attributable to equity holders of the Company	–561 458	608 934
Weighted average number of common shares for EPS calculation	1 845 358	1 892 336
Basic earnings per share	–0.30	0.32
Including:		
– Basic earnings per share from continuing operations	–0.30	0.32
– Basic earnings per share from discontinued operations	–	–

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to common shareholders of the parent company adjusted for the dilutive potential of common shares according to the weighted average number of common shares issued by the Company. In 2020, the Company has no common shares with dilutive potential (2019: None). Therefore, the diluted earnings per share were the same as the basic earnings per share.

(37) Retained earnings

	2020	2019
Undistributed profits at the beginning of the year	1 523 915	1 177 607
Total adjustment to undistributed profits at the beginning of the year ("+" for increase and "–" for decrease) due to changes in accounting policies	–	–18 320
Undistributed profits at the beginning of the period (after adjustment)	1 523 915	1 159 287
Add: net profit attributable to shareholders of the parent company in the current period	–561 458	608 934
Less: withdrawal of statutory surplus reserves	–	–
Withdrawal of discretionary surplus reserves	–	–
Withdrawal of general risk reserves	–	–
Dividend payment	–	–244 306
Common stock dividends transferred to share capital	–	–
Undistributed profits at the end of the year	962 457	1 523 915

(38) Revenue and cost of sales

	2020		2019	
	Revenue	Costs	Revenue	Costs
Main operating income/ cost of goods sold	4 840 421	3 869 130	8 566 110	6 024 662
Other operating income/ other operating costs	9 128	–	9 199	–
	4 849 549	3 869 130	8 575 309	6 024 662

(a) Details of operating revenue

	2020	2019
Revenue from customer contracts	4 846 970	8 572 705
Lease revenue	2 579	2 604
	4 849 549	8 575 309

(b) Breakdowns of operating revenue

	2020
Operating revenue	4 849 549
Less: revenue irrelevant to primary business	–2 579
Less: revenue of commercial substance	–
Operating revenue after deducting business revenue unrelated to main business and revenue without commercial substance	4 846 970

(c) Revenue from contracts

	2020
Commodity type	
– Sales of machinery equipment or ancillary products	3 748 781
– Sales of parts and provision of services	1 091 640
– Technical service fee	602
– Sales of scrap	5 947
	4 846 970
Classified by the time of commodity transfer	
– Recognised at specific point in time	4 846 970
– Recognised within certain period	–
	4 846 970

(39) Taxes and surcharges

	2020	2019
City maintenance and construction tax	5 908	12 689
Educational surcharge	4 257	9 190
House property tax	3 110	2 000
Land use tax	1 746	1 743
Stamp tax	2 561	3 837
Vehicle and vessel tax	11	12
Others	91	–
	17 684	29 471

(40) Selling expenses

	2020	2019
Employee benefits	228 541	218 721
Depreciation and amortisation expenses	18 963	23 432
Exhibition and advertising fees	13 649	53 068
Rental and related fees	10 850	12 272
Office expenses and other fees	18 536	20 248
Freight insurance	11 103	133 168
Business travel	13 800	30 591
IT costs	11 137	7 164
	326 579	498 664

(41) General and administrative expenses

	2020	2019
Employee benefits	333 177	234 007
Depreciation and amortisation expenses	24 139	22 117
Rental and related fees	27 262	33 804
Professional service fees	26 725	39 751
Taxes and fees	4 672	13 381
Office expenses and other fees	1 970	3 466
Transportation insurance	6 890	7 163
Business travel	4 974	17 059
IT costs	8 701	8 729
	438 510	379 477

(42) Research and development expenses

	2020	2019
Raw material costs	37 038	46 039
Employee benefits	247 877	255 968
Depreciation and amortisation expenses	68 359	74 007
Rental and related fees	10 035	11 677
Professional service fees	25 022	46 574
Office expenses and other fees	3 230	10 894
Transportation insurance	2 669	3 567
Business travel	3 817	7 975
IT costs	3 250	3 590
	401 297	460 291

(43) Financial expenses

	2020	2019
Interest expenses, including:		
– Interest expenses for borrowings	159 076	107 295
– Interest expenses for benefit plans	2 491	4 144
Less: capitalised interest	–8 124	–18 267
Subtotal for interest expenses	153 443	93 172
Less: interest income	–25 491	–9 097
Net exchange gains/losses	90 171	45 705
Handling charges for letter of guarantee	146	4 298
Others	33 972	34 842
	252 241	168 920

(44) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses, research and development expenses and financial expenses in the income statement are presented by nature as follows:

	2020	2019
Cost of raw materials	2 422 188	4 586 931
Employee benefits	1 618 317	1 686 244
Depreciation and amortisation expenses	267 714	234 598
Warranties	137 052	78 058
Exhibition and advertising fees	13 651	53 068
Rental and related expenses	178 097	196 486
Professional service fees	52 051	88 356
Tax expenses	7 385	18 204
Office expenses and other fees	105 742	110 264
Freight insurance	144 559	184 076
Business travel	40 581	95 023
IT costs	48 179	30 786
	5 035 516	7 362 094

(45) Losses from asset impairment

	2020	2019
Loss from inventory depreciation and losses from impairment of contract performance cost	88 257	19 966

(46) Losses from credit impairment

	2020	2019
Accounts receivables bad debt losses	82 192	21 051
Losses from bad debts of other receivables	1 800	–
Long-term receivables	26 241	117
	110 233	21 168

(47) Other income

	2020	2019
Government grants	11 888	13 435
Others	237	–
	12 125	13 435

Government grants included in other income

	2020	2019	Related to assets/income
VAT refunded upon collection	6 603	9 285	Related to income
India export promotion plan	5 285	4 150	Related to income
	11 888	13 435	

(48) Investment income

	2020	2019
Interest income on temporary third-party borrowings	–	11 325
Interest income from wealth management trust products	–	253
	–	11 578

(49) Gains/losses from disposal of assets

	2020	2019	Amount included in non-recurring gains or losses in 2020
Gains from disposal of fixed assets	–1 750	335	–1 750
Losses from disposal of fixed assets	4 443	–197	4 443
	2 693	138	2 693

(50) Non-operating income

	2020	2019	Amount included in non-recurring gains or losses in 2020
Asset write-downs	1 945	285	1 945
Government grants	3 246	27 519	3 246
Others	1 706	1 022	1 706
	6 897	28 826	6 897

(i) Details of government grants

	2020	2019	Asset related/ income related
Special funds for enterprises development	–	24 826	Related to income
Subsidies for post stabilisation	206	–	Related to income
Special fund for business development	251	–	Related to income
Special grant for postdoctoral	50	–	Related to income
Subsidies for personnel training	232	–	Related to income
Others	2 507	2 693	Related to income
	3 246	27 519	

(51) Non-operating expenses

	2020	2019	Amount included in non-recurring gains or losses in 2020
Penalty and overdue fines	7	218	7
Donation outlay	66	–	66
Restructuring costs	117 840	115 480	117 840
Others	7 242	58	7 242
	125 155	115 756	125 155

Restructuring costs in 2020 are expenses incurred for integration of businesses outside China.

(52) Income tax expenses

	2020	2019
Current income tax	40 490	212 090
Deferred income tax	–132 156	–91 342
	–91 666	120 748

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the income statement to the income tax expenses is as follows:

	2020
Total profit	–763 208
Income tax expense calculated at the Company's applicable tax rate of 25 %	–190 802
Effect of different tax rates of subsidiaries	25 763
Effect of adjustments to the income tax for the prior years	55 674
Non-taxable income	–1 487
Other costs, expenses and losses that are non-deductible	4 870
Deduction for R&D expenses	–8 026
Utilisation of previously unrecognised tax losses	–2 333
Utilisation of unrecognised deferred income tax assets and deductible temporary differences or losses in current period	10 258
Others	14 417
Income tax expenses	–91 666

(53) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2020	2019
Government grants	12 955	16 128
Others	10 295	14 060
	23 250	30 188

(b) Cash paid relating to other operating activities

	2020	2019
Freight insurance	20 662	126 428
Professional service fees	51 747	85 303
Warranties	73 080	79 058
Rental and related expenses	48 147	57 753
Restructuring costs	55 212	54 867
Exhibition and advertising fees	13 649	53 068
Bank charges	33 972	34 842
IT costs	23 088	19 592
Handling charges for letter of guarantee	146	4 298
Donations	66	33
Others	104 132	133 128
	423 901	648 370

(c) Cash received relating to other investing activities

	2020	2019
Bank financial products recovered	–	1 100 000
Net cash inflows from actual income of foreign exchange forward contracts	–	3 662
Cash received from return on restricted funds	–	848 559
Interest income received	–	28 621
Cash received for repayment of loans by a third party	–	645 320
	–	2 626 162

(d) Cash paid relating to other investing activities

	2020	2019
Net cash flow from actual earnings of foreign exchange forward contracts	7 044	–
Cash paid for making loans to a third party	–	442 820
Cash paid for restricted funds deposited	–	407 673
	7 044	850 493

(e) Cash received from other financing activities

	2020	2019
Cash received by borrowings from a third party	697 620	64 000

(f) Cash paid relating to other financing activities

	2020	2019
Repayment of third-party borrowings	537 890	64 000
Repurchase of treasury shares	491 079	108 931
Payment of restricted monetary funds	575 296	–
Payment of service fees related to subsidiaries' capital increase	–	24 617
	1 604 265	197 548

(54) Supplementary information to the cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2020	2019
Net profit	–671 542	790 163
Add/Less:		
– Losses from credit impairment	110 233	21 168
– Provisions for impairment of assets	88 257	19 966
– Depreciation of fixed assets	164 213	140 664
– Amortisation of intangible assets	102 330	92 546
– Amortisation of long-term prepaid expenses	1 167	1 388
– Net losses on disposal of fixed assets, intangible assets and other non-current assets ("–" for gains)	2 693	–138
– Losses from changes in fair value ("–" for gains)	–	–
– Financial expenses ("–" for gains)	153 443	78 194
– Investment income ("–" for gains)	–	–11 578
– Decreases in deferred tax assets ("–" for increases)	–123 853	–60 073
– Increases in deferred tax liabilities ("–" for decreases)	–19 559	–57 754
– Decreases in inventories ("–" for increases)	–368 761	47 642
– Decreases in operating receivables ("–" for increases)	–387 859	–1 280 327
– Increases in operating payables ("–" for decreases)	–143 383	–34 594
Net cash flow from operating activities	–1 092 621	–252 733
Net decrease/increase in cash and cash equivalents		
Ending balance of cash	121 135	1 973 341
Less: beginning balance of cash	–1 973 341	–2 834 939
Add: ending balance of cash equivalents	–	–
Less: beginning balance of cash equivalents	–	–
Net increase in cash and cash equivalents	–1 852 206	–861 598

(b) Cash and cash equivalents

	31 December 2020	31 December 2019
Cash	121 135	1 973 341
– Cash on hand	19	27
– Bank deposits on demand	121 116	1 973 314
– Other unrestricted monetary funds	–	–
– Unrestricted deposits in central bank	–	–
– Deposits in banks and other financial institutions	–	–
– Loans to banks and other financial institutions	–	–
Cash equivalents		
– Bond investments maturing within three months	–	–
Cash and cash equivalents at the end of the year	121 135	1 973 341
Including: restricted cash and cash equivalents of the parent company or subsidiaries of the Group	–	–

(55) Assets with restrictions on the ownership or right of use

	Book value as at 31 December 2020	Reason for restriction
Monetary funds/ Other non-current assets	1 019 872	Bank borrowing, bank acceptance draft, letter of credit and letter of guarantee deposit
Receivables financing	123 304	Pledge of bank borrowing and letter of guarantee deposit
Fixed assets	695 632	Bank loan mortgage
Intangible assets	111 846	Bank loan mortgage
Construction in progress	145 851	Bank loan mortgage
	2 096 505	

(56) Monetary items in foreign currency

	Balance in foreign currency as at 31 December 2020	Conversion rate	RMB amount translated as at 31 December 2020
Monetary funds			
Including:			
– EUR	7 815	8.00813	62 585
– CHF	749	7.39098	5 533
– USD	8 330	6.53437	54 433
– Other currencies	–	–	21 290
			143 841
Accounts receivable and long-term receivables			
Including:			
– EUR	133 465	8.00813	1 068 808
– CHF	2 334	7.39098	17 252
– USD	46 049	6.53437	300 902
– Other currencies	–	–	46 104
			1 433 066
Financial assets held for trading			
Including:			
– EUR	417	8.00813	3 339
– CHF	8	7.39098	56
– USD	1 611	6.53437	10 524
– Other currencies	–	–	88
			14 007
Short-term borrowings			
Including:			
– EUR	56 704	8.00813	454 092
– CHF	–	7.39098	
– USD	69	6.53437	448
– Other currencies	–	–	74 339
			528 879
Accounts payable			
Including:			
– EUR	50 397	8.00813	403 585
– CHF	6 497	7.39098	48 021
– USD	4 009	6.53437	26 197
– Other currencies	–	–	26 047
			503 850
Financial liabilities held for trading			
Including:			
– EUR	379	8.00813	3 035
– CHF	10	7.39098	72
– USD	1 206	6.53437	7 880
– Other currencies	–	–	144
			11 131

(57) Government grants

(a) Government grants relating to assets

	Amount	Items listed on the balance sheet	Amount included in the current profit or loss or used to offset relevant costs, expenses or losses 2020	2019	Item included in the current profit or loss or used to offset the losses of related costs
National Smart Manufacturing Integrated Standardisation and New Model Application Project	4 560	Deferred revenue	–	–	–
Funds for entrepreneurship technician studio	200	Deferred revenue	–	–	–
Special funds for strategic emerging industries in autonomous region	500	Deferred revenue	–	–	–
Special subsidies for smart manufacturing equipment	1 800	Deferred revenue	–	–	–

(b) Government grants relating to income

	Amount	Amount included in the current profit or loss or used to offset relevant costs, expenses or losses 2020	2019	Item included in the current profit or loss or used to offset the losses of related costs
VAT refunded upon collection	6 603	6 603	9 285	Other income
India export promotion plan	5 285	5 285	4 150	Other income
Government grants for the first (set) major technology equipment issued by People's Insurance Company of China	2 030	2 030	–	Sales and distribution expenses
One-time employment subsidy for labour force in difficulty	10	–	–	–
Subsidies for post stabilisation	206	206	–	Non-operating revenue
Special fund for business development	251	251	–	Non-operating revenue
Special grant for postdoctoral	50	50	–	Non-operating revenue
Subsidies for personnel training	232	232	–	Non-operating revenue
Others	2 507	2 507	–	Non-operating revenue
Special funds for enterprises development	24 826	–	24 826	Non-operating revenue

5 Equity in other entities

(1) Equity in subsidiaries

(a) Structure of the Group

	Major business location	Place of registration	Nature of business	Shareholding (%) Direct	Indirect	Acquisition method
Saurer Intelligent Machinery Co. Ltd	China	China	Manufacturing and sales of textile machinery	80.65 %		Establishment
Saurer Xinjiang Intelligent Machinery Co. Ltd	China	China	Manufacturing and sales of textile machinery		80.65 %	Establishment
Changzhou Jintan Saurer Investment Co. Ltd	China	China	Investment by holding shares		80.65 %	Establishment
Saurer Asia Machinery Co. Ltd	Hong Kong, China	Hong Kong, China	Investment by holding shares		80.65 %	Establishment
Saurer (Changzhou) Texparts Component Co. Ltd	China	China	Manufacturing and sales of textile machinery		80.65 %	Business combination not under common control
Saurer (Shanghai) Textile Machinery Technology Co. Ltd	China	China	Manufacturing and sales of textile machinery		80.65 %	Establishment
Saurer Financial Leasing Co. Ltd	China	China	Lease business		80.65 %	Establishment
Saurer (Jiangsu) Textile Machinery Co. Ltd	China	China	Manufacturing, sales and service of textile machinery		80.65 %	Establishment
Saurer Hong Kong Machinery Co. Ltd	Hong Kong, China	Hong Kong, China	Investment by holding shares		80.65 %	Establishment
Saurer (Changzhou) Textile Machinery Co. Ltd	China	China	Investment by holding shares		80.65 %	Business combination not under common control
Saurer Intelligent Technology AG	Switzerland	Switzerland	Management consultation		80.65 %	Establishment
SAURER AG	Switzerland	Switzerland	Manufacturing, sales and service of textile machinery		80.65 %	Establishment
Saurer Textile Solution Pvt. Ltd	India	India	Manufacturing, sales and service of textile machinery		80.65 %	Establishment
Zinser Textile Machines LLP	India	India	Manufacturing and sales of textile machinery		80.65 %	Establishment
Schlafhorst Machines LLP	India	India	Investment by holding shares		80.65 %	Business combination not under common control
Saurer Inc.	US	US	Manufacturing, sales and service of textile machinery		80.65 %	Establishment
Saurer Components Pte. Ltd	Singapore	Singapore	Manufacturing of textile machinery		80.65 %	Business combination not under common control
Saurer Fibrevision Ltd	UK	UK	Manufacturing and sales of textile machinery		80.65 %	Business combination not under common control
Saurer Têxtil Soluções Ltda.	Brazil	Brazil	Sales and service of textile machinery		80.65 %	Establishment

	Major business location	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Acquisition method
Saurer Tekstil A.S.	Turkey	Turkey	Textile machinery		80.65 %	Business combination not under common control
Saurer Mexico S.A. de C.V.	Mexico	Mexico	Sales and service of textile machinery		80.65 %	Business combination not under common control
Saurer Czech s.r.o	Czechia	Czechia	Manufacturing and service of textile machinery		80.65 %	Business combination not under common control
Saurer Intelligent Machinery LLC	Uzbekistan	Uzbekistan	Sales and service of textile machinery		80.65 %	Establishment
Saurer Netherland Machinery Company B.V.	Netherlands	Netherlands	Investment by holding shares		80.65 %	Establishment
Saurer Technologies Management GmbH	Austria	Austria	Investment by holding shares		80.65 %	Establishment
Saurer Spinning Solutions Management GmbH	Germany	Germany	Investment by holding shares		80.65 %	Establishment
Saurer Spinning Solutions GmbH & Co. KG	Germany	Germany	Manufacturing, sales and service of textile machinery		80.65 %	Establishment
Saurer Technologies GmbH & Co. KG	Germany	Germany	Manufacturing, sales and service of textile machinery		80.65 %	Establishment

(b) Subsidiaries with significant non-controlling interests

	Shareholding ratio of non-controlling shareholders	Profit or loss attributable to non-controlling shareholders in 2020	Dividends declared to be distributed to non-controlling shareholders in 2020	Balance of non-controlling equity as at 31 December 2020
Saurer Intelligent Machinery Co. Ltd	19.35 %	−110 084	135 000	1 154 643

As at 31 December 2019, the total undistributed profits attributable to minority shareholders amounted to RMB 709 million. According to the relevant laws and the Articles of Association, the AGM of the Company's subsidiary Saurer Intelligent Machinery Co. Ltd on 8 July 2020 approved the profit distribution plan for 2019 as follows: cash dividends totalling RMB 135 million (before tax) to all minority shareholders in proportion to their respective shareholdings; no other forms of profit distribution will be made.

Main financial information of subsidiaries with significant non-controlling interests

	31 December 2020						31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Saurer Intelligent Machinery Co. Ltd	8 507 137	5 346 147	13 853 284	4 803 630	1 873 479	6 677 109	9 356 299	4 573 520	13 929 819	5 108 893	996 459	6 105 352

	2020				2019			
	Revenue	Net profit/loss	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit/loss	Total comprehensive income	Cash flows from operating activities
Saurer Intelligent Machinery Co. Ltd	4 849 549	−568 730	-513 293	−1 035 593	8 575 309	938 291	1 001 105	3 376

(2) Equity in joint ventures

	Major business location	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Accounting treatment method of the investments in joint ventures or associates	Whether strategic to the Company's activities
Saurer Premier Technologies Private Ltd	India	India	Manufacturing and sales of yarn clearers and accessories		50.00 %	Equity method	Yes

On 2 March 2015, SAURER AG, the Company's Swiss subsidiary, signed a joint venture agreement with a third-party partner to establish Saurer Premier Technologies Private Ltd in India. The registered capital was INR 30 000 000. According to the joint venture agreement, SAURER AG and its partner hold each 50 % of the shares in the joint venture and each of them hold 50 % of the voting rights. The main business of the joint venture is to produce and sell yarn clearer and its accessories. The long-term equity investment is subject to the relevant foreign exchange control of India where the investment is located.

As at 31 December 2018, Saurer Premier Technologies Private Ltd incurred an excess loss of insignificant amount and entered into liquidation proceedings during the year, and the book value of the Company's long-term equity investment was written down to zero. As at 31 December 2020, the liquidation of the Company was not yet completed.

6 Segment information

The reportable segments of the Company are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different technologies and marketing strategies. Due to different technologies or market strategies of each segment, the Company manages the production and operation of each reportable segment separately and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified two reportable segments as follows:

- Spinning Solutions (SPIN) is mainly engaged in manufacturing and sales of carding, combing, roving machines, drawframes and new textile machinery; R&D and manufacturing of spinning machines and winders; and providing related mechanical spare parts.
- Technologies (TECH) is mainly engaged in R&D, designing and manufacturing of twisting and embroidery machines; providing mechanical parts; and sales of a variety of spare parts.

Intersegment transfer prices are measured by reference to selling prices to third parties.

The assets are allocated based on the operations of the segments and the physical location of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

(a) Segment information as at and for the year ended 31 December 2020 is as follows:

	Spinning Solutions	Technologies	Unallocated	Offset	Total
Revenue from external customers	3 852 742	996 807	–	–	4 849 549
Intersegment revenue	3 165	21 236	–	24 401	–
Cost of sales	3 071 342	797 788	–	–	3 869 130
Credit impairment losses	110 352	–119	–	–	110 233
Asset impairment losses	89 695	–1 438	–	–	88 257
Depreciation and amortisation expenses	187 429	74 340	5 941	–	267 710
Earnings before interest and tax	–302 003	–138 412	–194 841	–	–635 256
Interest income	–	–	25 491	–	25 491
Interest expenses	–	–	153 443	–	153 443
Total profits (total losses)	–302 003	–138 412	–322 793	–	–763 208
Income tax expenses	–	–	–91 666	–	–91 666
Net profit (net loss)	–302 003	–138 412	–231 127	–	–671 542
Total assets	9 706 501	1 297 072	1 895 597	52 828	12 846 342
Total liabilities	3 330 003	662 649	3 816 893	52 828	7 756 717
Addition of fixed assets, construction in progress, long-term prepaid expenses and intangible assets	292 647	77 886	2 529	–	373 062

Segment information as at and for the year ended 31 December 2019 is as follows:

	Spinning Solutions	Technologies	Unallocated	Offset	Total
Revenue from external customers	7 279 590	1 295 079	640	–	8 575 309
Intersegment revenue	23 380	31 987	–	–55 367	–
Cost of sales	–5 101 985	–922 430	–247	–	–6 024 662
Credit impairment losses	–20 015	–1 153	–	–	–21 168
Asset impairment losses	–12 516	–7 450	–	–	–19 966
Depreciation and amortisation expenses	–163 726	–68 930	–1 942	–	–234 598
Earnings before interest and tax	1 265 585	–57 682	–212 917	–	994 986
Interest income	–	–	9 097	–	9 097
Interest expenses	–	–	–93 172	–	–93 172
Total profits (total losses)	1 265 585	–57 682	–296 992	–	910 911
Income tax expenses	–	–	–120 748	–	–120 748
Net profit (net loss)	1 265 585	–57 682	–417 740	–	790 163
Total assets	7 584 423	1 140 277	4 627 431	–148 160	13 203 971
Total liabilities	2 901 864	516 897	3 601 571	–148 160	6 872 172
Addition of fixed assets, construction in progress, long-term prepaid expenses and intangible assets	527 315	83 396	4 497	–	615 208

(b) The Company's total revenue from third-party customers in China and other countries and regions, and the Company's total non-current assets other than financial assets and deferred tax assets located in China and other countries and regions are presented below:

Sales revenue from third-party customers	2020	2019
Germany	2 292 123	3 777 111
China	2 075 611	4 191 053
US	162 115	271 190
Switzerland	115 929	82 312
India	78 975	134 039
Turkey	45 360	42 686
UK	42 179	36 937
Brazil	31 083	32 300
Mexico	5 312	7 605
Singapore	862	76
	4 849 549	8 575 309

Total current assets	2020	2019
Switzerland	1 470 697	1 431 435
China	1 213 435	1 126 614
Germany	1 147 655	1 166 033
India	126 294	149 362
UK	49 518	52 653
Singapore	29 997	39 965
US	24 574	28 194
Brazil	1 928	2 730
Czech	1 699	2 078
Turkey	1 116	543
Mexico	296	152
	4 067 208	3 999 759

In 2020, the sales revenue from Litai Xingshi, assigned to Spinning Solutions, amounted to RMB 1 158 996 000 in 2020, representing 24 % (in 2019: 23 %) of the Company's sales revenue.

7 Related parties and related transactions

(1) Information on the controlling shareholder

(a) General information on the controlling shareholder

	Place of registration	Nature of business	Registered capital	Shareholding in the Company (%)	Voting rights in the Company (%)
Jiangsu Jinsheng Industry Co. Ltd	Jintan, China	Manufacturing of textile machinery	100 000	46.94 %	46.94 %

Jiangsu Jinsheng Holding Co. Ltd (formerly known as: Changzhou Jintan Changsheng Investment Co. Ltd) is the ultimate controller of the Company and Mr Pan Xueping is the ultimate controlling shareholder, holding 69 % equity shares of Jiangsu Jinsheng Holding Co. Ltd.

(2) Subsidiaries of the Company

General information and other related information on the subsidiaries are set out in note 5 Equity in other entities.

(3) Joint ventures and associates of the Company

Name	Relationship with the Company
Saurer Premier Technologies Private Ltd	Joint venture

(4) Information on other related parties

Name	Relationship with the Company
Litai Xingshi (note)	Controlled by the same controlling shareholder together with the Company
Xinjiang Litai Textile Investment Co. Ltd (note)	Controlled by the same controlling shareholder together with the Company
Kuitun Litai Textile Investment Co. Ltd (note)	Controlled by the same controlling shareholder together with the Company
LT Textile International Limited Liability Company (note)	Controlled by the same controlling shareholder together with the Company
Urumqi Litai Textile Investment Co. Ltd (note)	Controlled by the same controlling shareholder together with the Company
Maigaiti Litai Textile Co. Ltd (note)	Controlled by the same controlling shareholder together with the Company
Arael Litai Textile Investment Co. Ltd (note)	Controlled by the same controlling shareholder together with the Company
Jiangsu Jinsheng Assets Operation Co. Ltd	Controlled by the same controlling shareholder together with the Company
Taicang Litai Textile Mill Co. Ltd	Controlled by the same controlling shareholder together with the Company
Jiangsu Jinhong Textile Co. Ltd	Controlled by the same controlling shareholder together with the Company
EMAG China Machinery Co. Ltd	Controlled by the same controlling shareholder together with the Company
Shanghai Huayuan Mechanical & Electrical Co. Ltd	Controlled by the same controlling shareholder together with the Company
Heberlein AG	Controlled by the same controlling shareholder together with the Company
Saurer Premier Technologies Private Ltd	Joint venture
Chen Meifang	Close family member of the ultimate controlling shareholder
Pan Jian	Close family member of the ultimate controlling shareholder
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	Controlled by a close family member of the ultimate controlling shareholder
Jintan Garden Hotel	Controlled by a close family member of the ultimate controlling shareholder
Jintan Changdang Lake Garden Huadian Catering Boat	Controlled by a close family member of the ultimate controlling shareholder

Note: Xinjiang Litai Textile Investment Co. Ltd, Kuitun Litai Textile Investment Co. Ltd, LT Textile International Limited Liability Company, Maigaiti Litai Textile Co. Ltd, Arael Litai Textile Investment Co. Ltd and Urumqi Litai Textile Investment Co. Ltd are subsidiaries of Litai Xingshi (Taicang) Holding Co. Ltd. The financial statements are disclosed in accordance with the consolidated standards of Litai Xingshi.

(5) Related party transactions

(a) Pricing policy and decision-making procedure

The transaction price between the Company and related parties is based on the market price and agreed price between both parties. Lease expenses are negotiated by both parties involved in the lease and with reference to market prices.

(b) Purchase of goods and rendering of services

	Content of related transaction	2020	2019
Jiangsu Jinhong Textile Co. Ltd	Purchase of goods	52	107
Shanghai Huayuan Mechanical & Electrical Co. Ltd	Purchase of goods	10	6
Shanghai Huayuan Mechanical & Electrical Co. Ltd	Receipt of services	1 362	348
Jintan Garden Hotel	Receipt of services	188	282
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	Receipt of services	204	20

(c) Sales of goods

	Content of related transaction	2020	2019
Litai Xingshi (note)	Sale of goods	1 158 996	1 978 782
Taicang Litai Textile Mill Co. Ltd	Sale of goods	696	58
Jiangsu Jinhong Textile Co. Ltd	Sale of goods	–	56
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	Sale of goods	–	7

Note: The Company sells textile equipment and parts to Litai Xingshi for its own production operations.

(d) Remuneration of key management personnel

	2020	2019
Remuneration of key management personnel	25 144	31 389

(e) Guarantees received and provided

(i) The Company as a guarantor:

Guaranteed party	Guarantee amount	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Saurer Xinjiang Intelligent Machinery Co. Ltd	5 000	27 February 2020	26 February 2021	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	95 000	28 February 2020	26 February 2021	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	475 000	16 January 2020	15 January 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	50 000	21 May 2020	20 May 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	250 000	21 June 2019	20 June 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	200 000	9 November 2018	8 November 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	100 000	24 April 2020	23 April 2021	No
Saurer Hong Kong Machinery Co. Ltd	EUR 10 000	7 December 2017	Not agreed	No
Saurer Textile Solution Pvt. Ltd	INR 837 815	8 September 2015	Not agreed	No
Saurer Spinning Solutions GmbH & Co. KG	EUR 11 980	31 December 2020	Not agreed	No
Saurer Spinning Solutions GmbH & Co. KG	EUR 4 460	31 December 2020	Not agreed	No
Saurer Spinning Solutions GmbH & Co. KG	EUR 10 590	22 December 2020	Not agreed	No
Saurer Spinning Solutions GmbH & Co. KG	EUR 10 000	2 September 2020	Not agreed	No

(ii) The Company acted as guaranteed party:

Guarantee	Guaranteed amount	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang, Zhang Yueping, Zhou Mei	250 000	30 November 2020	28 November 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	80 000	17 December 2020	19 November 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	70 000	26 November 2020	15 May 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	125 913	14 May 2020	24 November 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	EUR 4 000	12 March 2019	12 March 2020	Yes
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	250 000	23 January 2020	23 January 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	150 000	8 January 2020	1 December 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	200 000	23 January 2020	30 March 2021	No
Jiangsu Jinsheng Industry Co. Ltd	200 000	9 November 2018	8 November 2022	No
Pan Xueping and Chen Meifang	475 000	16 January 2020	15 January 2022	No
Pan Xueping and Chen Meifang	100 000	25 August 2020	25 February 2021	No
Pan Xueping and Chen Meifang	100 000	24 April 2020	23 April 2021	No
Pan Xueping and Chen Meifang	50 000	21 May 2020	20 May 2022	No

(6) Receivables from and payables to related parties

	31 December 2020		31 December 2019	
Accounts receivable	**Book balance**	**Provision for bad debts**	**Book balance**	**Provision for bad debts**
Litai Xingshi	2 935 134	68 043	2 184 457	26 237
Taicang Litai Textile Mill Co. Ltd	58	–	64	–
Jiangsu Jinhong Textile Co. Ltd	2	–	2	–
Other receivables				
Shanghai Huayuan Mechanical & Electrical Co. Ltd	20	–	–	–

(7) Receivables from and payables to related parties

Other payables	31 December 2020	31 December 2019
Pan Jian	600	635
Jintan Garden Hotel	–	45
Shanghai Huayuan Mechanical & Electrical Co. Ltd	–	21
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	61	–
Jintan Changdang Lake Garden Huadian Catering Boat	45	–
Advances from customers		
Litai Xingshi	–	31 943
Employee benefits payables		
Pan Xueping	2 004	1 889

(8) Related party commitments

The Company's commitments in relation to Litai Xingshi that have been contracted for but are not required to be recognised yet in the balance sheet are as follows:

Sales of goods	31 December 2020	31 December 2019
Litai Xingshi	530 110	229 919

8 Commitments and contingencies

(1) Significant commitments

(a) Operating lease commitments

As at the balance sheet date, the future minimum lease payments due under the signed and irrevocable operating lease contracts are as follows:

	Minimum lease payments
Within 1 year	82 029
1 to 2 years	59 202
2 to 3 years	40 310
Over 3 years	143 842
	325 383

(b) Capital commitments

Capital expenditures contracted for by the Company at the balance sheet date but not yet required to be recognised in the financial statements are as follows:

	31 December 2020	31 December 2019
Buildings, machinery and equipment	144 291	188 434

(2) Contingencies

As at the reporting period, the Company had no significant contingencies.

9 Events after the balance sheet date

Profit distribution	
Profit or dividend to be distributed	0.00
Profit or dividend declared to be granted upon deliberation and approval	0.00

According to Article 8 of the "Rules of the Shanghai Stock Exchange on Share Repurchases of Listed Companies": "Where a listed company, with cash as the consideration, conducts a share repurchase by means of centralised bidding or tender offering, the amount already paid for buying back shares in the current year shall be deemed as cash dividends and incorporated into the calculation thereof in a certain proportion for the year." The amount of shares repurchased by the Company in the form of centralised bidding in 2020 is RMB 491 079 068.42, which is regarded as a cash dividend.

After auditing and confirming by BDO China Shu Lun Pan Certified Public Accountants LLP, the Company realised net profit of RMB −671 542 000 in the consolidated statements in 2020. According to Article 155 of the Company's Articles of Association: "The Company may not pay cash dividends in any of the following circumstances: 1. Consolidated statements or parent company's statements have not realised profits for the current year."

In conclusion, in order to enhance the Company's financial stability and anti-risk ability, ensure the Company's future production and operative capital needs, and safeguard the long-term interests of all shareholders, the Company does not plan to distribute profits or convert capital.

10 Financial risk

The Company's operating activities expose it to various financial risks, including market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk. The above financial risks and the risk management policies adopted by the Company to reduce these risks are as follows:

The Board of Directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyse the risks faced by the Company. These risk management policies have defined specific risks, including market risk, credit risk and liquidity risk. The Company regularly evaluates changes in the market environment and the Company's operating activities to determine whether to update risk management policies and systems. The risk management of the Company is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and mitigates relevant risks through close cooperation with other business units of the Company. The internal audit department of the Company conducts regular audits of risk management controls and procedures, and reports the audit results to the Company's audit committee.

(1) Market risk
Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and price risks.

(a) Foreign exchange risk
As of 31 December 2020 and 31 December 2019, the amount of foreign currency financial assets and foreign currency liabilities held by the Company converted into RMB is shown below:

	31 December 2020					
	EUR	CHF	USD	RMB	Others	Total
Financial assets denominated in foreign currency						
– Monetary funds	11 922	337	9 633	293	6 707	28 892
– Accounts receivable and long-term receivables	42 013	–	283 998	124	27 568	353 703
	53 935	337	293 631	417	34 275	382 595
Financial liabilities denominated in foreign currency						
– Short-term borrowings	98 323	–	448	–	–	98 771
– Payables	30 597	16 506	25 361	312	9 144	81 920
	128 920	16 506	25 809	312	9 144	180 691

	31 December 2019					
	EUR	CHF	USD	RMB	Others	Total
Financial assets denominated in foreign currency						
– Monetary funds	2 626	455	6 408	200 588	15 302	225 379
– Accounts receivable and long-term receivables	22 525	641	265 092	80	26 493	314 831
	25 151	1 096	271 500	200 668	41 795	540 210
Financial liabilities denominated in foreign currency						
– Short-term borrowings	136 241	–	2 024	–	–	138 265
– Payables	82 257	39 664	24 529	1 424	10 621	158 495
	218 498	39 664	26 553	1 424	10 621	296 760

At 31 December 2020 and 31 December 2019, the Company's foreign exchange risk arises mainly from the various financial assets and liabilities in EUR, CHF, USD and RMB.

For each subsidiary using EUR as a foreign currency, if the EUR appreciates or depreciates by 10 % with all other factors unchanged, then the net profit of the Company would have decreased or increased by about RMB 7 499 000 as at 31 December 2020 (2019: RMB 19 335 000).

For each subsidiary using CHF as a foreign currency, if the CHF appreciates or depreciates by 10 % with all other factors unchanged, then the net profit of the Company would have decreased or increased by about RMB 1 617 000 as at 31 December 2020 (2019: RMB 3 857 000).

For each subsidiary using USD as a foreign currency, if the USD appreciates or depreciates by 10 % with all other factors unchanged, then the net profit of the Company would have decreased or increased by about RMB 26 782 000 as at 31 December 2020 (as at 31 December 2019: RMB 24 495 000).

For each subsidiary using RMB as a foreign currency, if the RMB appreciates or depreciates by 10 % with all other factors unchanged, then the net profit of the Company would have decreased or increased by about RMB 11 000 as at 31 December 2020 (2019: RMB 19 924 000).

(b) Interest rate risk
The Company's interest rate risk mainly arises from interest-bearing borrowings including bank borrowings. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Company to fair value interest rate risk. As at 31 December 2020 and 31 December 2019, the Company's interest-bearing assets and borrowings classified by floating rate and fixed rate were as follows:

	31 December 2020	31 December 2019
Floating interest rate		
– Short-term borrowings	–	563 284
– Long-term borrowings (including the part maturing within one year)	1 480 750	598 078
	1 480 750	1 161 362
Fixed interest rate		
– Short-term borrowings	1 968 816	1 678 016
– Long-term borrowings (including the part maturing within one year)	50 000	343 548
	2 018 816	2 021 564

To mitigate the impact of changes in interest rates, the Company continuously evaluates and monitors its exposure to interest rate risk in order to take measures to control such risks when necessary.

As at 31 December 2020, if the floating interest rate on borrowings had increased or decreased by 50 % while all other factors remained unchanged, the net profit of the Company would have been decreased or increased by approximately RMB 7 404 000 (2019: RMB 5 807 000.00).

(2) Credit risk
The Company's credit risk mainly arises from cash at bank, notes receivables, accounts receivables, financing receivables, other receivables, debt investments, other debt investments and financial guarantee contracts, etc., as well as those debt instruments and derivative financial assets not included in the scope of impairment assessment. At the balance sheet date, the book value of the Company's financial assets represented its largest credit risk exposure. There are no off-balance sheet financial guarantees.

The Company's cash at bank funds are mainly deposits placed with state-owned banks and other large and medium-sized listed banks with high credit ratings. The Company believes that it does not have significant credit risk and will almost never incur significant losses due to bank defaults.

In addition, the Company has policies to limit the credit exposure on notes receivables, accounts receivables, and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantees from third parties, their credit history and other factors such as current market conditions. The credit history of customers is monitored regularly by the Company. Regarding customers with poor credit records, the Company will use methods such as written payment reminders or shortening or cancelling credit periods in order to keep the Company's overall credit risks within controllable scope.

As at 31 December 2020, the Company did not hold any significant collateral or other credit enhancements arising from the debtor's mortgage (2019: None).

(3) Liquidity risk
Cash flow forecasting is performed by each subsidiary of the Company and consolidated by the Company's finance department on Company level. The Company's finance department monitors rolling forecasts of the Company's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As at 31 December 2020, except for financial liabilities held for trading already disclosed in note 4 (2), the financial liabilities of the Company at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 6 years	Over 6 years	Total
Short-term borrowings	1 980 622	–	–	–	1 980 622
Notes payables	489 000	–	–	–	489 000
Accounts payables	992 716	–	–	–	992 716
Other payables	544 383	–	–	–	544 383
Long-term borrowings (including non-current liabilities maturing within one year)	217 212	874 000	441 750	–	1 532 962
	4 223 933	874 000	441 750	–	5 539 683

As at 31 December 2019, except for the financial liabilities held for trading already disclosed in note 4 (2), various financial liabilities of the Company should be presented at undiscounted contractual cash flows on the maturity date as follows:

	31 December 2019				
	Within 1 year	1 to 2 years	2 to 6 years	Over 6 years	Total
Short-term borrowings	2 272 140	–	–	–	2 272 140
Notes payables	57 000	–	–	–	57 000
Accounts payables	1 586 229	–	–	–	1 586 229
Other payables	465 382	–	–	–	465 382
Long-term borrowings (including non-current liabilities maturing within one year)	525 985	122 511	367 213	–	1 015 709
	4 906 736	122 511	367 213	–	5 396 460

As at 31 December 2020 and 31 December 2019, the Company had no external financial guarantees.

11 Fair value estimates

The level at which fair value measurement is categorised is determined by level of the fair value hierarchy of the lowest level input that is significant to the entire measurement of fair value. The input values used for measuring fair value are divided into three levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: unobservable inputs that have been applied in valuing the respective asset or liability.

(1) Financial instruments measured at fair value on a recurring basis

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Continuous measurement at fair value				
Financial assets				
Financial assets held for trading	–	14 008	–	14 008
Accounts receivables financing	–	–	159 055	159 055
		14 008	159 055	173 063
Financial liabilities				
Financial liabilities held for trading	–	11 132	–	11 132

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Continuous measurement at fair value				
Financial assets				
Financial assets held for trading	–	6 310	–	6 310
Accounts receivables financing	–	–	7 025	7 025
		6 310	7 025	13 335
Financial liabilities				
Financial liabilities held for trading	–	10 478	–	10 478

The Company regards the date when a conversion of levels occurs as the timing for the conversion of all levels. In 2020 and 2019, there is no shift between level 1, level 2 and level 3.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Company using a valuation technique. Hedging instruments are valued using the discounted cash flow method, with significant inputs being the observable exchange rates.

As at 31 December 2020 and 31 December 2019, the Company has no assets measured at fair value on a non-continuous basis.

(2) Assets and liabilities not measured at fair value but with their fair values disclosed
The Company's financial assets and liabilities measured by amortised cost mainly include: receivables, short-term borrowings, payables, long-term borrowings and long-term payables, etc. The difference between the book value and fair value of financial assets and financial liabilities that are not measured at fair value is small.

12 Capital management

The Company's capital management policies aim to safeguard the Company's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can adjust the dividends payment to the owners, add capital, or sell assets.

The total capital of the Company is the total owner's equity shown in the consolidated balance sheet. The Company is not subject to external mandatory capital requirements and makes use of the asset-liability ratio (gearing ratio) to monitor capital.

As at 31 December 2020 and 31 December 2019, the asset-liability ratios of the Company are as follows:

	31 December 2020	31 December 2019
Asset-liability ratio (gearing ratio)	60 %	52 %

13 Notes to main items of the parent company financial statements

(1) Other receivables

	31 December 2020	31 December 2019
Interest receivable	–	–
Dividends receivable	–	–
Other receivables	432 823	871
	432 823	871

(a) Disclosure by aging

	31 December 2020	31 December 2019
Within 1 year	431 952	–
1 to 2 years	–	871
Over 2 years	871	–
Less: provision for bad debts	–	–
	432 823	871

	31 December 2020	31 December 2019
Current accounts within the consolidation scope	431 553	–
Deposit and others	1 270	871
	432 823	871

As at 31 December 2020, the Company has no other receivables at the second or third stage. As at 31 December 2019, the provision for bad debts of other receivables at the second stage is insignificant.

As at 31 December 2019, the Company had no provisions for bad debt of other receivables.

In 2020 and 2019, there was no provision for bad debts collected or reversed, and no actual write-off of other receivables.

(2) Long-term equity investments

	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	10 452 842	–	10 452 842	10 452 842	–	10 452 842
	10 452 842	–	10 452 842	10 452 842	–	10 452 842

As at 31 December 2020 and 31 December 2019, the Company's direct shareholding subsidiary is Saurer Intelligent Machinery Co. Ltd, which holds certain long-term equity investments in subsidiaries in Hong Kong and outside China. Those long-term equity investments are subject to the relevant foreign exchange controls applicable in Mainland China, Hong Kong and the respective locations outside China where the investments are made.

(3) Revenue and cost of sales

	2020		2019	
	Revenue	Costs	Revenue	Costs
Main business	–	–	140 045	140 045
Other business	–	–	–	–
	–	–	140 045	140 045

Details of operating revenue:

	2020	2019
Revenue from customer contracts	–	140 045
Lease revenue	–	–
	–	140 045

14 Supplementary information

(1) Detailed list of non-recurring gain and loss

	Amount
Gains or losses from disposal of non-current assets	−2 693
Government subsidy included in the current profit or loss (closely relevant to enterprise business, and except for government grants enjoyed with the fixed quantitative amount under the unified standard of the state)	3 246
Employee severance costs and other costs expected to be incurred in connection with the restructuring of overseas plants	−117 840
Non-operating revenue and expenses other than the above-mentioned items	−3 664
	−120 951
Affected amount of income tax	33 854
Affected amount of minority equity (after tax)	16 857
	−70 240

(2) Net assets income and earnings per share

	Weighted average rate of return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	−12.49 %	−0.30 %	−0.30 %
Net profit attributable to common shareholders of the Company excluding extraordinary profit or loss	−10.93 %	−0.27 %	−0.27 %

10. Catalogue of documents available for inspection

Catalogue of documents available for inspection	Financial statements bearing the signatures and seals of the Company's legal representative, Chief Financial Officer and the person in charge of accounting.
Catalogue of documents available for inspection	Original of the audit report bearing the seal of PwC and the signature and seal of a certified public accountant.
Catalogue of documents available for inspection	Originals of all documents and announcements publicly disclosed by the Company in newspapers designated by the CSRC within the reporting period.

Approval and submission date of the Board of Directors:

CEO and Chairman: Pan Xueping
30 June 2021