

# 2017 ANNUAL REPORT



**SAURER.**

# KEY FIGURES

Saurer Intelligent Technology Co Ltd.



**RMB 8'713 million**

**+70%**  
Turkey

**+71%**  
China

Outstanding performance in key markets China and Turkey with growth of 70%

## Group highlights

- ▶ Excellent growth in revenue by 37% to RMB 8'713 million
- ▶ Strong earnings generation with profits before tax of RMB 996 million
- ▶ Successful listing in Q3 2017 on the Shanghai Stock Exchange

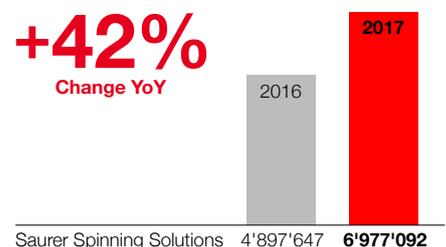
## Revenues by region

in RMB '000

	2016	2017	Change YoY
China	2'150'570	3'674'611	71%
India	1'001'445	973'602	-3%
Turkey	532'366	904'084	70%
Asia (excl. China/India)	1'212'421	1'744'952	44%
Americas	671'280	740'555	10%
Europe/Africa/others (excl. Turkey)	784'672	675'608	-14%

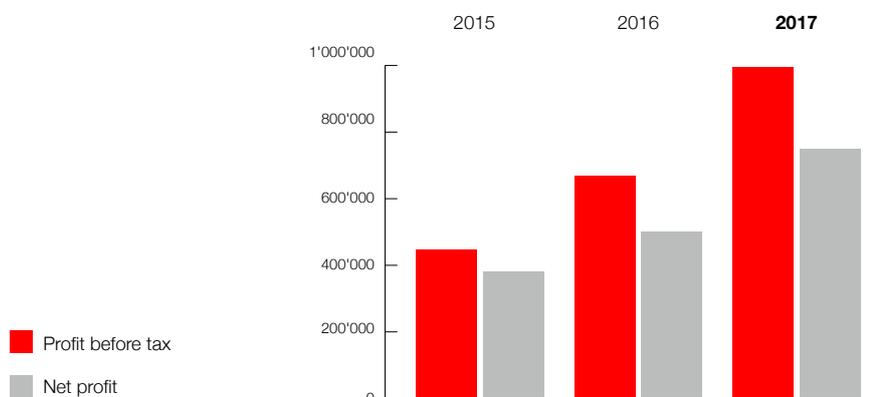
## Revenue by segment

in RMB '000

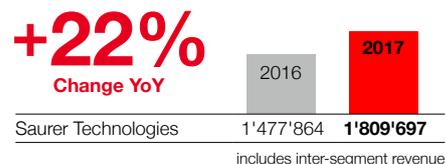


## Key financial data

in RMB '000

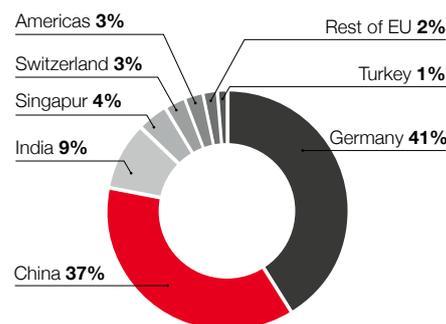


	2015	2016	2017	Change YoY
Revenue	6'648'902	6'352'754	<b>8'713'412</b>	<b>37%</b>
Profit before tax	446'512	670'518	<b>996'385</b>	<b>49%</b>
Net profit	382'162	502'985	<b>749'517</b>	<b>37%</b>
Total assets	9'426'260	13'225'243	<b>14'531'772</b>	<b>10%</b>



## Employees 2017

**4484**



# 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 content set out in this Annual Report is true, accurate and complete, and free from any false representations, misleading statements or material omissions, and are individually and collectively responsible for the content therein.**

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

**3. PwC Mainland China (special general partnership) presented a standard unqualified Auditor’s Report for the Company.**

**4. Pan Xueping, 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 considering factors such as shareholders’ returns and the Company’s business development, the Board of Directors reviewed and approved the profit distribution plan for 2017 as follows:

The audit by PwC Mainland China (special general partnership) confirmed that the net profit in the consolidated statements attributable to the shareholders of the parent company in 2017 was RMB 658,327,000. The parent company realized a net profit of RMB 487,418,000 in 2017. According to the Articles of Association, 10% of the net profit attributable to the parent company, RMB 48,742,000, was set aside as the statutory surplus reserve. After the reserves were set aside, the net profit attributable to the parent company in 2017 was RMB 438,676,000. Taking into account the undistributed profit of RMB 377,048,000 at the beginning of the year minus the interim cash dividends of RMB 184,421,938.82 distributed in 2017, the residual profit of the parent company distributable to the shareholders was RMB 631,302,000. According to the relevant laws and regulations

and the Articles of Association, and considering the interests of the shareholders and the long-term development of the Company, the Company’s profit distribution plan for 2017 was based on 1,895,412,995 shares, and cash dividends of RMB 0.1 (before tax) for every 10 shares were distributed to all shareholders from the undistributed profit. Total cash dividends distributed amounted to RMB 18,954,219.95 (before tax). No other forms of profit distribution or capital reserve plan were implemented.

Cash dividends distributed by the Company mid-2017 amounted to RMB 184,421,938.82 (before tax). Taking into account the cash dividends of RMB 18,954,129.95 (before tax) expected to be distributed for 2017, the Company anticipates that total distributed cash dividends will amount to RMB 203,376,068.77 (before tax).

**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 investment involves risks.

**7. Important risk warning**

The risks faced by the Company are detailed in “Company’s Future Development” under Section 4, “Discussion and Analysis of Operations”. Investors are advised that investment involves risks.

**8. Other**

During the reporting period, the Company’s major asset replacement and issue of shares to purchase assets were completed, and the Company was relisted after restructuring in September 2017. The Company’s Board of Directors and the Board of Supervisors were replaced and changes made to the management. The Company’s principal business was changed from building and construction and real estate development to R&D, manufacture and sales of intelligent textile equipment and key components, and with that, the company was transformed into a high-end equipment manufacturer. The Company name was changed from “Xinjiang Urban Construction (Group) Co., Ltd” to “Saurer Intelligent Technology Co., Ltd”, and the stock abbreviation was changed from “Xinjiang Urban Construction” to “Saurer Intelligent”. The stock code remains unchanged.



Pan Xueping  
Chairman



Clement Woon  
CEO

# LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders,

Saurer's listing on the Shanghai Stock Exchange in the autumn of 2017 marked the highlight of an exciting and very successful year. By taking advantage of the favourable economic situation, Saurer successfully strengthened its position as a globally leading supplier of high-end textile equipment, providing customers with a suite of solutions from bale to yarn.

## Profitable growth

Saurer announced its best performance of the past five years: sales amounted to RMB 8.713 billion, a year-on-year (YoY) increase of 37.2% (2016: RMB 6.352 billion); net profit attributable to shareholders increased by 38.6% YoY, reaching RMB 658 million (2016: RMB 475 million). Saurer was particularly successful in the Chinese and Turkish markets with a growth rate of approximately 70%. After three years of hard work by the Company, Uzbekistan has become its fourth-largest market, with sales of more than RMB 500 million in 2017.

## New strategic focus

2017 also signalled a year of profound change and a new strategic focus for Saurer. Our mission is to become the preferred supplier of intelligent solutions and services in fibre and yarn processing equipment. Our business philosophy is to enable our customers to make full use of the advantages we offer while creating the best value for their stakeholders. This also reflects our core values: Customer Focus, Quality Excellence, Team Spirit, Entrepreneurship and Results Orientation. These are the drivers that consistently propel Saurer forward.

Our newly created business segments – Spinning Solutions and Technologies – are both dedicated to better serving customers' needs, improving operational efficiency, and integrating and anticipating technological innovations.

## Position in domestic and foreign markets

Backed by its global sales and after-sales service system, Saurer is an international company that provides high-end textile machinery and equipment for customers worldwide. As a listed subsidiary of the Jinsheng Group, Saurer is in a very favourable position to benefit from unprecedented economic opportunities across these markets, including China with its vision for the textile industry as well as the "One Belt, One Road", "Industry 4.0" and "Made in China 2025" initiatives.

## Prospects

2018 will bring new challenges for Saurer as well as for the entire textile industry. Last year we made significant progress in business integration, technical innovation and management. In its more than 160 years of history, Saurer has successfully demonstrated that it can effectively grow and adapt to changing conditions in a highly competitive market. We firmly believe that Saurer will achieve sustained growth and stable profits in the future, and create greater value for investors and society.

## Acknowledgements

On behalf of the Board of Directors and management, we would like to express our heartfelt gratitude to all our staff around the world for their tireless efforts in challenging times. We would also like to thank all our shareholders for their trust in us, and our customers, suppliers and business partners for their loyalty and cooperation.

Wattwil/Shanghai, 20 April 2018

Pan Xueping  
Chairman

Clement Woon  
CEO

# SOLUTIONS DRIVING CUSTOMER SUCCESS

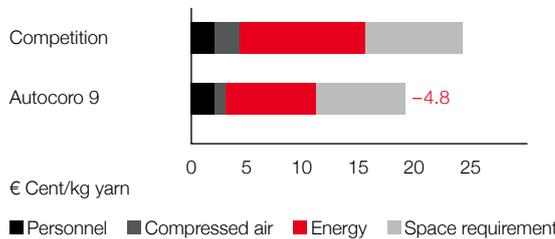
## Jiangsu Yitianxia Textile & Technology Co. Ltd., China

<b>Founded in</b>	2012
<b>Number of employees</b>	approx. 40
<b>Production</b>	7,000 – 8,000 tons of yarn
<b>Number and type of machines</b>	4 ACO 8 sets, 1 ACO 9 set
<b>Number of spindles</b>	2,400
<b>Final product</b>	CO Ne7-30 (cotton yarn for knitting and weaving)
<b>Market requirements</b>	Spinning mills ask for lower energy consumption, high productivity and high yarn quality.

### Key feature relating to customer requirements

**Saurer's E<sup>3</sup> philosophy** (Energy, Economics, Ergonomics) reduces production cost significantly while offering the highest yarn quality.

19% lower spinning costs with E<sup>3</sup>



“With the Autocoro 9 we reach a rotor speed of around 150,000 rpm for many yarns in our portfolio. Our customers are very happy with the quality of the weaving yarns they get from us. This allows them to increase profitability in their weaving mills. The Autocoro series is a milestone in rotor spinning technology, and we are very proud that to see our market share increase every year with this innovative technology. We are well-positioned to be competitive in the future.” **Mr Pan**, General Manager Yitianxia Textile





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# SECTION 1.

## DEFINITIONS

### I. Definitions

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

#### Definitions of regularly used terms

Saurer Intelligent, the Company, this Company and the Listed Company	Refer to	Saurer Intelligent Technology Co., Ltd
Jinsheng Group	Refers to	Jiangsu Jinsheng Industry Co., Ltd
State-owned company	Refers to	Urumqi State-owned Assets Operation (Group) Co., Ltd
China Development Bank Finance	Refers to	China Development Bank Finance Co., Ltd
Kimble	Refers to	Changzhou Kimble Investment Partnership Firm (limited partnership)
Jiangsu Huatai	Refers to	Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)
Hehe Investment	Refers to	Changzhou Hehe Investment Partnership Firm (limited partnership)
Shenzhen Longding	Refers to	Shenzhen Longding Shuming Equity Investment Partnership Firm (limited partnership)
China Advanced Manufacturing Fund	Refers to	China Advanced Manufacturing Industry Investment Fund (limited partnership)
Huashan Investment	Refers to	Huashan Investment Co., Ltd
Shanghai Yongjun	Refers to	Shanghai Yongjun Equity Investment Partnership Firm (limited partnership)
Ningbo Yukang	Refers to	Ningbo Yukang Equity Investment Centre (limited partnership)
Tibet Jiaze	Refers to	Tibet Jiaze Venture Investment Firm
Hezhong Investment	Refers to	Changzhou Hezhong Investment Partnership (limited partnership)
Shanghai Jinye	Refers to	Shanghai Jinye Equity Investment Partnership Firm (limited partnership)
Shanghai Hongcheng	Refers to	Shanghai Hongcheng Equity Investment Partnership Firm (limited liability)
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 Jiangsu	Refers to	Saurer (Jiangsu) Textile Machinery Co., Ltd
Saurer Changzhou	Refers to	Saurer (Changzhou) Textile Machinery Co., Ltd
Changzhou Saurer	Refers to	Changzhou Saurer (Jintan) Textile Machinery Co., Ltd
Saurer Xinjiang	Refers to	Saurer Xinjiang Intelligent Machinery Co., Ltd
Saurer Germany	Refers to	Saurer Germany GmbH & Co. KG
Saurer Technologies	Refers to	Saurer Technologies GmbH & Co. KG
Saurer Switzerland	Refers to	SAURER AG
Ad hoc	Refers to	Public announcements of listed companies published online by the Shanghai Stock Exchange
AGM	Refers to	Annual Shareholders' General Meeting
CSRC	Refers to	China Securities Regulatory Commission
E <sup>3</sup> - Triple Added Value	Refers to	Energy, Economics, Ergonomics
EGM	Refers to	Extraordinary Shareholders' General Meeting
PwC	Refers to	PwC Mainland China (special general partnership)

## SECTION 2.

# COMPANY PROFILE AND FINANCIAL SUMMARY

### I. 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

### II. Contact Information

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

### III. Basic Profile

Registered address	133 Nanhu Road, Urban Construction Building 1, 22nd Floor, Shuimogou District, Urumqi, Xinjiang
Zip code	830063
Office address	133 Nanhu Road, Urban Construction Building 1, 18th Floor, Shuimogou District, Urumqi, Xinjiang
Zip code	830063
Company website	www.saurer.com
Email	dlu-china-ir@saurer.com

### IV. Information Disclosure and Place of Collection

Designated newspapers 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

## SECTION 2.

# COMPANY PROFILE AND FINANCIAL SUMMARY

### V. 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	Saurer Intelligent	600545	Xinjiang Urban Construction

### VI. Other Relevant Information

Accounting firm (Mainland China)	Name	PwC (special general partnership)
	Office address	202 Hubin Road, Corporate Avenue 2 <sup>nd</sup> Bldg., PwC Centre 11th Floor, Huangpu District, Shanghai
	Signing accountants	Jiang Songyi, Rao Shenghua
Sponsor performing continuous supervision duties in the reporting period	Name	ZTF Securities Co., Ltd (formerly Haiji Securities Co., Ltd)
	Office address:	China Chuneng Building 50 <sup>th</sup> Floor, Nanshan District, Shenzhen
	Authorized sponsor representatives	Chang Jiang, Chen Huawei
	Continuous supervision period	28 July 2017 – 31 December 2020

### VII. Major Accounting Data and Financial Indicators of the Company for the Last Three Years

#### (1). Major Accounting Data

Unit: Thousand Yuan; Currency: RMB

Major accounting data	2017	2016	Change (%) YoY	2015
Revenue	8,713,412	6,352,754	37.2	6,648,902
Net profit attributable to shareholders of the Listed Company	658,327	474,917	38.6	379,852
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	649,046	332,392	95.3	277,664
Net cash flows from operating activities	676,157	2,204,738	-69.3	-73,387

	Year end 2017	Year end 2016	Change (%) YoY	Year end 2015
Net assets attributable to shareholders of the Listed Company	2,207,034	2,530,033	-12.8	2,028,095
Total assets	14,531,772	13,225,243	9.9	9,426,260

#### (2). Major Financial Indicators

Major financial indicators	2017	2016	Change (%) YoY	2015
Basic earnings per share (yuan/share)	0.4556	0.3894	17.0	0.3114
Diluted earnings per share (yuan/share)	0.4556	0.3894	17.0	0.3114
Basic earnings per share less non-recurring gains and losses (yuan/share)	0.4492	0.2725	64.8	0.2277
Weighted average return on equity (%)	23.67	20.95	2.72	20.97
Weighted average return on equity less non-recurring gains and losses (%)	23.34	14.66	8.68	15.33

## SECTION 2.

# COMPANY PROFILE AND FINANCIAL SUMMARY

Following completion of restructuring in September 2017, the Company's consolidated financial statements for 2015–2017 were prepared on the basis of the financial data of the legal subsidiary (i.e. the buyer, Saurer Intelligent Machinery), according to the reverse purchase principle.

The favourable economic situation and promotion of the “One Belt, One Road” initiative have helped drive demand for textile machinery. In 2017, the Company's revenue grew by 37.2% YoY, and net profit attributable to the shareholders of the Listed Company increased by 38.6%.

In 2017, net profit attributable to shareholders of the Listed Company less non-recurring gains and losses grew by 95.3% YoY, which is higher than the growth in net profit attributable to shareholders of the Listed Company of 38.6%. Subsequently, the basic earnings per share less non-recurring gains and losses show a higher growth rate of 64.8% YoY, compared with growth in basic earnings per share of 17.0%. Similarly, the weighted average return-on-equity less non-recurring gains and losses shows a higher growth rate of 8.68% YoY, compared with the weighted average return-on-equity of 2.72%. This was mainly caused by a decrease in non-recurring net earnings of RMB 130 million YoY, which included a decrease in guarantee fee income in 2017 of RMB 60 million YoY, a decrease in received payment for use of state funds of RMB 50 million YoY, a decrease in government subsidies of RMB 30 million YoY and an increase in investment income from the disposal of overseas subsidiaries of RMB 10 million YoY.

Net cash flow from operating activities in 2017 decreased by 69.3% YoY, mainly as a result of fluctuations in the balance of operating receivables and payables.

Net assets attributable to shareholders of the Listed Company for 2017 decreased by 12.8% YoY, including the increase in net profit attributable to the parent company in the current year of RMB 660 million, a decrease resulting from restructuring transactions of RMB 240 million, a decrease due to the acquisition of the minority shareholders' equity from the subsidiaries of RMB 580 million and a decrease in other combined income of RMB 160 million.

In 2017, the Company issued shares to acquire the assets to facilitate the indirect listing of Saurer Intelligent Machinery. This constituted a reverse purchase. The weighted average number of common shares for 2017 was used to calculate earnings per share according to “Rule 9 for Information Disclosure and Reporting for Companies Offering Securities to the Public – Calculation and Disclosure of Net Return-on-Equity and Earnings Per Share” of the China Securities Regulatory Commission (CSRC).

### VIII. Major Financial Data for Each Quarter in 2017

Unit: Thousand Yuan; Currency: RMB

	First quarter (Jan. – Mar.)	Second quarter (Apr. – Jun.)	Third quarter (Jul. – Sept.)	Fourth quarter (Oct. – Dec.)
Revenue	1,775,808	2,283,799	2,028,192	2,625,613
Net profit attributable to shareholders of Listed Company	108,461	170,080	176,456	203,330
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	108,511	182,550	176,180	181,805
Net cash flows from operating activities	-206,934	-353,387	1,166,583	69,895

## SECTION 2.

# COMPANY PROFILE AND FINANCIAL SUMMARY

### IX. Items and Amounts of Non-recurring Gains and Losses

Unit: Thousand Yuan; Currency: RMB

Non-recurring gains and losses	2017	Note (if applicable)	2016	2015
Income and losses arising from disposal of non-current assets	-1,318	Gains and losses generated from disposals of fixed assets	1,282	-53
Government subsidies calculated in current gains and losses, except those that are closely related to normal operating activities and in compliance with national policies, which are based on a certain standard quota or amount	2,511	/	31,816	370
Paid or received payment for use of state funds recorded in current gains and losses	23,775	Interest income generated from temporary supplier loans provided to third-party companies	71,851	133,864
Expected employee severance expenses and other costs resulting from shut-downs of overseas operations	-8,539	Severance expenses from overseas business integration	0	-61,683
Earnings from currency swap agreements and interest rate swap agreements	0	/	9,588	-45,544
Other net non-operating income and expenditure other than the above	-21,068	Including a donation to poverty relief efforts of RMB 20 million	58,622	17,949
Income generated from the disposal of subsidiary companies	12,082	Investment income generated from the disposal of overseas subsidiary companies	0	64,774
Amounts attributable to minority shareholders	-92	/	-132	-410
Income tax effects	1,930	/	-30,502	-7,079
Total	9,281	/	142,525	102,188

### X. Items Using Fair Value Measurement

Unit: Thousand Yuan; Currency: RMB

Item	Beginning balance	Ending balance	Change in current period	Amount affecting balance in current period
Financial assets at fair value with change factored into gains/losses of the current period	1,860	6,178	4,318	0
Financial liabilities at fair value with changes factored into gains/losses of the current period	1,082	7,532	6,450	0
Total	2,942	13,710	10,768	0

# SECTION 3.

## BUSINESS OVERVIEW

### I. Main Business, Operating Models and Core Competitiveness

Saurer is a global leader in high-end textile equipment with a history going back over a hundred years. Its main businesses involve R&D and the production and sale of intelligent textile equipment sets and their key components. As a world leader in the textile machinery industry, through sound management and technological advances over the years, Saurer has united textile machinery brands such as Schlafhorst, Zinser, Allma and Volkmann, each with its own rich history. Saurer is one of the few suppliers in the staple fibre processing industry that is able to deliver a suite of solutions, comprising blowing machines, cotton carding machines, roving frames, spinning frames, winding machines, twisting machines, two-for-one twisting machines as well as fully automated rotor spinning machines. The Company has production bases and sales companies in 12 countries and regions, including China, Germany, Switzerland and India, and its users are distributed across 130 countries and regions. All its key products have significant competitive advantages and are in leading positions in the global market.

#### (1). Main Business

Saurer is divided into two business segments, Spinning Solutions and Technologies.

##### 1. Spinning Solutions Segment

Saurer Spinning Solutions provides customers with a suite of solutions required for processing fibre from bale to yarn, including pre-spinning processing, ring spinning and rotor spinning machines and their key components. The segment owns machinery brands such as Schlafhorst, Zinser and Texparts, and its flagship products include the Autocoro 9 automatic and BD7 semiautomatic rotor spinning machine and the Autoconer 6 automatic winder.

##### 2. Saurer Technologies Segment

With its Twisting Solutions, Saurer 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 specializes in technological innovations that go beyond textile. Brands include Volkmann, Allma and Saurer Embroidery as well as Accotex, Fibrevision and Temco, and signature products include Volkmann's VGT-9/11 glass fibre twister, Allma's Cable-Corder CC4 tire cord twister and the Epoca 7 shuttle embroidery machine.

#### (2). Business Model

Throughout its long history, Saurer has established a unique pattern of adapting to market developments and corporate positioning in R&D, production and procurement, and assembly/integration and sales.

##### 1. R&D Model

Saurer has a specialized product R&D department that undertakes both standard and customized projects, and has set up R&D centres in China, Germany and Switzerland. In its R&D work, Saurer is committed to the "E<sup>3</sup> – Triple Added Value" principle, which aims at improving product performance in terms of Energy, Economics and Ergonomics. The Company also adheres to the time-to-market principle to increase the efficiency of product development and new product launches. The R&D workflows follow a specific development process. The product management together with the sales and after-sales service departments gather and sort information on customer needs. The product management defines the product requirements according to the customer needs. Interdisciplinary development teams, led by professional project managers, take responsibility to set up product development projects. A prototype for the new product is created, taking into account technical and E<sup>3</sup> – Triple Added Value parameters as well as the required customer features. In a next step, other departments carry out a range of activities relating to the new product:

- The marketing department initiates a comprehensive market survey to assess market demand for the new product, acceptance of it among potential customers, and the initial projected sales.
- The technical department assesses all the possible technical "paths" and risks.
- The production and operations management departments assess the supply of raw materials, and production and operations.
- The finance department conducts a business and financial analysis of the product.

After the departments have confirmed the feasibility of the new product, tests are performed on the most up-to-date product prototype. These tests not only evaluate the technical options but also include assessments of design optimization, industrial engineering, user-friendliness and the economics of the product. Once the technology has taken shape, the product enters production and market-testing stages. The entire product development process is a closed-loop, iterative process aimed at continuous improvement.

During the reporting period, the Company successfully launched the Zinser 72XL and received the first batch of orders for it. This super-long ring spinning machine, with more powerful drives is intended to enhance customers' production capacity.

##### 2. Production and Procurement Model

Saurer implements order-based (Make to Order) production, which means that it performs in-depth design based on the specific needs of customers. These customer needs are met with independent modules developed by Saurer. Each model comprises a set of individually developed design, detailed solutions

## SECTION 3.

# BUSINESS OVERVIEW

and corresponding design drawings, which describe in detail how each system, specialized stand-alone machine and equipment, or information and control system works. Every modular component and specialized part corresponds to a detailed bill of materials. The processing required for the key parts, and control and information systems for each modular assembly is performed independently within the Company; general standard parts are acquired by the procurement department from qualified suppliers.

In order to improve efficiency, machining in Ebersbach, Germany, has been partially transferred to the Company's production base in India and partly outsourced to other suppliers. In addition, two manufacturing bases for roving frames in India have been consolidated to optimize production. At the same time, the Company has reduced procurement costs for non-key parts by further increasing the percentage of procurement from emerging countries.

### 3. Assembly Model

Once the procurement or production of key components is complete, Saurer needs to complete the assembly of stand-alone machines and entire production lines for final testing. Specialized stand-alone machines are assembled at Saurer, while assembly of complete production lines for final testing is completed at the customer's site. Final acceptance testing is then performed at the customer's site in strict compliance with the design protocol. Once all the equipment in the line has been connected, powered up and fitted with samples, the equipment must pass test production, small-batch production and continuous, stable production before it may be accepted. Final acceptance indicates that Saurer's product meets the requirements of the technical protocol, and the agreement and tender documents.

### 4. Sales

Saurer employs two sales models – direct sales and distribution, respectively – for different-sized markets. Saurer's direct sales model is geared to large markets and involves acquiring information about the needs of potential customers through monitoring industrial and market information (such as the distribution of textile industries and lists of operators within the industry); participating in professional textile seminars, exhibitions and other information-exchange events, use of consultative-selling techniques by sales personnel, referral by existing customers, and other methods. After confirming the needs of the customers, Saurer relies on collaboration between its R&D and technical personnel to design customized products for its customers, and then to strive to make the sale through open tenders, business negotiations and so forth. For smaller and less-populated markets, Saurer adopts the distribution approach to reach out to its customers. Using this approach, Saurer evaluates its distributors each year and scores them based, for example, on past cooperation experiences, size, distribution capacity and service. Selected distributors are asked to sign a "distribution agreement", which authorizes them to develop new markets and

contact customers to facilitate transactions between Saurer and customers. For orders that are acceptable to Saurer, the final sales agreement is signed between Saurer and the customer, who makes payment directly to Saurer by letter of credit or other recognized payment methods. The distributor makes a commission on the transaction which is usually determined on the basis of prices in the distributor's sales region, and the type and quantity of product sold.

### (3). State of the Industry

In 2017, China's textile industry actively embraced the "One Belt, One Road" initiative by accelerating transformation and upgrades, promoting smart and green manufacturing, and by continuously innovating to drive development of the industry forward. With the steady progress of the market reform and the effective implementation of the three nationwide initiatives – "One Belt, One Road", "Industry 4.0" and "Made in China 2025" – as well as the continued and positive progress of China's macroeconomic development, China's textile industry is generally described as showing "steady growth led by improvement in quality and efficiency".

Intelligent manufacturing and Industry 4.0 are expected to drive textile machinery technologies towards higher flexibility, intelligence and precision, as well as to increase variety and personalized or customized small-batch production. Indeed, Saurer believes that low carbon, green and recycling will be the main trends in the textile industry in future. The industry is expected to step up development of green production systems and will move towards lower energy and water consumption and reduced pollutant emissions.

## II. Significant Changes in Major Assets

Saurer's balance of projects under construction increased by RMB 170 million during the reporting period and added RMB 220 million this year, including RMB 140 million resulting from Saurer Xinjian's newly built plant, which is intended to further expand production capacity.

The Company has overseas assets of RMB 6,204,924, which account for 42.7% of total assets. The Company's overseas assets developed in the following way. On 3 December 2012, Saurer Textile Machinery Co., Ltd (currently Saurer Intelligent Machinery) entered into an assets and stock acquisition agreement with OC Oerlikon Corporation AG, Oerlikon Textile GmbH & Co. KG and W. Reiners Verwaltungs-GmbH, with Saurer Germany GmbH & Co. KG as the buyer and Jinsheng Group as the guarantor, to acquire all the assets and stocks of the staple fibre business and original parts business from Oerlikon. Since 30 June 2013, all economic benefits from these businesses are officially owned by Saurer Intelligent Machinery. The production bases and sales companies acquired are located in 12 countries and regions, including China, Germany, Switzerland and India.

## SECTION 3.

# BUSINESS OVERVIEW

### III. Core Competitiveness

As a company steeped in tradition, Saurer has always been a pioneer in the textile machinery industry. Passion for its products lies at the heart of the Company's history of innovation. With more than 1,100 patents registered, and currently more than 410 R&D employees worldwide, Saurer's R&D teams are a driving force for development in the textile industry. Today, Saurer is one of the few suppliers in the staple fibre processing industry able to deliver a suite of solutions, from blowing machines, cotton carding machines, roving frames and spinning frames, to winding machines, twisting machines, two-for-one twisting machines and fully automated rotor spinning machines.

#### (1). Competing on the Basis of E<sup>3</sup> – Triple Added Value

Saurer's R&D departments use their resources and capabilities to design product solutions that are compatible with customers' requirements for energy savings, economical production and ergonomics, embodied in the Company's philosophy of E<sup>3</sup> – Triple Added Value.

#### ENERGY

One of the most important cost factors in the manufacturing industry today is the cost of energy. Consequently, our customers rightly demand products that optimize energy consumption.

#### ECONOMICS

Labour costs are increasing worldwide. To maximize our customers' profitability, Saurer offers high-quality, productivity-enhancing machines with attractive options for automation.

#### ERGONOMICS

How do you optimize the operating conditions of a machine and the time needed for settings and adjustments? What is the ideal workflow? These are questions for which Saurer products deliver ideal solutions.



## SECTION 3.

# BUSINESS OVERVIEW

### (2). Competing through Technological Innovation

#### Fully Automated Intelligent Winding Solutions

Saurer is the inventor of the Autoconer automatic package-winding machine. For more than half a century, the Company has defined the course of development of technologies and processes in the package-winding sector. In early 2017, the 2.5-millionth Autoconer winding unit was put into operation at a textile company in India. This record, unmatched in the sector, showed how much trust the textile industry has in Saurer's technological leadership. Its revolutionary splicing technology, innovative sensor technology and control systems, unique "FX" technologies and intelligent automation systems have all become state of the art.

The PreciFX is a case in point. This drumless yarn-laying system not only enhances package unwinding performance but also enables spinning mills to create a large variety of customized package formats depending on downstream requirements.

The E<sup>3</sup> – Triple Added Value-certified Autoconer 6 automated winding machine offers maximum energy savings, greater productivity and minimized personnel requirements in a single system. Unique features, including an Eco-Drum-Drive system, "power-on-demand" vacuum control and MultiJet cleaning, reduce energy consumption by up to 20%. In addition, the SmartCycle, SmartJet and slip-free acceleration LaunchControl features ensure improved productivity by up to 6%.

#### High-Performance Twisting and Cabling Machines

Saurer's twisting and cabling machines are applicable to a wide range of industrial yarns, tire cords, staple fibre yarns, carpet yarns and glass filament yarns. For example, the Allma direct cabling machine for tire cord uses an innovative outer yarn delivery system that effectively controls ballooning of the yarn. This reduces energy consumption by up to 50%, compared with conventional equipment, and yarn breakage by up to 50%. Machine operators benefit from a significant decrease in noise pollution. The highly accurate yarn tensioner inside the machine maximizes reliability, while precise online monitoring of yarn tension at each spindle ensures product quality. In the combined version, the machine is suitable for direct cabling as well as for two-for-one twisting.

#### Automatic and Semi-automatic Rotor Spinning Machines

Striving to set the standard for intelligent solutions, Saurer's R&D departments are responsible for the design of automatic and semi-automatic rotor spinning machines, such as the Autocoro and BD series of rotor spinning machines. With integrated quality control and high-productivity components and automation features, these machines are the most advanced on the market.

The Autocoro 9 fully automated rotor spinning machine features the world's fastest rotor spinning technology. It offers yarn take-off at a speed of up to 300 metres per minute and rotor speeds

of up to 180,000 rpm. The package diameter reaches up to 350 mm. In addition, the machine offers a new individual drive, and can accommodate as many as 720 spinning positions. The Autocoro 9 is equipped with several doffing and cleaning units. It can reduce energy costs by up to 25% and maintenance costs by 60%.

### (3). Competing on the Strength of Saurer Brands

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. The Company-owned brands Schlafhorst and Zinser are leaders in spinning technology, while Saurer Embroidery is an exemplar of skill in embroidery. Brands such as Allma and Volkmann supply high-quality threading and cabling systems for tire cords, and carpet and glass-filament yarns. Texparts is the technology leader in textile machine components in the area of spinning and twisting, including drafting systems, spindles and spindle drives, and spinning rings and travellers. Accotex's glass-forming aprons and Temco's special bearings help to explain Saurer's reputation for expertise beyond textile.

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

### (4). Competing through Combined Local Know-How and Global Reach

In 2013, Jinsheng Group acquired Saurer. As a Chinese business, Saurer has a significant advantage in regional development. China's vision for the textile industry is having a profound impact on the Company's growth strategy. Saurer is well-positioned to reap the rewards of investments along the re-invigorated trade route from east to west at the heart of the "One Belt, One Road" initiative.

Saurer is further strengthened by its global reach in all major markets. Because a short response time is a key factor for success, Saurer has production bases as well as sales and service companies in 12 countries and regions, including China, Germany, Switzerland, India, Turkey and the USA. It provides excellent service to its customers in over 130 countries worldwide.

# SECTION 4.

## DISCUSSION AND ANALYSIS OF OPERATIONS

### I. Overview of Operations

#### (1). As the economic situation continues to improve, industrial development is also progressing steadily

2017 was an important year in the implementation of China's central government's 13th Five-Year Plan and in the country's market reforms. Against the backdrop of a recovering global economy, China's economic transformation and development have gradually stabilized. Confronted with high overall costs and fierce competitive pressure internationally, the textile industry has conscientiously put into practice its new development concept, accelerating transformation and upgrades, promoting intelligent manufacturing and green production, and continuing to push industrial development forward. Industry has managed to maintain a developmental trend characterized by steady growth and quality improvement.

According to China's National Bureau of Statistics, the quality and efficiency of the textile industry are basically sound, and investment in transformation and upgrades continues to increase. In 2017, the cumulative main business revenues of textile companies above a certain size was RMB 6,893.56 billion, an increase of 4.2% YoY, which is 0.1% more than the previous year. Total profits amounted to RMB 376.88 billion, an increase of 6.9% YoY, which is 2.4% more than the previous year. Sales profits for this group reached 5.5%, 0.2% higher than last year. With solid operations and good quality and performance, textile companies enjoyed stable overall investment confidence. Fixed-asset investment projects in the industry with a value of RMB 5 million or above totalled RMB 1,350.73 billion in 2017, an increase of 5.2% YoY. This included an investment increase of 7.9% YoY in the eastern region, which was 2.4% higher than last year and accounted for 87.2% of investment nationwide. According to the China Textile Economic Information Network, the rapid growth of investment in the eastern region, where production capacity was previously low, indicates companies' increased enthusiasm for corporate transformation and upgrading. Moreover, the China Textile Machinery Association has reported that China's textile machinery industry as a whole achieved primary business revenues of RMB 114.927 billion in 2017, an increase of 9.42% YoY, with total profits of RMB 8.36 billion, an increase of 23.11% YoY.

#### (2). Systematic and efficient implementation of strategy delivers strong performance and growth

In 2017, Saurer responded to both the industry's stable growth trend, and China's 13th Five-Year Plan for the textile industry and "One Belt, One Road" initiative, with its own new strategy of innovation and development. Combining a series of measures that included systematic integration of existing brands, improved customer service, R&D and innovation as well as implementation of a plan for purchasing from developing countries, the Company further consolidated its position as a global leading supplier of high-end textile equipment solutions, and expanded its market share in China and other traditional textile markets, such as Turkey.

It also achieved significant growth in emerging markets, including Uzbekistan, Mexico, Iran and Vietnam, with highest sales growth in China and Turkey reaching 70.9% and 69.8% YoY, respectively. In the past three years, Uzbekistan has become Saurer's fourth-largest market with sales of over RMB 500 million.

During the reporting period, the Company successfully completed a major asset restructuring. Jinsheng Group, Kimble, Hezhong Investment and Hehe Investment all made the following commitments. In the year that the restructuring is completed and the following two fiscal years, i.e. 2017, 2018 and 2019, the net profits attributable to the shareholders of the parent company realized by Saurer (as shown in the consolidated financial statements less non-recurring gains and losses) shall not be less than RMB 583 million, RMB 766 million and RMB 1,003 million, respectively, while the total shall not be less than RMB 2,352 million. The "Special Audit Report with Explanations about the Differences between the Actual Net Profits and Committed Net Profits of Saurer Intelligent Machinery" (PwC Special Audit No. 1868 [2018]) shows that Saurer's net profit attributable to the owners of the parent company less non-recurring gains and losses in 2017 was RMB 684 million, which exceeds and is 117% of the committed net profit of RMB 583 million.

#### 1. Spinning Solutions Segment

In 2017, the Spinning Solutions Segment had revenue of RMB 6.98 billion, an increase of 42.5% YoY. In 2017, Saurer delivered a modern spinning mill to Uzbekistan that included a full suite of "turnkey" solutions, encompassing every production step ranging from roving to spinning to automated winding, all the way to the construction of an integrated operating centre. At the "Turkmenistan Textile 2017" trade fair, the Turkmenistan Ministry of the Textile Industry honoured Saurer with an award for its technological and business expertise as well as for its excellent spinning and winding machines, and exemplary service on-site at the spinning mill. 2017 also marked the 30th anniversary of Corolab – the Saurer yarn clearer – which was first introduced in 1987. It has since been used more than 2 million times in rotor spinning machines. Corolab is especially appreciated for its reliability and durability and is indispensable for assuring yarn quality in rotor spinning mills. Saurer's Texparts achieved the highest sales volume ever in 2017 for the PK2025+ series of ring spinning weighting arms. To meet ever-increasing market demand and further grow its market share in China and the surrounding countries, Saurer Jiangsu has expanded its production capacity to more than 150,000 spindles per month.

## SECTION 4.

# DISCUSSION AND ANALYSIS OF OPERATIONS

### 2. Technologies Segment

In 2017, the Technologies Segment realized revenue of RMB 1.81 billion, representing an increase of 22.5% YoY. The Twisting Solutions unit, with its Volkmann and Allma brands, is a global leader in twisting and cabling technology, and by 2017 it had achieved cumulative sales of more than 4 million spindles. In Turkey, a key market for embroidery, Saurer Embroidery's latest generation of Epoca 7 machines have been well received. At the beginning of 2017, the first two extra-long Epoca 7 machines went into operation and have been producing the finest embroidery at speeds of up to 600 rpm ever since. In August 2017, Saurer shipped its 50th Epoca 7 machine to Turkey.

### (3). The Xinjiang plant is under construction

In Xinjiang, a province ideally located on the Silk Road Economic Belt, Xinjiang has entered a phase in which the "One Belt, One Road" initiative is in full swing. According to China's National Bureau of Statistics, in 2017 Xinjiang's cotton output reached 4.082 million tons, an increase of 13.6% YoY, which accounted for more than 74% of total cotton production in China. The concentration of cotton production in Xinjiang has enabled quick expansion of textile production capacity in this region, where Saurer seized a development opportunity to set up its wholly owned subsidiary, Saurer Xinjiang, which began construction on a plant in 2017. Construction was proceeding smoothly during the reporting period, and it is estimated that the facility will go into operation in the middle of 2018. This will result in additional production capacity of 2 million spindles (including carding, roving frame, winding spinning and rotor spinning systems), to meet growing demand. Saurer Xinjiang's plant is expected to be a highly efficient, state-of-the-art Industry 4.0 manufacturing base. Its high-quality production capacity, coupled with its proximity to the market, will help the Company to rapidly develop in emerging markets such as Uzbekistan, Pakistan and Turkmenistan.

### (4). Customer relationships and service quality are being enhanced

Saurer's latest-generation SECOS 2.0, a secure online ordering system for original parts, provides customers with all the information they need for machine maintenance, care and operation. SECOS 2.0 also offers a convenient "one-click ordering" feature that enables customers to access their order history to facilitate purchasing and cost control and to track new orders online at any time to reduce machine downtime to a minimum. Customers can also use the system to obtain information on system updates and upgrades, technical manuals and special product offers, and enjoy more comprehensive and responsive customer service.

During the reporting period, Saurer organized a number of Supplier Days and Customer Days, as well as training and exchange activities based at Saurer technology centres across the world. In March 2017, Saurer held Customer Days in Vietnam and Indonesia. More

than 400 management-level customer employees attended these events, which helped to strengthen partnerships between Saurer and its customers and to promote the exchange of knowledge. On 9 May 2017, the New Yarn Academy Turkey held its first Competence Day at the Saurer Turkey technology centre, where experts from Saurer presented a series of lectures and workshops on important issues in ring spinning to around 70 participants. The aim of the Yarn Academy is to share technical and technological expertise in ring and rotor spinning and to strengthen customer contact at the operational management level. On 20 October 2017, Saurer organized a Customer Day in Wenzhou, focusing on total solutions textile recycling. Saurer technology centres also provide customers' employees with customized training to help them better understand technical processes and to improve their operating skills. This not only aids customers' production but also helps to reduce their training costs. Saurer has been an active participant in various textile industry exhibitions in Asia, such as ShanghaiTex, ITMA Asia, ITMACH India, DTG and Domotex Asia, where it presents ideas on innovation and sustainable development.

Saurer firmly believes that reliable and responsive customer service is essential to long-term customer relationships and that high-quality service helps customers to generate revenues.

## II. Results of Main Operations during the Reporting Period

During the reporting period the Company achieved revenue of RMB 8.71 billion, which represents an increase of 37.2% YoY. Net profit attributable to the shareholders of the Listed Company was RMB 658 million, representing an increase of 38.6% YoY. Net cash flow from operating activities was RMB 680 million, which represents a decrease of 69.3% YoY. As of 31 December 2017, the total assets of the Company amounted to RMB 14.53 billion, and net assets attributable to the shareholders of the Listed Company were RMB 2.21 billion.

# SECTION 4.

## DISCUSSION AND ANALYSIS OF OPERATIONS

### (1). Analysis of Main Business

#### 1. Changes in Income and Cash Flow

Unit: Thousand Yuan; Currency: RMB

Item	2017	2016	Change (%)
Revenue	8,713,412	6,352,754	37.2
Operating expenses	6,389,179	4,735,487	34.9
Cost of sales	595,694	444,839	33.9
Administrative expenses	686,425	598,310	14.7
Financial expenses	-52,989	-48,830	N/A
Net cash flow from operating activities	676,157	2,204,738	-69.3
Net cash flow from investing activities	329,608	-3,030,460	N/A
Net cash flow from financing activities	-1,095,337	2,727,332	-140.2

#### 2. Revenue and Expenses

During the reporting period the Company achieved revenue of RMB 8.71 billion, an increase of 37.2% YoY. The Spinning Solutions Segment was a significant contributor to this growth. Operating expenses were RMB 6.39 billion, an increase of 34.9% YoY, mainly due to the increased cost of operations resulting from business expansion.

#### (1) Operating Activities by Industry, Segment and Region

##### Primary business by industry

Unit: Thousand Yuan; Currency: RMB

By industry	Revenue	Operating expenses	Gross margin (%)	Change in revenue YoY (%)	Change in expenses YoY (%)	Change in gross margin YoY (%)
Textile machinery	8,713,412	6,389,179	26.7	37.2	34.9	1.2

##### Primary business by segment

By segment	Revenue	Operating expenses	Gross margin (%)	Change in revenue YoY (%)	Change in expenses YoY (%)	Change in gross margin YoY (%)
Spinning Solutions Segment	6,977,092	5,153,195	26.10	42.5	39.8	1.4
Technologies Segment	1,809,697	1,309,475	27.60	22.5	22.3	0.0

The revenue and operating costs by segment include internal revenue and expenses.

##### Primary business by region

Revenue by region	2017	2016	Change (%)
China	3,674,611	2,150,570	70.9
India	973,602	1,001,445	-2.8
Turkey	904,084	532,366	69.8
Other Asia regions	1,744,952	1,212,421	43.9
Americas	740,555	671,280	10.3
Europe, Africa and others	675,608	784,672	-13.9
Total	8,713,412	6,352,754	37.2

## SECTION 4.

# DISCUSSION AND ANALYSIS OF OPERATIONS

Saurer is divided into a Spinning Solutions Segment and a Technologies Segment based on its product structure. With efficient, stable intelligent and customized products, the Company is widely recognized by customers in the industry across the world. The textile machinery industry enjoyed steady growth in 2017. Promotion of the “One Belt, One Road” initiative helped to drive development of the textile industry in Xinjiang, Turkey and the Central Asia regions, stimulating demand for textile machinery products in these regions. Tax reform in India affected the local investment and sales environment, resulting in a slight decline in revenue.

### (2) Production and Sales Analysis

Main products	Production	Sales	Inventory	Increase or decrease in production YoY (%)	Change in sales YoY (%)	Change in inventory YoY (%)
Ring spinning	1,306 sets	1,316 sets	44 sets	106.32	107.57	-18.52
Rotor spinning	489 sets	491 sets	6 sets	64.65	57.88	-25.00
Winder	1,725 sets	1,664 sets	102 sets	51.72	36.73	148.78
Two-for-one twister	1,037 sets	1,040 sets	9 sets	0.29	3.69	-25.00

As the industry continued its upward trajectory, the “One Belt, One Road” initiative helped to drive demand for spinning machines. In 2017, the manufacture and sales of the Company’s main products increased substantially over the previous year.

### (3) Cost Analysis

Unit: Thousand Yuan

Industry	Cost breakdown	2017	% of total costs in 2017	2016	% of total costs in 2016	Change YoY (%)	Note
Textile machinery	Raw material costs	4,798,205	75.1	3,485,369	73.6	37.7	Sales growth in the reporting period increased raw material costs
	Other	1,590,974	24.9	1,250,118	26.4	27.3	/
	Total	6,389,179	100.0	4,735,487	100.0	34.9	/

### (4) Major Customers and Suppliers

Sales to the top five customers amounted to RMB 2,827,908,000, accounting for 32.5% of total annual sales, including sales to related parties of the top five customers amounting to RMB 820,203,000, which represent 9.4% of total annual sales.

Purchases from the top five suppliers amounted to RMB 785,434,000, accounting for 12.4% of total annual purchases, including purchases from related parties of the top five suppliers amounting to RMB 0, which represent 0% of total annual purchases.

### 3. Selling and Distribution Expenses

Unit: Thousand Yuan

Item	2017	2016	Change YoY (%)
Sales expenses	595,694	444,839	33.9
Administrative expenses	686,425	598,310	14.7
Financial expenses	-52,989	-48,830	8.5

Selling and distribution expenses during the current period increased mainly because of higher shipping costs due to business growth.

## SECTION 4.

# DISCUSSION AND ANALYSIS OF OPERATIONS

### 4. Expenditures on R&D

Unit: Thousand Yuan

Expenditures on R&D	275,325
Capitalization of R&D expenditures	46,757
Total R&D expenditures	322,082
Total R&D expenditures as % of revenue	3.7
Number of R&D employees	416
R&D employees as % of total employees	9.3
Capitalization of R&D expenditures (%)	14.5

In 2017, the Company continued to expand its textile machinery business. It increased R&D investment and strengthened its technology expertise, with the objective of making Saurer a global leader in product design, production processes, precision processing, and monitoring and controlling technologies.

### 5. Cash Flow

Unit: Thousand Yuan

Item	2017	2016	Change (%)
Net cash flow from operating activities	676,157	2,204,738	-69.3
Net cash flow from investing activities	329,608	-3,030,460	N/A
Net cash flow from financing activities	-1,095,337	2,727,332	-140.2

Cash flow generated in the reporting period decreased by RMB 1.53 billion over the previous year, primarily for the following reasons:

- Net profit in 2017 was RMB 750 million (2016: RMB 500 million), an increase of RMB 250 million YoY.
- Operating receivables in 2017 increased to RMB 1.22 billion (2016: RMB -820 million), a change of RMB 2.04 billion YoY.
- Operating payables in 2017 amounted to RMB 1.4 billion (2016: RMB 410 million), an increase of RMB 990 million YoY.
- Inventory in 2017 reached RMB 430 million (2016: RMB -190 million), a difference of RMB 620 million YoY.
- Net loss from investment in 2017 was RMB 10 million (2016: RMB 50 million), a decrease of RMB 60 million YoY.
- Financial net income 2017 was RMB -60 million (2016: RMB 30 million), a change of RMB 90 million YoY.

Cash flow generated from investing activities in the reporting period increased by RMB 3.36 billion over the previous year, primarily for the following reasons:

- Cash flow was affected by the net cash change from the acquisition and redemption of financial products. Net cash inflow from other investment-related activities in 2017 was RMB 70 million, and net outflow reached RMB 4.55 billion, an change of RMB 4.62 billion YoY.
- Cash flow resulting from lending and repayment of related party loans in 2017 was RMB 0 (2016: net cash inflow amounted to RMB 970 million), a decrease of RMB 970 million YoY.

## SECTION 4.

# DISCUSSION AND ANALYSIS OF OPERATIONS

- c) Net cash inflow resulting from cash received from and cash paid for restricted cash and deposits in 2017 was RMB 560 million (2016: RMB 80 million), an increase of RMB 480 million YoY.
- d) Net cash inflow from disposals of subsidiaries in 2017 amounted to RMB 30 million (2016: RMB 370 million), a decrease of RMB 340 million YoY.
- e) Cash outflow from acquisitions of fixed assets and intangible assets as well as other long-term assets in 2017 reached RMB 400 million (2016: RMB 240 million), a change of RMB 160 million YoY.
- f) Cash inflow from interest income in 2017 was RMB 190 million (2016: RMB 320 million), a decrease of RMB 130 million YoY.
- g) Net cash outflow from repayment by and loans to third parties in 2017 was RMB 130 million (2016: 0), a change of RMB 130 million YoY.

Cash flow from financing activities in the reporting period decreased by RMB 3.82 billion over last year, primarily for the following reasons:

- a) Cash inflow generated from investment in minority shares by subsidiaries was RMB 0 in the current year (2016: RMB 4.2 billion), a decrease of RMB 4.2 billion YoY.
- b) Net cash outflow due to repayment of and receipts from bank borrowings in 2017 was RMB 270 million (2016: RMB 970 million), a decrease of RMB 700 million YoY.
- c) Cash outflow from acquisitions of minority shareholders' equity in 2017 was RMB 720 million (2016: RMB 60 million), a change of RMB 660 million YoY.
- d) Net cash inflow from related party loans or repayment of related party loans in 2017 was RMB 0 (2016: net cash outflow of RMB 280 million), resulting in an increase of RMB 280 million YoY.

### (2). Gains and Losses from Non-operating Business

Unit: Thousand Yuan

Item	2017	2016	Change YoY (%)	Notes
Asset impairment losses	52,697	32,103	64.1	Provision for asset impairment loss increased due to an increase in inventory caused by business expansion during the reporting period
Non-operating expenses	31,290	11,661	168.3	Mainly due to the donations made during the reporting period

# SECTION 4.

## DISCUSSION AND ANALYSIS OF OPERATIONS

### (3). Assets and Liabilities

#### 1. Assets and Liabilities

Unit: Thousand Yuan

Item	31 Decem- ber 2017	As % of total assets	31 Decem- ber 2016	As % of total assets	Change YoY (%)	Notes
Financial assets at fair value with change factored into current gains/losses	6,178	0.0	1,860	0.0	232.2	Mainly due to fluctuations in the balance of foreign exchange forward contracts that have not yet expired
Notes receivable	127,383	0.9	30,893	0.2	312.3	Mainly the result of an increase in acceptance bills not yet due at the end of the reporting period
Accounts receivable	2,042,921	14.1	966,126	7.3	111.5	Mainly due to an increase in business volume
Interest receivable	8,565	0.1	24,676	0.2	-65.3	Mainly due to interest payments for fixed deposits during the reporting period
Other accounts receivable	157,455	1.1	36,054	0.3	336.7	Mainly due to new third-party supplier loans during the reporting period
Available-for-sale financial assets	0	0.0	51	0.0	-100.0	Mainly due to disposals of available-for-sale financial assets during the reporting period
Long-term receivables	35,240	0.2	51,127	0.4	-31.1	Mainly due to a trade-related decrease in long-term receivables during the reporting period
Long-term equity investments	350	0.0	1,082	0.0	-67.7	Mainly due to losses from joint ventures during the reporting period
Construction in progress	208,767	1.4	38,727	0.3	439.1	Mainly due to construction of plants and related supporting equipment
R&D expenditures	51,655	0.4	74,569	0.6	-30.7	Mainly due to the conversion of completed R&D projects into intangible assets during the reporting period
Deferred tax assets	67,187	0.5	26,738	0.2	151.3	Mainly due to changes in temporary differences during the reporting period
Short-term borrowings	267,001	1.8	878,882	6.6	-69.6	Mainly the result of partial repayments of short-term borrowings due during the reporting period
Financial liabilities at fair value with change factored into the current gains/losses	7,532	0.1	1,082	0.0	596.1	Mainly due to fluctuations in the balance of foreign exchange forward contracts that have not yet expired during the reporting period
Accounts payable	1,492,701	10.3	823,976	6.2	81.2	Mainly due to an increase in business volume
Receipts in advance	1,374,279	9.5	843,492	6.4	62.9	Mainly due to an increase in business volume
Taxes payable	255,681	1.8	118,594	0.9	115.6	Mainly due to an increase in corporate income tax payable resulting from an increase in business volume
Other accounts payable	330,368	2.3	228,574	1.7	44.5	Mainly due to construction of plants and related equipment during the reporting period
Non-current liabilities due within one year	733,286	5.0	431,448	3.3	70.0	Mainly the result of an increase in long-term borrowing now due within one year and an increase in the balance of the warranty due to increased business volume
Capital stock	1,895,413	13.0	1,219,627	9.2	55.4	According to the principle of reverse purchase, the capital stock in the beginning of the year reflected the number of shares issued to acquire Saurer Intelligent Machinery (1,219,627,217) during the restructuring; there were 1,895,412,995 outstanding shares of capital stock issued by the Company at the end of the reporting period
Other comprehensive income	-123,388	-0.8	33,250	-0.3	-471.1	Mainly the result of variation in foreign exchange calculations due to fluctuations in foreign exchange rates
Retained earnings	386,267	2.7	1,253,134	9.5	-69.2	Mainly due to indirect listing, reorganization and acquisition of minority shareholders' equity during the reporting period

## SECTION 4.

# DISCUSSION AND ANALYSIS OF OPERATIONS

### 2. Restriction on Assets at the End of the Reporting Period

Unit: Thousand Yuan

Item	Carrying value at year end	Reason for restriction
Cash and cash equivalents	64,182	Security deposit put aside for letters of guarantee and letters of credit issued

### (4). Investments

#### 1. External Equity Investments

Please refer to "Major Equity Investments" and "Major Non-Equity Investments".

##### (1) Major Equity Investments

During the reporting period, the Company spent RMB 715,342,466 to acquire 5% of the shares of Saurer Intelligent Machinery held by the Shanghai Yongyun Huachuang Equity Investment Partnership Firm. After the acquisition, Saurer Intelligent Machinery became the wholly owned subsidiary of the Listed Company. This was approved at the third meeting of the 9th Board of Directors of the Company and disclosed accordingly (for details, please refer to Ad hoc 2017-098, 2017-099 and 2017-114).

##### (2) Significant Non-equity Investments

In 2017, the fixed assets of the Company increased by RMB 130 million, of which RMB 60 million was transferred from construction in progress. Construction in progress increased by RMB 220 million in 2017, including RMB 140 million from the Xinjiang Intelligent plant under construction for the purpose of further expanding production capacity.

##### (3) Financial Assets at Fair Value

Unit: Thousand Yuan

Item	Beginning balance	Ending balance	Change during the reporting period	Impact on current profit
Financial assets at fair value with changes factored into current gains/losses	1,860	6,178	4,318	0

### (5). Major Controlling Subsidiaries and Shareholding Companies

#### 1. Saurer Germany

As of the end of 2017, the Company owned 100% of its equities. Its registered capital is EUR 40,000,100. It is mainly engaged in the manufacture, sale and servicing of textile machinery and components. As of the end of 2017, its total assets were EUR 588,287,000, and its net assets were EUR 85,466,000. Net profit realized this year was EUR 33,957,000. Revenue was EUR 718,906,000. Operating profit was EUR 45,679,000.

#### 2. Saurer Technologies

As of the end of 2017, the Company owned 100% of its equities. Its registered capital is EUR 10,000,100. It is mainly engaged in the manufacture, sale and servicing of textile machinery and components. As of the end of 2017, its total assets were EUR 125,976,000, and its net assets were EUR 49,015,000. Net profit realized this year was EUR 13,417,000. Revenue was EUR 163,963,000. Operating profit was EUR 14,963,000.

## SECTION 4.

# DISCUSSION AND ANALYSIS OF OPERATIONS

### 3. Saurer Switzerland

As of the end of 2017, the Company owned 100% of its equities. Its registered capital is CHF 1,000,000. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2017, its total assets were CHF 441,677,000, and its net assets were CHF 230,470,000. Net profit realized this year was CHF 20,262,000. Revenues amounted to CHF 41,926,000. Operating profit was CHF 23,890,000.

### 4. Saurer Jiangsu

As of the end of 2017, the Company owned 100% of its equities. Its registered capital is USD 50,000,000. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2017, its total assets were RMB 2,308,247,000, and its net assets were RMB 820,935,000. Net profit realized this year was RMB 211,322,000. Revenue was RMB 2,104,538,000. Operating profit was RMB 341,169,000.

### 5. Saurer Changzhou

As of the end of 2017, the Company owned 100% of its equities. Its registered capital is USD 22,482,422. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2017, its total assets were RMB 517,595,000, and its net assets were RMB 206,752,000. Net profit realized this year was RMB 33,092,000. Revenues was RMB 386,544,000. Operating profit was RMB 36,429,000.

National strategies and industrial planning policies such as “One Belt, One Road”, “Industry 4.0” and “Made in China 2025”, have ushered in two significant opportunities for the textile industry: industrial transfer and technology upgrading.

Current trends in industrial transfer include China’s domestic shift from east to west and its global reorientation from East Asia to Central Asia, and from Southeast Asia to the world. According to the Central Committee’s guidelines on safeguarding social stability and long-term stability in Xinjiang and the “Guiding Opinions of the General Office of the State Council on Supporting the Development of the Textile and Clothing Industry and Promoting Employment in Xinjiang”, the textile and garment industries will become the “pillar” industries for effecting industrial transformation in the east and driving employment in Xinjiang. According to China’s National Bureau of Statistics, Xinjiang’s yarn output for 2017 was 1,510,200 tons, an increase of 39.4% over 2016, and 3.8 times the output for 2010. Increasingly, high-quality companies attracted by the promise of electrical power and other resources are moving to Xinjiang to establish factories. This makes it possible to pursue the government’s strategy while relieving some of the pressure from ever-increasing costs, including labour, and remaining profitable. In addition, as a result of the “One Belt, One Road” initiative, economic links between China and large textile countries like India, Pakistan, Uzbekistan, Turkey and Bangladesh are gradually becoming closer. In the future, the area within a 2,000-kilometer radius of Urumqi will be key to the world’s cotton production, and textile and garment processing, and there will be greater high-end demand for smart textiles.

## III. The Company’s Future Development

### (1). Competitive Landscape and Outlook

During the reporting period, China’s GDP growth rate of 6.9% exceeded expectations. The increase in personal income of 7.3% exceeded that of 2016. The global economy, too, extended its recovery. Among the major textile producers, India grew at a rapid rate of 6.7%, as forecast by the International Monetary Fund. In the European Union and the USA, the growth rate increased by 2.4% and 2.3%, respectively. Turkey had also recovered to some extent. According to the UN’s World Population Prospects, 2017 Revision, the world population numbered 7.6 billion and is expected to reach 8.6 billion by 2030. In 2024, India’s population will surpass that of China 2024, making it the world’s most populous country. According to estimates, from 2017 to 2050 half of the world’s population increase will be concentrated in nine major countries – India, Nigeria, the Democratic Republic of the Congo, Pakistan, Ethiopia, Tanzania, Uganda, the US and Indonesia – all of which fall within the area covered by the “One Belt, One Road” initiative. For the textile industry, aside from raw material prices, the primary forces driving development are growth of GDP, population and per capita income. The stable, improving world economy and the increasing population together are driving demand for fibre and, in turn, textile industry growth.

To promote technology upgrading, in 2016 the Ministry of Industry and Information Technology (MIIT) released its own five-year plan for the textile industry, which prioritizes development of intelligent equipment and production lines, construction of intelligent workshops and plants, and piloting and development of large-scale customization. Mounting labour costs are accelerating the turnover of skilled workers, and there is an urgent demand among textile companies for automated, intelligent machines. Accordingly, the MIIT’s development plan has set targets for intelligent spinning, for example, that specify fully automated production, digital monitoring and intelligent management of the spinning process, with 20 workers each managing 10,000 spindles. Meeting this target necessarily implies automated, digital and intelligent technology upgrading of the entire industry.

Saving energy and reducing emissions and consumption are mandated by China’s macroeconomic policies, but these measures are also part of an inexorable trend toward industrial development. In 2017, the country posted a sharp increase in green development. Energy use per unit of GDP decreased by 3.7%. Greater numbers of companies have begun upgrading, using more environmentally friendly raw materials and energy-saving equipment for green production, and anticipating a concomitant increase in profitability.

# SECTION 4.

## DISCUSSION AND ANALYSIS OF OPERATIONS

### (2). Strategy

#### 1. Adapt and Integrate Industrial Production

To enhance operational efficiency, the Company's main business activities in Europe will focus on product R&D and the manufacture of key components, as well as assembly of certain high-end products. In procurement, the company will exploit the strength of the local Chinese market and proceed with plans to integrate the supply chain as a basis for ensuring product quality. Together with the transfer of production to Asia, selection of high-quality suppliers in China, India and other lower-cost regions will gradually decrease reliance on purchasing parts from Europe.

#### 2. Continue to Expand the Business

The company plans to strengthen R&D efforts, exploit its leadership in developing innovative and cutting-edge technologies and its worldwide customer resources to expand its business into other industrial sectors and to grow its machinery business beyond textile, for example in the area of glass filament yarns. Global demand for LCD TVs, smartphones and electric vehicles is on the rise, contributing to the stable growth of glass filament manufacture globally. Saurer's two-for-one twisting solutions have sufficient capacity to meet the challenges of rapid growth in this market.

#### 3. Promote R&D and Innovation Based on E<sup>3</sup> – Triple Added Value

Saurer enjoys the highest level of R&D and technical innovation in the area of smart textile equipment, with a staff of more than 410 R&D experts around the world. Saurer also has more than 1,100 registered patents. The Company aims not only to enhance ergonomic applications and to make operations more efficient but also to reduce the energy consumption of its solutions and to provide the best working environment for operators. The Company will strengthen its focus on finding total solutions that reduce waste and consumption of resources and increase machine intelligence to improve quality and output. The Company will also become more dynamic through cooperation with Industry 4.0 experts and specialists in other relevant areas or through active M&A, enhancing its development capabilities and bringing its operations and services more in line with trends in automation, digitization and "smart" development.

#### 4. Improve Sales of Accessories and Increase Service Revenue

Saurer's sales of accessories and services focus mainly on customers who use its machinery and equipment, but some components have broader appeal. The steady growth in sales of the Company's traditional products has boosted its inventory of intelligent equipment. Increasing sales of accessories and services is not only in line with trends in industrial development but also helps the Company to grow revenue. Sales of accessories and services are recession-proof, extensive and enhance customer "stickiness", and margins are relatively high. This is an

important part of the Company's future development strategy. Saurer plans to adopt a unique patented design and to set up independent equipment and service sales teams to win more customers with high-quality, reliable and cost-effective products and services.

### (3). Operating Plan

The continued recovery of the global economy, further market reforms, and accelerated transformation and upgrading all indicate a favourable development trend for the textile industry in 2018. Saurer also expects to maintain growth in 2018 through systematic deployment of its strategy and operating plan. To achieve this growth target, the Company will focus on the following aspects:

#### 1. Customer Focus (Market-In Approach)

The Company will continue to increase its focus on customers and, in accordance with its results-oriented approach, will provide them with both functional and profitable products and responsive service. The Company will offer more training centres and related courses to provide customers and their employees with practical training. While helping customers to better understand its products, the Company will enrich its process knowledge and improve its operations.

#### 2. Innovative Product Development

The Company will continue to maintain R&D input, closely follow customer needs and product performance, promote innovation and R&D from outside to inside and introduce new products. The Company also plans to consolidate its position as a global leading supplier of high-end equipment manufacturing solutions.

#### 3. Stable Growth of Market Share

The Company will actively expand and develop new markets through an accurate grasp of changes in market development, effectively and efficiently adjusting sales strategies while stabilizing the existing markets. Saurer Xinjiang Factory will go into production in mid-2018, helping the Company to further expand into emerging markets along the "One Belt, One Road" route.

#### 4. Systematic and Effective Cost Control

The Company is continuing to implement its industrial redistribution and integration plan, increase the proportion of procurement from developing countries and pursue the gradual shift of production lines from higher-cost areas regions to lower-cost areas to systematically and effectively reduce the cost of production.

#### 5. Corporate Social Responsibility

The Company will actively practice its corporate social responsibility in several ways. It will continue to promote the concept of E<sup>3</sup> – Triple Added Value for its products, improving product performance indicators in terms of energy savings, economic benefits and ergonomics. With respect to social issues, the

## SECTION 4.

# DISCUSSION AND ANALYSIS OF OPERATIONS

Company will actively take up and implement the government's strategic policy with regard to poverty alleviation. Finally, the Company will implement employee benefits such as production safety, providing a healthy working environment and training to enhance personal skills.

#### (4). Potential Risks

##### 1. Economic Risk

Fluctuation in demand resulting from slow economic growth may occur from time to time. Textile products are consumer goods, and personal income level and future expectations of income may influence 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.

##### 2. Risk to Competitive Advantage

The pace of product updates and technology upgrades in the textile equipment industry is accelerating all the time. If Saurer cannot maintain its leading science and technology design capability, improve its level of technology, protect IP (intellectual property) rights, acquire excellent talent, expand its share of high-quality customers, increase the scale of its business and improve its risk resilience, accurately grasp industrial development 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 advantage, which would adversely affect its business.

##### 3. Overseas Business Risk

Saurer's production base and sales companies are distributed across 12 countries and regions around the world. Owing to the nature of global operations, the overseas business risks faced by Saurer during its daily operations include those relating to management, investment decisions, politics, terrorism and other risks, including those that might result from regional cultural differences.

##### 4. Production Safety Risk

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 due to operational error or accidents in the course of production activities. Such events can result in suspension of business and also in the Company being subject to penalties that affect the Company's daily operations and safety.

##### 5. Foreign Exchange Fluctuation Risk

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 business and profitability, as well as draw the attention and concern of investors to such risks.



# SOLUTIONS DRIVING CUSTOMER SUCCESS



“We have to let customer demand guide us, and keep up our focus on technology innovation. The desire to promote China’s industrial progress has been a strong motivator going forward. And not only China. With its top-ranking electronic yarn and fabric products, Guangyuan has its sights set on the global market.”

Mr Ning, General Manager, Linzhou Guangyuan



#### Linzhou Guangyuan New Material Technology Co. Ltd., Linzhou, China

Founded in	2011
Number of employees	1,500
Turnover	RMB 5 billion
Number of spindles	22,300
Final product	PCBs for iPhones, electric cars, LCD screens
Market and customer requirements	The glass filament yarn industry is increasingly focusing on finer yarn counts for use in thinner printed circuit boards (PCBs) with greater functionality. Saurer’s customer Linzhou underwent a painstaking process to qualify as a supplier for PCBs suitable for iPhones. PCBs for electric cars are also becoming a growth industry.

What makes Saurer’s Volkmann GlassTwister so special is its high performance and efficiency thanks to the state-of-the-art design of the machine’s key components. For example, the VGT 9 and VGT 11 machines offer precise control during the twisting process for optimal production and quality. That was enough to convince Linzhou Guangyuan to buy 158 VGT 9 and VGT 11 machines from Saurer. Start-up for the new production line is foreseen for June 2018.

# SECTION 5.

## SIGNIFICANT EVENTS

### I. Proposed Plan for Distribution of Profit to Common Shareholders or Capital Reserve

#### (1). Formulation, Implementation or Adjustment of Cash Dividend Policy

##### 1. Formulation or Adjustment of Cash Dividend Policies

During the reporting period, the Company did not formulate any new cash dividend policies, nor were the cash dividend policies adjusted as stipulated in the Articles of Association. Please refer to the Articles of Association for the specific content of the cash dividend policies.

##### 2. Implementation of Cash Dividend Policies

During the reporting period, the Company implemented the interim dividend distribution plan for 2017 in accordance with a resolution passed at the fourth Extraordinary Shareholders' General Meeting (EGM) in 2017. Based on the Company's total equity of 675,785,778 as of 30 June 2017, cash dividends amounting to RMB 2.729 (before tax) for every ten shares (to a total of RMB 184,421,938.82) were distributed to all shareholders.

The dividend distribution plan for mid- 2017 was in accordance with the Articles of Association and the relevant laws and regulations. After review and approval by the Board of Directors, the Independent Directors expressed their opinions and gave their approval. After review and implementation by the fourth EGM, arrangements were made for small and medium-sized shareholders to participate in the decision-making by means of on-site and online voting, and ensured that the related decision-making and implementation were legal and effective.

##### 3. Profit Distribution Plan for 2017

According to the Articles of Association and the relevant laws and regulations as well as consideration of factors such as shareholders' returns and the Company's capital requirements for business development, the Board of Directors reviewed and approved the profit distribution plan for 2017 as follows:

The audit by PwC Mainland China (special general partnership) confirmed that the net profit in the consolidated statements attributable to the shareholders of the parent company in 2017 was RMB 65.8327 million. The parent company achieved a net profit of RMB 48.7418 million in 2017. According to the Articles of Association, 10% of the net profit attributable to the parent company, RMB 4.8742 million, was retained as a statutory surplus reserve.

After the statutory surplus reserve had been allocated, the net profit attributable to the parent company in 2017 was RMB 438,676,000. Adding the undistributed profit of RMB 377,048,000 from the beginning of the year minus the interim cash dividends of RMB 18,442,193,882 distributed in 2017, the residual profit of the parent company distributable to the shareholders was RMB 631,302,000. According to the Articles of Association and the relevant laws and regulations as well as the interests of the shareholders and the long-term development of the Company, the profit distribution plan for 2017 was as follows: the number of shares, amounting to 1,895,412,995, was the basis for the allotment of a cash dividend of RMB 0.1 per ten shares (before tax) to all shareholders from the undistributed profit. The total cash dividend to be distributed was RMB 18,954,219.95 (before tax). No other form of profit distribution or capital reserve plan was implemented.

## SECTION 5.

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The Company distributed an interim total cash dividend of RMB 184.42 million (before tax) in 2017. Adding the total cash dividend of RMB 18.95 million to be distributed in 2017 (before tax), the expected total cash dividend for distribution was RMB 203.38 million (before tax).

The independent directors expressed their consent to the plan, subject to approval by the Annual Shareholders' General Meeting. The Company's Annual General Meeting (AGM) was conducted by means of on-site and online voting to ensure that the small and medium-sized shareholders had the opportunity to fully express their opinions and to make requests. This ensured that the legal rights and interests of the small and medium-sized shareholders were fully protected.

#### (2). Plan or Proposed Plan for Distribution of Profit to Common Shareholders or Capital Reserve over the Last Three Years (including the Reporting Period)

Unit: Thousand Yuan; Currency: RMB

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 (%)
2017	0	2.829	0	203,376.07	658,327	30.89
2016	0	0	0	0	-227,994.01	0
2015	0	0.500	0	33,789.29	31,190.74	108.33

# SECTION 5.

## SIGNIFICANT EVENTS

### II. 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

Com-mitment back-ground	Com-mitment type	Committer	Commitments
Commitment relating to the restructuring of significant assets	Restricted sale of shares	Jinsheng Group, state-owned company	From the date upon issuance by the Shanghai Stock Exchange of the acknowledgement in respect of the transfer of shares to the expiration of 6 months after completion of transfer of shares, the parties shall not reduce the shares of the Listed Company. For details, please refer to the "Announcement of Xinjiang Urban Construction (Group), Co. Ltd [the previous name of the Company] on Letter of Promise on Contractual Transfer of Shareholder's Shares" (Ad hoc 2017-090) published on the Shanghai Stock Exchange website on 26 September 2017.
	Restricted sale of shares	State-owned company	1. Within 36 months after completion of restructuring, the remaining shares of the Listed Company shall not be transferred. 2. For the remaining shares of the Listed Company, the shares derived from the Listed Company's distribution of the stock dividends, capital reserve and the increase of share capital shall also comply with the above commitments. 3. If the applicable laws and regulations provide otherwise for the restricted sale period for the remaining shares of the Listed Company held by the state-owned company, or the CSRC has other requirements, the state-owned company shall comply with such regulations or requirements. If the state-owned company is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.
	Restricted sale of shares	Jinsheng Group	The newly issued shares of the Listed Company subscribed by Saurer Intelligent Machinery shall not be transferred within 36 months after completion of issuance.
	Restricted sale of shares	Jinsheng Group	1. The shares of the Listed Company assigned by Jinsheng Group from the state-owned company shall not be transferred within 36 months after completion of restructuring. 2. Within 6 months after completion of restructuring, if the closing price of the shares of the Listed Company is lower than the issuing price for 20 consecutive business days, or if at the end of 6 months after completion of restructuring the closing price is lower than the issuing price, the lock-up period of the shares of the Listed Company obtained due to the said restructuring (including the shares obtained resulting from assignment and issuance, similarly hereinafter) shall be automatically extended for 6 months. 3. Upon expiration of the said lock-up period, if the results commitment period as specified in the Results Commitment and Compensation Agreement signed by Jinsheng Group for the purpose of restructuring has not expired, or the obligations for shared compensation under the Results Commitment and Compensation Agreement have not been completed, the said lock-up period shall be extended to the date of expiration of the results commitment period and the date of completion of the share compensation obligations (if it is not necessary to make compensation, then it shall be the date of release of the Announcement on the special auditing report on the committed results). 4. For shares of the Listed Company acquired by restructuring, shares derived from distribution by the Listed Company of dividends and capital reserve converted to equities etc. shall also comply with the above commitments. 5. If the applicable laws and regulations otherwise specify the restriction period for the shares of the Listed Company obtained by Jinsheng Group, or the CSRC has other requirements, Jinsheng Group shall comply with such regulations or requirements. If Jinsheng Group is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.
	Restricted sale of shares	Guokai Finance, Zhao Hongxiu, Jinbuer, Jiangsu Huatai, Hehe Investment, Shenzhen Longding, Advanced Manufacturing Industry Investment Fund, Huashan Investment, Shanghai Yongjun, Ningbo Yukang, Tibet Jiaze, Hezhong Investment, Shanghai Jinye, Shanghai Hongcheng, Beijing Zhongtai, Nanjing Daofeng	1. If, upon completion of issuance, the Committer holds the equities of Saurer Intelligent Machinery for less than 12 months (subject to those as at the date upon completion of the industrial and commercial registration), the Committer shall not transfer the shares as issued by the Listed Company and subscribed by the Committer in such shares within 36 months after completion of issuance. If, upon completion of issuance, the Committer holds the shares of Saurer Intelligent Machinery for not less than 12 months (according to the date of completion of industrial and commercial registration), the Committer shall not transfer the shares as issued by the Listed Company and subscribed by the Committer in such shares within 24 months after completion of issuance. 2. Within 6 months after completion of restructuring, if the closing price of the shares of the Listed Company is lower than the issuing price for 20 consecutive business days, or if at the end of 6 months after completion of restructuring the closing price is lower than the issuing price, the lock-up period of the shares of the Listed Company obtained by the Committer due to issuance shall be automatically extended for 6 months. 3. For the shares of the Listed Company obtained by the Committer from issuance, shares derived from distribution by the Listed Company of dividends and capital reserve converted to equities etc. shall also comply with the above commitments. 4. If the applicable laws and regulations provide otherwise for the restriction period for the shares of the Listed Company obtained by the Committer due to issuance, or the CSRC has other requirements, the Committer shall comply with such regulations or requirements. 5. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.

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<b>Commitment date and period</b>	<b>Fulfilment period</b>	<b>Was the commitment fulfilled in a timely manner</b>	<b>If not fulfilled in a timely manner, state the specific reasons for non-fulfilment</b>	<b>If not fulfilled in a timely manner, state the next work plan</b>
Up to 6 months after completion of transfer of shares	Yes	Yes	/	/
Within 36 months after completion of restructuring	Yes	Yes	/	/
Within 36 months after completion of issuance	Yes	Yes	/	/
Within 36 months after completion of issuance	Yes	Yes	/	/
Within 24 or 36 months after completion of issuance	Yes	Yes	/	/

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Com- mitment back- ground	Com- mitment type	Committer	Commitments
Commitment relating to the restructuring of significant assets	Other	Jinsheng Group, Pan Yueping	After completion of the transaction, Jinsheng Group, as the controlling shareholder of the listed company, and Pan Yueping, as the actual controller, are committed to ensuring the following: I. Guarantee that the staff of the Listed Company are independent. 1. The Senior Officers of the Listed Company (CEO, COO, CFO, Board Secretary etc.) shall work in the Listed Company, and receive remuneration from the Listed Company, and shall not act in any position other than Director or Supervisor in any enterprises other than the listed company and its subsidiaries as controlled by the Committer ("Committer's Controlled Other Enterprises"). 2. The financial staff of the Listed Company shall not hold a concurrent office in or receive salaries from the Committer/Committer's Controlled Other Enterprises. 3. The personnel relationship and labour relationship of the Listed Company shall be independent of the Committer/Committer's Controlled Other Enterprises. 4. The Directors, Supervisors and Senior Officers of the Listed Company are elected, replaced, dismissed, employed or removed according to the applicable laws and regulations and the Company's Articles of Association. The Committer will not interfere in personnel appointments or dismissal of the above persons by exceeding the powers of the Board of Directors and the AGM of the Listed Company. II. Guarantee that the assets of the Listed Company are independent. 1. The Listed Company has independent and complete assets; and such assets are completely under the control of the Listed Company, and are independently owned and operated by the Listed Company. 2. The Committer/Committer's Controlled Other Enterprises will not illegally occupy the funds and assets of the Listed Company in any form. 3. No guarantees shall be provided to the Committer or the Committer's Controlled Other Enterprises for their violation by using the assets of the Listed Company. III. Guarantee that the organizations of the Listed Company are independent. 1. The Listed Company establishes and improves corporate governance structures in accordance with the law, and establishes an independent and complete organizational structure that is completely separate from the organizations of the Committer/Committer's Controlled Other Enterprises. 2. The Listed Company and the Committer/Committer's Controlled Other Enterprises are separate in terms of office organization and production and place of operation, free of any mixing circumstances. IV. Guarantee that the business of the Listed Company is independent. 1. The Listed Company has the assets, staff and qualifications for independently conducting business activities, and has the ability to independently operate in the market. 2. Except that relevant rights are exercised in accordance with applicable laws and regulations and the Listed Company's Articles of Association, it will not interfere in the operations of the Listed Company by exceeding the powers of the Board of Directors and the AGM and the management of the listed company. 3. The Committer will regulate and try its best to reduce related-party transactions with the Listed Company. For the related-party transactions that cannot be avoided or that are necessary, it will establish transaction conditions according to fair, reasonable and market principles. For the related-party transactions, the Listed Company will strictly carry out decision-making procedures and fulfill information disclosure obligations in a timely manner, according to the applicable laws and regulations and the Articles of Association of the Listed Company, and the management rules for related-party transactions. V. Guarantee the financial independence of the Listed Company. 1. The Listed Company shall establish an independent finance and accounting department, and establish independent financial accounting systems and financial management systems. 2. The Listed Company shall open a separate bank account, and will not share any bank account with the Committer or the Committer's Controlled Other Enterprises. 3. The Listed Company will make its financial decisions independently. The Committer will not interfere in the use of the funds of the Listed Company by exceeding the powers of the Board of Directors and the AGM and the operational management of the Listed Company. 4. The Listed Company shall pay taxes legally and independently. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.
	Avoidance of related-party transactions	Jinsheng Group, Pan Yueping	1. The Committer will try its best to reduce related-party transactions between the Committer and the Committer's Controlled Other Enterprises and the Listed Company. For the related-party transactions that cannot be avoided or that are necessary, it will establish transaction conditions according to fair and reasonable market principles. For related-party transactions, the Listed Company will strictly perform its decision-making procedures and fulfill its information disclosure obligations in a timely manner, according to the applicable laws and regulations and the Articles of Association of the Listed Company, and the management rules for related-party transactions. 2. The Committer and the Committer's Controlled Other Enterprises will not illegally occupy the funds and assets of the Listed Company in any form, and no guarantees shall be provided to the Committer and the Committer's Controlled Other Enterprises for their violation by using the assets of the listed company. 3. The Committer will exercise its rights and perform its obligations according to the applicable laws and regulations and the Articles of Association of the Listed Company, and will not use the control and influence to impair the legal rights and interests of the Listed Company and other shareholders by means of the related-party transactions. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.
	Other	Jinsheng Group, Pan Yueping	After completion of restructuring, the Committer will strictly comply with the provisions of the "Notice on Numerous Issues about Regularizing the Funds between the Listed Company and Related Parties and External Guarantee of the Listed Company", and the "Notice on Regularizing the External Guarantee of Listed Companies", and will not occupy the funds of the Listed Company and its controlled subsidiaries, and regularize the external guarantee of the Listed Company and its controlled subsidiaries. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.
	Other	Jinsheng Group, Pan Yueping	1. After completion of transactions, the Committer will not interfere in the operational and management activities of the company, nor seize the interests of the company, by exceeding its powers. 2. The Committer is aware of the legal consequences that may arise from the said commitments, and the company will bear the joint and several liabilities for violation of the said commitments.

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### SIGNIFICANT EVENTS

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 work plan
Long term	No	Yes	/	/
Long term	No	Yes	/	/
Long term	No	Yes	/	/
Long term	No	Yes	/	/

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# SIGNIFICANT EVENTS

Com- mitment back- ground	Com- mitment type	Committer	Commitments
Commitment relating to the restructuring of significant assets	Other	Hezhong Investment and its partners, Hehe Investment and its partners, Jinbuer and its partners, Ningbo Yukang and its partners, Shenzhen Longding and its partners	1. The Committer, as the partner of Hezhong Investment/Hehe Investment/Jinbuer/Ningbo Yukang/Shenzhen Longding (including the limited partner and general partner), is committed to ensuring that within the lock-up period of the shares of Hezhong Investment/Hehe Investment/Jinbuer/Ningbo Yukang/Shenzhen Longding, it will not transfer any assets of the partners held by the Committer. 2. Hezhong Investment/Hehe Investment/Jinbuer/Ningbo Yukang/Shenzhen Longding and their general partners are further committed to ensuring that within the lock-up period of the shares of the partners, it will not handle the formalities for transfer of properties for the partners. 3. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.
	Guarantee and compensation of value of assets purchased	Jinsheng Group, Hezhong Investment, Hehe Investment and Jinbuer	The Committer is committed to ensuring that, in the year when the restructuring is done and two entire accounting years thereafter, i.e. 2017, 2018 and 2019, the net profits attributable to the owners of the parent company as realized by Saurer Intelligent Machinery (according to the consolidated statements, net of the non-recurring profits and losses, similarly hereinafter) shall not be less than RMB 583 million, RMB 766 million and RMB 1,003 million, respectively, and the total shall not be less than RMB 2,352 million.
	Guarantee and compensation of value of assets purchased	Pan Xueping	Pan Yueping, as the controlling shareholder of Jinsheng Group, is unconditionally and irrevocably committed to bearing the unlimited joint and several guarantee liabilities to Jinsheng Group for the results compensation obligations under the results compensation agreement.
Avoidance of industrial competition	Avoidance of industrial competition	Jinsheng Group, Pan Yueping	1. As at the date of issuance of this commitment letter, the Committer has not invested in any company, enterprise or other operating entities that are identical or similar to Saurer Intelligent Machinery; and the Committer and the Committer's Controlled Other Enterprises will not operate for themselves or others any business that is identical or similar to that of Saurer Intelligent Machinery, and there is no industrial competition against Saurer Intelligent Machinery. 2. After completion of restructuring, during the period when the Committer acts as the controlling shareholder/actual controller of the Listed Company, it will not engage in any business that is competitive with that of the listed company currently or in the future in any form. 3. After completion of restructuring, during the period when the Committer acts as the controlling shareholder/actual controller of the Listed Company, if the Committer's Controlled Other Enterprises plan to engage in any business that is competitive with that of the Listed Company, the Committer will exercise its veto power, in order to ensure that they are not engaged in any direct or indirect competition against the Listed Company. If there is any commercial opportunity that is related to the scope of business of the Listed Company, the Committer will first assign or introduce it to the Listed Company. 4. After completion of restructuring, during the period when the Committer acts as the controlling shareholder/actual controller of the Listed Company, if the listed company changes its scope of business, thereby causing any competition against the Committer and the Committer's Controlled Other Enterprises, the Committer will (and will ensure that the Committer's Controlled Other Enterprises will) take the following measures to eliminate the competition: stop operating the business that is competitive with that of the Listed Company; transfer the competitive business to the Listed Company; or transfer the competitive business to any unrelated third parties. 5. The Committer will not provide any confidential information relating to the business of the Listed Company to any third parties, or assist any third parties in engaging in any business competing with that of the Listed Company, by using its control or influences over the listed company. 6. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby according to law.
	Other commitment	Other	Jinsheng Group

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### SIGNIFICANT EVENTS

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 work plan
Within 36 months after completion of issuance	Yes	Yes	/	/
2017, 2018, 2019	Yes	Yes	/	/
2017, 2018, 2019	Yes	Yes	/	/
Long term	No	Yes	/	/
Within 12 months from 7 December 2017	Yes	Yes	/	/

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# SIGNIFICANT EVENTS

### (2). Profit Forecast

The Company and Jinsheng Group, Jinbuer, Hezhong Investment and Hehe Investment signed the Results Commitment and Compensation Agreement, a Supplementary Agreement and a second Supplementary Agreement II. Jinsheng Group, Jinbuer, Hezhong Investment and Hehe Investment are committed to ensuring that the net profits attributable to the owners of the parent company in 2017, 2018 and 2019 as realized by Saurer Intelligent Machinery (according to the consolidated statements, net of the non-recurring profits and losses, similarly hereinafter) shall not be less than RMB 583 million, RMB 766 million and RMB 1,003 million, respectively, and the total shall not be less than RMB 2,352 million.

The “Special Audit Report for Explanation of Difference between Actual Net Profit and Committed Net Profit of Saurer Intelligent Machinery” (PwC Special Audit No. 1868 [2018]) showed that the net profit attributable to the owners of the parent company realized by Saurer less non-recurring gains and losses in 2017 was RMB 684 million, RMB 101 million more than the committed RMB 583 million, resulting in a performance commitment completion rate of 117%.

### III. Changes in Accounting Policies and Estimates

The Company completed the restructuring of significant assets in the reporting period, and after completion, the Company’s assets, main business and equity structure were changed. In order to truly and accurately reflect the financial status of the company, once this had been approved by the Board of Directors, the Board of Supervisors and the AGM, the Company changed its original accounting policies and accounting estimates. For details, please refer to the “Announcement on Changing Accounting Policy and Accounting Estimation” (Ad hoc 2017-081) issued by the Company on 12 September 2017 and the “Special Report on Changes of Accounting Policies and Accounting Estimates of Xinjiang Urban Construction (Group) Company Limited” (PricewaterhouseCoopers TSZ [2017] No. 2310) as issued by PricewaterhouseCoopers CPAs Firm (special ordinary partnership). The changes in the accounting policies and accounting estimates have no influence on the financial status and operating results of the Company.

### IV. Employment and Dismissal of CPA Firm

Unit: 10 Thousand Yuan; Currency: RMB

	Original employment	Current employment
Name of domestic CPA firm	CAC CPA Limited Liability Partnership (special ordinary partnership)	PricewaterhouseCoopers Zhong Tian CPAs Firm (special ordinary partnership)
Remuneration of domestic CPA firm	85	390
Auditing years of domestic CPA Firm	16 years	1 year

	Name	Remuneration
Internal control auditing CPA firm	PricewaterhouseCoopers Zhong Tian CPAs Firm (special ordinary partnership)	180
Financial adviser	ZTF Securities Company Limited	2,500

Note: The company completed the restructuring of significant assets in the reporting period. To guarantee a smooth completion of Company auditing in 2017, the Board of Directors, the Board of Supervisors and the AGM agreed to appoint PricewaterhouseCoopers

## SECTION 5.

# SIGNIFICANT EVENTS

CPAs Firm (special ordinary partnership) as the financial auditor and internal control auditor of the Company in 2017, effective for one year. For details, please refer to the “Announcement on Changing Accountant Firm” (Ad hoc 2017-080) as issued by the Company on 12 September 2017.

### V. The Good Faith of the Company and Its Controlling Shareholders and Actual Controllers

During the reporting period, the Company and its controlling shareholders and actual controller were in good faith, and have no large debts that are due, as judged by the court.

### VI. Significant Related-Party Transactions

#### (1). Related-Party Transactions Relevant to Daily Operations

##### 1. Issues Not Disclosed in Ad Hoc Announcements

Unit: Thousand Yuan; Currency: RMB

Related-party transaction 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	Mark-up of costs	/	320,627	3.7	According to the agreement	/	/
Kuitun Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Mark-up of costs	/	359,586	4.1	According to the agreement	/	/
LT Textile International Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Mark-up of costs	/	139,990	1.6	According to the agreement	/	/
Total				/	/	820,203	9.4	/	/	/
Notes on related-party transactions				The Company completed the restructuring of significant assets in September 2017. After listing on completion of restructuring, the Company made a disclosure according to the provisions of the Trading Rules of Shanghai Stock Exchange for stock listing.						

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# SIGNIFICANT EVENTS

### (2). Related-Party Transactions Associated with the Acquisition or Sale of Assets or Equities

#### 1. Issues That Have Been Disclosed in Ad Hoc Announcements for Which There Was No Progress or Change in Follow-up Implementation

Overview	Reference
The replacement of major assets, issuance of shares and purchasing of assets in the reporting period shall constitute the related-party transactions. On 30 June 2017, the Company received a notice. After being reviewed by the M&A and Restructuring Auditing Committee of the CSRC at the 35th Working Meeting on 30 June 2017, the replacement of the major assets, issuance of shares and purchase of assets (i.e. related-party transactions) of the Company were unconditionally approved. On 31 July 2017, the Company received the formal approval documents from the CSRC regarding the restructuring of the Company's major assets. On 10 August 2017, the formalities for transfer of assets and equities purchased and the industrial and commercial registration relating to the restructuring of the Company's major assets were completed. On 25 August 2017, asset settlement was completed. On 4 September 2017, the formalities for issuance of new shares were completed. On 22 Sept 2017, the transfer registration from the state-owned capital company to Jinsheng Group was completed. During the reporting period, the Company's major asset replacement and issuance of shares and purchase of assets were completed.	For details, please refer to the "Announcement on Obtaining Unconditional Approval of Restructuring of Significant Assets Reorganization by Committee of CSRC upon Verification and Trading Resumption of Its Shares" (Ad hoc 2017-050), the "Announcement on Obtaining Written Reply to Connected Transaction of Significant Assets Replacement and Assets Purchase through Shares Issuance from CSRC upon Verification" (Ad hoc 2017-056), the "Announcement on Completing Transfer of Purchased Assets in Connected Transaction of Significant Assets Replacement and Assets Purchase through Shares Issuance", (Ad hoc 2017-064), the "Announcement on Delivery of Withdrawn Assets in Connected Transaction of Significant Assets Replacement and Assets Purchase through Shares Issuance" (Ad hoc 2017-073), the "Xinjiang Urban Construction (Group) Co., Ltd [the Company's previous name] Announcement on Issuance Result of Connected Transaction of Significant Assets Replacement and Assets Purchase through Shares Issuance and Change in Shares" (Ad hoc 2017-074), and the "Xinjiang Urban Construction (Group) Co., Ltd [the Company's previous name] Announcement on Completing Contractual Transfer of Shareholder's Shares" (Ad hoc 2017-089).

#### 2. Disclosure of Realization of Results in the Reporting Period If Relating to Provisions on Results

For details, please refer to the relevant statements regarding the profit forecast in this section.

## VII. Significant Contracts and Their Implementation

### (1). Guarantees

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

Unit: Thousand Yuan; Currency: RMB

Guarantor	Relationship between the guarantor and the Listed Company	Guarantee	Amount of guarantee	Signed 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	Relationship
None													
Total amount of guarantee incurred in the reporting period (excluding guarantees to subsidiaries)													0
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees to subsidiaries)													0

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# SIGNIFICANT EVENTS

### Guarantee provided for subsidiaries from the Company and its subsidiaries

Guarantor	Relationship between the guarantor and the Listed Company	Guarantee	Amount of guarantee	Signed 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	Relationship
Total amount of guarantees provided for subsidiaries in the reporting period													1,037,789
Total balance of guarantees provided for subsidiaries at the end of the reporting period (B)													1,218,639

### Total amount of guarantees provided (including guarantees provided for subsidiaries)

Total amount of guarantees provided (A + B)	1,218,639
Percentage of total amount of guarantee against net assets of the Company (%)	55.22
Including:	
Amount of guarantee provided for shareholders, actual controllers and related parties (C)	0
Direct or indirect debt guarantees provided for guaranteed parties whose asset/liability ratio exceeds 70% (D)	961,481
Amount of total guarantee exceeding 50% of net assets (E)	115,122
Total amount of guarantee of C + D + E	1,076,603
Instructions on possible joint and several clearance liabilities for undue guarantees	None
Instructions on guarantee	For details, please refer to Ad hoc 2017-84, 2017-096, 2017-102 and 2017-105

## (2). Cash Asset Management Entrusted to Others

### 1. Entrusted Wealth Management

#### (1) Overview of Entrusted Wealth Management

Unit: 10 Thousand Yuan; Currency: RMB

Type	Source of funds	Amount entrusted	Outstanding balance	Unrecovered amount overdue
Wealth management bank products	Own funds	476,300	450,000	0

## SECTION 5. SIGNIFICANT EVENTS

### (2) Individual Entrusted Wealth Management

Unit: 10 Thousand Yuan; Currency: RMB

Trustee	Entrusted wealth management product	Entrusted wealth management amount	Starting date of entrusted wealth management	Ending date of entrusted wealth management	Source of funds	Funds investment direction	Determination of remuneration	Annualized rate of return	Expected return (if any)	Actual return or loss	Actual recovery	Have Statutory procedures been completed	Is any entrusted wealth management planned in the future	Accrual of impairment provision (if any)
Bank of Nanjing	Principal guaranteed earning	450,000	2017-9-28	2018-2-27	Own funds	Zhu Lian Bi He – Ji Ji Wen Xin No. 1BB RMB wealth management product	Calculated per day	3.5%	/	6,558.90	Recovery of principal and interest	Yes	Yes	/
Bank of Nanjing	Principal guaranteed earning	450,000	2016-9-14	2017-9-13	Own funds	Zhu Lian Bi He – Nian Wen Xin No. 1BB RMB wealth management product	Calculated per day	3%	/	13,463.01	Recovery of principal and interest	Yes	Yes	/
CHINA CITIC BANK	Non-principal guaranteed floating earning	5,000	2017-5-22	2017-6-30	Own funds	CITIC Wealth Management – Double Win – Bu Bu Gao Sheng B RMB wealth management product	Calculated per day	4%	/	31.93	Recovery of principal and interest	Yes	No	/
ICBC	Principal guaranteed floating earning	20,000	2017-1-13	2017-2-17	Own funds	ICBC – Principal Guaranteed Legal Person 35-day Steady Profits RMB wealth management product	Calculated per day	2.6%	/	49.86	Recovery of principal and interest	Yes	No	/
ICBC	Principal guaranteed earning	5,900	2016-12-30	2017-1-23	Own funds	Super-short RMB wealth management product without fixed term –0701CDQB	Calculated per day	2.3%	/	8.6	Recovery of principal and interest	Yes	No	/
CHINA CITIC BANK	Principal guaranteed earning	400	2016-11-11	2017-1-24	Own funds	CITIC Wealth Management – Double Win – Tian Tian Kuai Che B RMB wealth management product	Calculated per day	2.75%	/	2.1	Recovery of principal and interest	Yes	No	/

#### Additional Information

The company's subsidiary Saurer Changzhou and Bank of Nanjing (Changzhou Branch) signed a contract on 28 February 2018 for entrusted wealth management of principal guaranteed earnings amounting to RMB 4.5 billion, with an expected annualized rate of return of 4%. For details, please refer to the "Announcement on Progress in Entrusted Wealth Management by Subsidiary" issued by the Company on 2 March 2018 (Ad hoc 2018-008).

### (3). Other Major Contracts

Saurer Intelligent Machinery and Shandong Ruyi Technology Group Co. Ltd signed a framework contract amounting to RMB 2,177.93 million on 10 March 2017. By the end of the reporting period, RMB 1,517.28 million had been committed. The commitment remaining unfulfilled under this contract is expected not to exceed RMB 660.65 million.

# SECTION 5.

## SIGNIFICANT EVENTS

### VIII. Active Corporate Social Responsibility

#### (1). Poverty Alleviation

##### 1. Poverty Alleviation Strategy

The Company actively responds to and implements China's strategic plan for poverty alleviation ("precise poverty alleviation"), attaches importance to poverty alleviation work, actively cooperates with local governments, and develops targeted plans for alleviating industrial and educational poverty. These efforts help to improve the living environment, enhance income levels, and promote science and culture.

##### 2. Targeted Measures towards Poverty Alleviation during the Reporting Year

In 2017, the Company spent RMB 20 million on poverty alleviation, used mainly to purchase livestock and fodder, provide vocational skills training, finance low-income college students and extend microloans. The aim of these and other measures is to support the development of low-income districts in Xinjiang, help students improve their job prospects and provide them with financial assistance, and to make it possible for recipients of microloans to repay them.

##### 3. Achievements of Poverty Alleviation Projects

Unit: 10 Thousand Yuan; Currency: RMB

Indicators	Number supported or extent of support
I. Summary information	
1. Funds	2,000
2. No. of persons who received poverty alleviation support	4,321
II. Breakdown of support	
1. Industrial poverty alleviation	
1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Agricultural and Forestry Poverty Alleviation" <input type="checkbox"/> Travel Poverty Alleviation" <input type="checkbox"/> E-commerce Poverty Alleviation" <input type="checkbox"/> Return on Assets Poverty Alleviation" <input type="checkbox"/> S&T Poverty Alleviation" <input type="checkbox"/> Others"
1.2 Number of industrial poverty alleviation projects	42
1.3 Amount invested in industrial poverty alleviation projects	1,350
1.4 Number of persons who received industrial poverty alleviation support	3,247
2. Jobs promotion	
2.1 Amount invested in vocational skills training	100
2.2 Number of trainees who acquired vocational skills	400
2.3 Number of trainees who obtained jobs	400
4. Educational poverty alleviation	
4.1 Funds provided to low-income students	300
4.2 Number of low-income students financed	674
9. Other projects	
9.1. Number of projects	1
9.2. Amount invested	250
9.3. Description of other projects	Deposits for micro loans

## SECTION 5.

# SIGNIFICANT EVENTS

#### 4. Next Steps in Poverty Alleviation

The company will continue to carefully carry out and implement poverty alleviation along the lines set out by the central government, actively implement precise poverty alleviation and adopt measures that include taking a multilayer, multichannel and multi-faceted approach to alleviating poverty in the intended spirit of active corporate social responsibility.

### (2). Corporate Social Responsibility

During the reporting period, the Company was engaged in active corporate social responsibility while continuing to develop its own business.

#### 1. Focus on Protection of Investor Rights and Interests

The Company carefully fulfils its information disclosure obligations to ensure true, accurate and complete disclosure of information, enabling investors to keep abreast of the Company's operations and progress on major issues in a timely manner. The Company actively develops investor relations management, and maintains communications with institutional investors, small and medium-sized shareholders as well as potential investors through phone, email, the Shanghai Stock Exchange e-interaction platform, institutional surveys and investor exchange meetings, all based on the principle of openness and fairness with the aim of enhancing investor relations. Both on-site and online voting provide a convenient means for shareholders to participate in decision-making at the AGM. The Company strives to generate reasonable returns for shareholders, in line with the provisions of the Articles of Association on the distribution of profits, while also looking to achieve robust and sustainable development of the Company.

#### 2. Strengthen Production Safety and Prevent Accidents

The Company has established improved production safety management systems, assigning responsibility to environmental health and safety managers for production safety in the many different lines and departments. Production safety meetings are held regularly, as are training sessions. Management has established a risk evaluation and identification system for evaluating and controlling production risks. Checks on production safety are carried out using the evaluation system, and a proposal for implementing an emergency response system has also been established.

#### 3. Focus on Protection of the Rights and Interests of Employees, and Building a Corporate Culture

Saurer is a people-oriented company and acts to protect the rights and interests of its employees by building constructive labour relations. The Company has established systems such as on-board training, nurturing talent and other similar mechanisms to encourage employees to continue their studies and enhance their skills. This also provides motivation for their own

personal growth as well as for future corporate development.

The Company provides comprehensive employee benefits, for example employer's liability insurance and business travel insurance. The Company organizes a range of professional training and team-building activities, and has established an atmosphere conducive to the rapid growth and development of talent. This careful attention to employee development helps to build the skills needed for specific jobs, while facilitating transmission of the Company's culture and values, fostering a sense of mission and enabling recognition of key employees, all of which in turn serves to reinforce team spirit.

#### 4. Strengthen Quality Control through Quality Management and Environmental Management System Certification

The Company's subsidiaries all hold ISO 9001:2008 quality management system certification and ISO 14001:2004 environmental management system certification, and adhere to the quality management philosophy of "Quality First, Customer Satisfaction, Continuous Improvement". This enhances the establishment of quality management rules and systems, supplier quality engineering and product quality, as well as measuring tools and equipment calibration and other quality management procedures and systems.

#### 5. Focus on Environmental Protection and Proposed Environmental Protection Philosophy

Company R&D is guided by the E<sup>3</sup> – Triple Added Value concept. This philosophy improves product performance indicators for energy saving, economic efficiency and ergonomics. This in turn lowers energy consumption, reduces resource costs, and makes production more efficient, lowering demand for labour. The Company advocates the paperless office, and saving energy and reducing consumption, to achieve coordinated development of all operations in an environmentally friendly way.

#### 6. Develop Social Benefit Activities and the Practice of Corporate Social Responsibility

The Company has both developed and participated in various social benefit activities during the reporting period. These include assistance to the Karjan Primary School, Vadodara, India, supporting the education of students. The Company also financed fruit tree planting projects in the African Republic of Malawi. This involved training farmers to plant and take care of fruit trees, thereby helping to alleviate food scarcity in the country and contributing to the economy.

## SECTION 5.

# SIGNIFICANT EVENTS

### (3). Environmental Information

#### 1. Companies Not on the List of Major Pollutant-Discharging Entities

The Company and its major subsidiaries are not listed as major pollutant discharge entities by the environmental protection department. The Company is engaged mainly in R&D and the production and sale of intelligent textile equipment and key components. The Company is not among industries that are responsible for heavy pollution. The major pollutants discharged by the Company include wastewater, waste gas, some waste residue and a certain amount of noise generated by the production processes. The Company strictly enforces all laws and regulations related to environmental protection, and its major subsidiaries hold ISO 14001:2004 environmental management system certification.

# SECTION 6.

## CHANGES IN COMMON SHARES AND SHAREHOLDERS

### I. Changes in Common Share Capital

#### (1). Table of Changes in Common Share Capital

1. Table of Changes in Common Share Capital

Unit: Share

	Before change		Changes in the period (+, -)					After change	
	Quantity	Ratio (%)	Shares newly issued	Dividend share	Shares transferred from reserves	Others	Subtotal	Quantity	Ratio (%)
I. Shares subject to conditional sales	0	0	1,219,627,217	0	0	0	1,219,627,217	1,219,627,217	64.35
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. State-owned legal person shares	0	0	99,675,850	0	0	0	99,675,850	99,675,850	5.26
3. Other domestic shares	0	0	1,119,951,367	0	0	0	1,119,951,367	1,119,951,367	59.09
Among which: domestic non-state-owned legal person shares	0	0	1,045,194,479	0	0	0	1,045,194,479	1,045,194,479	55.15
Domestic natural person shares	0	0	74,756,888	0	0	0	74,756,888	74,756,888	3.94
4. Foreign shares	0	0	0	0	0	0	0	0	0
Among which: foreign legal person shares	0	0	0	0	0	0	0	0	0
Foreign natural person shares	0	0	0	0	0	0	0	0	0
II. Tradable shares	675,785,778	100	0	0	0	0	0	675,785,778	35.65
1. RMB common shares	675,785,778	100	0	0	0	0	0	675,785,778	35.65
2. Domestic listed international investment shares	0	0	0	0	0	0	0	0	0
3. Overseas listed international investment shares	0	0	0	0	0	0	0	0	0
4. Other	0	0	0	0	0	0	0	0	0
III. Total of common shares	675,785,778	100	1,219,627,217	0	0	0	1,219,627,217	1,895,412,995	100

#### 2. Changes in Common Shares

On 23 January 2017, the Company held the first EGM for the year. The resolution on the Company's major asset swap and asset purchase via share issuance and related-party transaction (Ad hoc 2017-006) was examined and approved at the meeting. At the 35<sup>th</sup> Working Meeting of the Expert Advisory Committee for the Merger, Acquisition and Restructuring of Listed Companies of the CSRC on 30 June 2017, the Company's major asset swap and asset purchase via share issuance and related-party transaction was unconditionally approved (Ad hoc 2017-050). On 31 July 2017, the Company received the "Approval of Major Asset Restructuring of Xinjiang Urban Construction (Group) Co., Ltd (the Company's previous name) and Its Asset Purchase via Share Issuance to Jiangsu Jinsheng Industry Co., Ltd and Other Companies" issued by the CSRC (Approval No. [2017] 1397). The Company was given approval to carry out major asset restructuring and to purchase related assets through the issue of 1,219,627,217 shares to 17 shareholders, including Jiangsu Jinsheng Industry Co., Ltd (Ad hoc 2017-056). On 4 September 2017, the Company completed the registration procedures for the 1,219,627,217 issued shares (Ad hoc 2017-074), subsequently the total number of shares of the Company changed to 1,895,412,995 shares.

## SECTION 6.

# CHANGES IN COMMON SHARES AND SHAREHOLDERS

### 3. Impact of Common Stock Changes on Financial Indicators Such as Earnings Per Share and Net Assets Per Share

The impact of common stock changes on financial indicators such as earnings per share and net assets per share for last year and the latest reporting period, which resulted from new shares issued in the Company's major asset swap and asset purchase and related-party transaction, is detailed under "Major Financial Data for Each Quarter in 2017".

### (2). Change of Shares Subject to Conditional Sales

Unit: Share

Name of shareholder	Shares at the beginning of year	Shares unlocked in the year	Shares added in the year	Shares at the end of the year	Reason	Unlocking date
Jiangsu Jinsheng Industry Co., Ltd	0	0	721,247,974	721,247,974	Asset purchase via share issuance	4 September 2020
China Development Bank Capital Co., Ltd	0	0	16,612,641	16,612,641	Asset purchase via share issuance	4 September 2020
China Development Bank Capital Co., Ltd	0	0	83,063,209	83,063,209	Asset purchase via share issuance	4 September 2019
Zhao Hongxiu	0	0	74,756,888	74,756,888	Asset purchase via share issuance	4 September 2019
Changzhou Kimble Investment Partnership Firm (limited partnership)	0	0	66,450,567	66,450,567	Asset purchase via share issuance	4 September 2019
Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)	0	0	49,688,858	49,688,858	Asset purchase via share issuance	4 September 2019
Changzhou Hehe Investment Partnership Firm (limited partnership)	0	0	38,513,087	38,513,087	Asset purchase via share issuance	4 September 2019
Shenzhen Longding Shuming Equity Investment Partnership Firm (limited partnership)	0	0	34,886,547	34,886,547	Asset purchase via share issuance	4 September 2019
China Advanced Manufacturing Industry Investment Fund (limited partnership)	0	0	33,225,283	33,225,283	Asset purchase via share issuance	4 September 2020
Huashan Investment Co., Ltd	0	0	16,612,641	16,612,641	Asset purchase via share issuance	4 September 2019
Shanghai Yongjun Equity Investment Partnership Firm (limited partnership)	0	0	16,612,641	16,612,641	Asset purchase via share issuance	4 September 2019
Ningbo Yukang Equity Investment Centre (limited partnership)	0	0	16,612,641	16,612,641	Asset purchase via share issuance	4 September 2019
Tibet Jiaze Venture Investment Firm	0	0	16,612,641	16,612,641	Asset purchase via share issuance	4 September 2019
Changzhou Hezhong Investment Partnership (limited partnership)	0	0	11,324,837	11,324,837	Asset purchase via share issuance	4 September 2019
Shanghai Jinye Equity Investment Partnership Firm (limited partnership)	0	0	8,306,320	8,306,320	Asset purchase via share issuance	4 September 2019
Shanghai Hongcheng Equity Investment Partnership Firm (limited liability)	0	0	8,306,320	8,306,320	Asset purchase via share issuance	4 September 2019
Beijing Zhongtai Financial Investment Co., Ltd	0	0	6,645,056	6,645,056	Asset purchase via share issuance	4 September 2019
Nanjing Daofeng Investment Management Centre (general partnership)	0	0	149,066	149,066	Asset purchase via share issuance	4 September 2019
Total	0	0	1,219,627,217	1,219,627,217	/	/

# SECTION 6.

## CHANGES IN COMMON SHARES AND SHAREHOLDERS

### II. Issuance of Securities and Listing

#### (1). Issuance of Securities During the Reporting Period

Unit: Share; Currency: RMB

Stocks and derivatives/Types of securities	Issue date	Issue price (or interest rate)	Number of issuance	Listing date	Permitted issuance	Closing date of transaction
Common stocks						
RMB common shares	2017-09-04	6.17	1,219,627,217	2019-09-05	448,541,319	/
RMB common shares	2017-09-04	6.17	1,219,627,217	2020-09-07	771,085,898	/
Convertible bonds, bonds with warrants and corporate bonds						
None						
Other derivative securities						
None						

#### (2). Total Common Shares of the Company and Changes in Shareholder Structure and Asset and Liability Structure

During the reporting period, both the total number of common shares and shareholder structure of the Company changed. Refer to “Changes in Common Share Capital” under this section for details. After the completion of major asset restructuring and asset purchase via share issuance, the Company’s level of assets, sustainability and profitability all significantly increased.

### III. Shareholders and Actual Controllers

#### (1). Total Shareholders

Total number of common shareholders at the end of the reporting period (persons)	89,711
Total number of common shareholders at the end of the last trading month before the disclosure date of the Annual Report (persons)	83,810
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

## SECTION 6.

# CHANGES IN COMMON SHARES AND SHAREHOLDERS

### (2). Top 10 Shareholders and Top 10 Tradable Shareholders (or Holders of Shares Not Subject to Conditional Sales) by the End of the Reporting Period

#### Top 10 shareholders

Unit: Share

Name of shareholder	Increase or decrease during the period	Shares at the end of the reporting period	Ratio (%)	Shares subject to conditional sales	Pledged or frozen		Nature of shareholder
					Share status	Quantity	
Jiangsu Jinsheng Industry Co., Ltd	879,016,106	879,016,106	46.38	721,247,974	Pledged	804,727,808	Domestic non-state-owned legal person
China Development Bank Capital Co., Ltd	99,675,850	99,675,850	5.26	99,675,850	None	0	State-owned legal person
Zhao Hongxiu	74,756,888	74,756,888	3.94	74,756,888	Pledged	69,055,000	Domestic natural person
Changzhou Kimble Investment Partnership Firm (limited partnership)	66,450,567	66,450,567	3.51	66,450,567	None	0	Others
Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)	49,688,858	49,688,858	2.62	49,688,858	None	0	Others
Changzhou Hehe Investment Partnership Firm (limited partnership)	38,513,087	38,513,087	2.03	38,513,087	None	0	Others
Shenzhen Longding Shuming Equity Investment Partnership Firm (limited partnership)	34,886,547	34,886,547	1.84	34,886,547	None	0	Others
China Advanced Manufacturing Industry Investment Fund (limited partnership)	33,225,283	33,225,283	1.75	33,225,283	None	0	Others
Urumqi State-owned Assets Operation (Group) Co., Ltd	149,400,432	30,072,467	1.59	0	None	0	State-owned legal person
Tibet Jiaze Venture Investment Firm	16,612,641	16,612,641	0.88	16,612,641	None	0	Domestic non-state-owned legal person
Shanghai Yongjun Equity Investment Partnership Firm (limited partnership)	16,612,641	16,612,641	0.88	16,612,641	None	0	Others
Ningbo Yukang Equity Investment Centre (limited partnership)	16,612,641	16,612,641	0.88	16,612,641	None	0	Others
Huashan Investment Co., Ltd	16,612,641	16,612,641	0.88	16,612,641	None	0	Domestic non-state-owned legal person

#### Top 10 holders of shares not subject to conditional sales

Name of shareholder	Number of shares not subject to conditional sales	Type and number of shares	
		Type	Quantity
Jiangsu Jinsheng Industry Co., Ltd	157,768,132	RMB common shares	157,768,132
Urumqi State-owned Assets Operation (Group) Co., Ltd	30,072,467	RMB common shares	30,072,467
Central Huijin Investment Ltd	15,129,700	RMB common shares	15,129,700
Shaanxi International Trust Co., Ltd – Shaanxi International Trust · Chiyang No. 96 Securities Investment Collective Fund Trust Scheme	14,757,831	RMB common shares	14,757,831
Liao Wei	10,174,282	RMB common shares	10,174,282
Wang Fang	6,135,300	RMB common shares	6,135,300
Yang Wenting	4,521,993	RMB common shares	4,521,993
Wang Qiudong	4,130,882	RMB common shares	4,130,882
Urumqi Urban Construction and Investment (Group) Co., Ltd	3,122,139	RMB common shares	3,122,139
Agricultural Bank of China Limited – CSI 500 Index Exchange Traded Open-Ended Securities Investment Fund	2,465,291	RMB common shares	2,465,291

Notes on affiliation, alliance or collusion among the aforementioned shareholders

Among the top 10 holders of shares not subject to conditional sales, the actual controller of Urumqi State-owned Asset Management (Group) Company Ltd and Urumqi Urban Construction and Investment (Group) Co., Ltd is in both cases the State-owned Assets Supervision and Administration Commission of Urumqi Municipality. Apart from this, whether there is an associated relationship between the above-mentioned shareholders is unknown, and whether they act in concert is also unknown.

## SECTION 6.

# CHANGES IN COMMON SHARES AND SHAREHOLDERS

### (3). Top 10 Holders of Shares Subject to Conditional Sales, and the Conditions for Sale

Unit: Share

No.	Holder's name of shares subject to conditional sales	Number of shares held	Condition for listing and trading of shares subject to conditional sales		Conditions of sale
			Tradable time	Newly added tradable shares	
1	Jiangsu Jinsheng Industry Co., Ltd	721,247,974	7 September 2020	721,247,974	Asset purchase via share issuance
2	China Development Bank Capital Co., Ltd	16,612,641	7 September 2020	16,612,641	Asset purchase via share issuance
2	China Development Bank Capital Co., Ltd	83,063,209	5 September 2019	83,063,209	Asset purchase via share issuance
3	Zhao Hongxiu	74,756,888	5 September 2019	74,756,888	Asset purchase via share issuance
4	Changzhou Kimble Investment Partnership Firm (limited partnership)	66,450,567	5 September 2019	66,450,567	Asset purchase via share issuance
5	Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)	49,688,858	5 September 2019	49,688,858	Asset purchase via share issuance
6	Changzhou Hehe Investment Partnership Firm (limited partnership)	38,513,087	5 September 2019	38,513,087	Asset purchase via share issuance
7	Shenzhen Longding Shuming Equity Investment Partnership Firm (limited partnership)	34,886,547	5 September 2019	34,886,547	Asset purchase via share issuance
8	China Advanced Manufacturing Industry Investment Fund (limited partnership)	33,225,283	7 September 2020	33,225,283	Asset purchase via share issuance
9	Tibet Jiaze Venture Investment Firm	16,612,641	5 September 2019	16,612,641	Asset purchase via share issuance
9	Shanghai Yongjun Equity Investment Partnership Firm (limited partnership)	16,612,641	5 September 2019	16,612,641	Asset purchase via share issuance
9	Ningbo Yukang Equity Investment Centre (limited partnership)	16,612,641	5 September 2019	16,612,641	Asset purchase via share issuance
9	Huashan Investment Co., Ltd	16,612,641	5 September 2019	16,612,641	Asset purchase via share issuance
Remarks on affiliation, alliance or collusion among the aforementioned shareholders		Not applicable			

## IV. Controlling Shareholder and Actual Controller

### (1). Controlling Shareholder >30%

#### 1. Legal Person

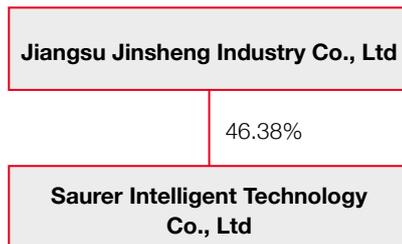
Name	Jiangsu Jinsheng Industry Co., Ltd
The person in charge or legal representative	Pan Xueping
Date of incorporation	25 December 2000
Principal businesses and operations	Manufacture of agricultural machinery, auto parts, electronic products (except satellite ground reception facilities), construction machinery and garments; sales of self-produced products; import, export and domestic wholesale high-end CNC machine tools and key components; domestic procurement and wholesale cotton, cotton yarn and textiles. (For projects that are subject to approval according to law, the operating activities can only be carried out after the approval of the relevant department has been obtained.)
Shareholdings of other listed companies at home and abroad in the period	None
Other explanations	None

## SECTION 6.

# CHANGES IN COMMON SHARES AND SHAREHOLDERS

2. Reference and Date of Change in Controlling Shareholders in the Reporting Period  
The Company carried out a major asset restructuring during the reporting period. Prior to the major asset restructuring, the Company's controlling shareholder was Urumqi State-owned Asset Management (Group) Co. Ltd. After the major asset restructuring, the Company's controlling shareholder changed to Jiangsu Jinsheng Industry Co., Ltd. For details of the above-mentioned change of controlling shareholder, please refer to "Xinjiang Urban Construction (Group) Co., Ltd [the Company's previous name] Announcement on Issuance Result of Connected Transaction of Significant Assets Replacement and Assets Purchase through Shares Issuance and Change in Shares" (Ad hoc 2017-074) and "Xinjiang Urban Construction (Group) Co., Ltd [the Company's previous name] Announcement on Completing Contractual Transfer of Shareholder's Shares" (Ad hoc 2017-089), disclosed by the Company via the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and its designated information disclosure media, Shanghai Securities News, Securities Times and Securities Daily, on 7 September 2017 and 26 September 2017, respectively.

3. Equity and Controlling Relationship between the Company and its Controlling Shareholder



### (2). Actual Controller

#### 1. Natural Person

Name	Pan Xueping
Nationality	China
Whether the right of abode in other countries or regions is obtained	No
Occupation and job title	Chairman of the Board of Jiangsu Jinsheng Industry Co., Ltd
Control of domestic or foreign listed companies in the past decade	None

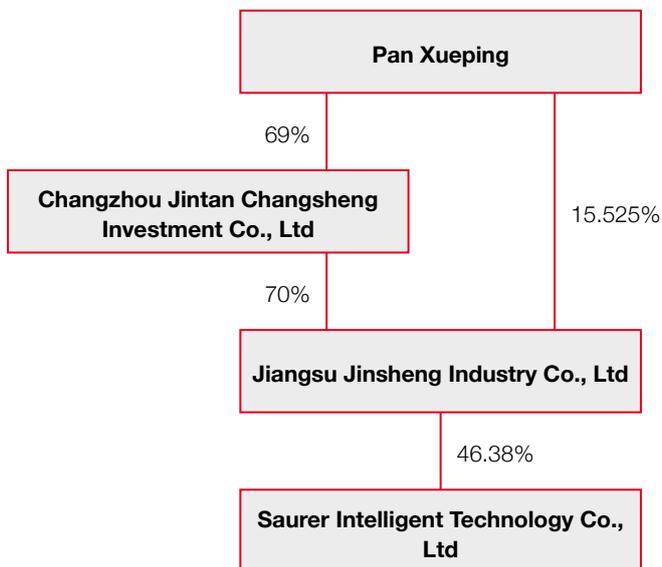
## SECTION 6.

# CHANGES IN COMMON SHARES AND SHAREHOLDERS

### 2. Reference and Date of Change in Actual Controller in the Reporting Period

The Company carried out a major asset restructuring during the reporting period. Prior to the major asset restructuring, the Company's actual controller was State-owned Assets Supervision and Administration Commission of the Urumqi Municipality. Following the major asset restructuring, the Company's actual controller changed to Pan Xueping. For details of the above-mentioned change of actual controller, please refer to "Xinjiang Urban Construction (Group) Co., Ltd [the Company's previous name] Announcement on Issuance Result of Connected Transaction of Significant Assets Replacement and Assets Purchase through Shares Issuance and Change in Shares" (Ad hoc 2017-074) and "Xinjiang Urban Construction (Group) Co., Ltd [the Company's previous name] Announcement on Completing Contractual Transfer of Shareholder's Shares" (Ad hoc 2017-089), disclosed by the Company via the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and its designated information disclosure media, Shanghai Securities News, Securities Times and Securities Daily, on 7 September 2017 and 26 September 2017, respectively.

### 3. Enterprise Property Rights and Controlling Relationship between the Company and its Actual Controller





# SECTION 7.

## DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

### I. Shareholding Changes and Remuneration

#### (1). Shareholding Changes and Remuneration of Directors, Supervisors and Senior Executives in Service or Leaving the Company during the Reporting Period

Name	Position (note)	Gender	Age	Start of term	End of term
Pan Xueping	Chairman	Male	54	2017-09-11	2020-09-10
Stefan Kross	Director	Male	62	2017-09-11	2020-09-10
Clement Woon	Director	Male	58	2017-09-11	2020-09-10
	CEO			2017-09-11	/
Chen Jieping	Independent Director	Male	64	2017-09-11	2020-09-10
Xie Manlin	Independent Director	Male	54	2017-09-11	2020-09-10
Zhang Yueping	Chairman of the Board of Supervisors	Male	47	2017-09-11	2020-09-10
Jin Hao	Supervisor	Male	42	2017-09-11	2020-09-10
Pei Guoqing	Employee Supervisor	Male	50	2017-09-11	2020-09-10
Guan Ye	Chief Operating Officer	Male	47	2017-09-11	/
Zeng Zhengping	Secretary to Board of Directors	Male	55	2017-09-11	/
	Chief Finance Officer			2017-09-11	2017-11-29
Lu Yimin	Chief Financial Officer	Female	44	2017-11-29	/
Peter Moser	Chief Human Resources Officer	Male	56	2017-09-11	/
Liu Jun	Former Chairman	Male	61	2014-05-12	2017-09-11
Yi Yongqin	Former Director	Male	50	2014-05-12	2017-06-20
Li Zhijun	Former Director	Male	64	2014-05-11	2017-09-11
Yin Weige	Former Director	Male	57	2014-05-12	2017-09-11
Lan Jianxin	Former Director	Male	57	2014-05-12	2017-09-11
Wang Changhui	Former Director	Male	40	2017-07-12	2017-09-11
Wu Tao	Former Director	Male	48	2017-07-12	2017-09-11
	Former General Manager			2017-05-26	2017-09-11
Wang Xin'an	Former Independent Director	Male	54	2014-05-12	2017-09-11
Zhan Lei	Former Independent Director	Male	51	2014-05-12	2017-09-11
Li Ting	Former Independent Director	Female	42	2014-05-12	2017-09-11
Zhang Yuhe	Former Chairman of the Board of Supervisors	Male	62	2014-05-12	2017-09-11
Zhao Mingfang	Former Supervisor	Male	50	2014-05-12	2017-09-11
Long Xia	Former Supervisor	Female	47	2014-05-12	2017-09-11
Lv Jiangmin	Former Supervisor	Female	54	2014-05-12	2017-09-11
Xu Yan	Former Supervisor	Female	52	2015-04-22	2017-09-11
Li Zhongliang	Former Deputy General Manager	Male	52	2014-05-12	2017-09-11
Mo Chunlei	Former Deputy General Manager	Male	51	2014-05-12	2017-09-11
Xie Qiang	Former Deputy General Manager	Male	55	2014-05-12	2017-09-11
Zhao Yonggang	Former Deputy General Manager	Male	54	2014-05-12	2017-09-11
Li Ruofan	Former Board Secretary	Male	42	2014-04-20	2017-09-11
Zhang Bo	Former Chief Accountant	Male	43	2014-04-20	2017-09-11
An Zhonghong	Former Chief Economist	Female	51	2016-04-27	2017-09-11
Total	/	/	/	/	/

## SECTION 7.

### DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

Unit: Share

Shares held at beginning of the year	Shares held at end of the year	Share change in the year	Reason for change	Remuneration from the Company in reporting period (before tax) (RMB 10,000)	Remuneration from related parties in reporting period
0	0	0	/	27.62	Yes
0	0	0	/	27.62	No
0	0	0	/	0	No
0	0	0	/	234.16	No
0	0	0	/	27.62	No
0	0	0	/	27.62	No
0	0	0	/	15.34	Yes
0	0	0	/	15.34	Yes
0	0	0	/	18.95	No
0	0	0	/	143.63	No
0	0	0	/	158.17	No
0	0	0	/	0	No
0	0	0	/	33.33	No
0	0	0	/	195.56	No
5,411	5,411	0	/	38.22	No
0	0	0	/	0	Yes
0	0	0	/	0	Yes
0	0	0	/	0	Yes
0	0	0	/	0	Yes
0	0	0	/	0	Yes
0	0	0	/	6.17	No
0	0	0	/	5	No
0	0	0	/	5	No
0	0	0	/	5	No
0	0	0	/	7.98	No
0	0	0	/	0	Yes
0	0	0	/	0	Yes
0	0	0	/	0	No
0	0	0	/	20.64	No
0	0	0	/	22.31	No
0	0	0	/	20.66	No
0	0	0	/	20.98	No
0	0	0	/	20.89	No
0	0	0	/	20.14	No
0	0	0	/	16.87	No
0	0	0	/	17.89	No
5,411	5,411	/	/	1,152.71	/

# SECTION 7.

## DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

Name	Main work experience
Pan Xueping	Chairman of the Company, and Chairman and Chief Executive Officer of Jiangsu Jinsheng Industry Co., Ltd. Mr Pan also serves as Vice-President of the China Textile Machinery Association, China Textile Engineering Society, China Textile Enterprise Association and Changzhou General Chamber of Commerce. Before founding Jiangsu Jinsheng Industry, Mr Pan worked as General Manager of Steel Manufacturing Co., Ltd. (part of Pacific Group's Shanghai Textile Machinery Plant), Director and Secretary of the Party Committee of Jiangsu Jintan Textile Machinery Factory, Director and Secretary of the Party Committee of Jintan Huajin Machinery Factory and Chief Executive Officer of the Pre-spinning Division of Saurer in Switzerland.
Stefan Kross	Director of the Company. Mr Kross was formerly Chief Operating Officer of Volkmann GmbH & Co KG, member of the Board of W. Schlafhorst AG & Co., Chief Technology Officer of Spinning Solutions for Saurer GmbH & Co KG, Chief Executive Officer of Oerlikon Barnag, Chief Executive Officer of the Oerlikon Manmade Fibres Segment and a member of the Oerlikon Executive Committee.
Clement Woon	Director and Chief Executive Officer of the Company. Mr Woon previously worked at Oerlikon (Switzerland), SATS Ltd (Singapore) and Hexagon Metrology AB (Switzerland). He formerly served as Chief Executive Officer of the Oerlikon textile machinery business, President and Chief Executive Officer of SATS Ltd and President of the geodetic surveying business of Leica Geosystems AG.
Chen Jieping	Independent Director of the Company. Mr Chen is also a Professor of Accounting at China Europe International Business School (CEIBS) and an Independent Non-executive Director of Shenzhen World Union Properties Consultancy Incorporated, Jinmao (China) Hotel Investments and Management Limited, HJ Capital (International) Holdings Company Limited and Shanghai La Chapelle Fashion Co., Ltd. When working at CEIBS, Mr Chen was the Deputy Dean of CEIBS and Director of the EMBA course. Before joining CEIBS, he had 13 years of coaching experience at the City University of Hong Kong, serving as a Tenured Professor and Head of the Accounting Department of the university.
Xie Manlin	Independent Director of the Company. Mr Xie is also the Director of the Jiangsu Xie Manlin Law Firm, Independent Director of Jiangsu NandaSoft Technology Company Limited and Nanjing Putian Telecommunications Co., Ltd, Legal Adviser to the Jiangsu Provincial People's Government and Nanjing Municipal People's Government and Chief Supervisor of the Nanjing Bar Association. Mr Xie was previously a lawyer at Nanjing Secondary Law Firm and Nanjing Jinling Law Firm, and an Independent Director of the Bank of Nanjing Co., Ltd.
Zhang Yueping	Chairman of the Board of Supervisors of the Company. Mr Zhang is also the Co-Chief Executive Officer and President of Jiangsu Jinsheng Industry Co., Ltd. Mr Zhang previously worked as Deputy General Manager and Executive Deputy General Manager of Jiangsu Jinsheng Industry, Executive Deputy General Manager of Saurer (Jintan), and Technical Director and Executive Deputy Director of Jintan Textile Machinery General Plant. Mr Zhang has extensive experience in both R&D and management. Before joining Jinsheng, he worked for the Jintan Diesel Engine plant under Changzhou Diesel Engine Group and was in charge of the design of processes and special process equipment, factory technical upgrading and technical management.
Jin Hao	Supervisor of the Company and Vice-President and Chief Legal Officer of Jiangsu Jinsheng Industry Co., Ltd. Mr Jin has worked as a lawyer in a number of well-known Chinese and foreign law firms.
Pei Guoqing	Employee Supervisor of the Company. Mr Pei concurrently serves as Deputy General Manager of Saurer (Changzhou) Textile Machinery Co., Ltd. Mr Pei previously worked at Jintan Textile Machinery General Plant, Jiangsu Province, and Jiangsu Jinsheng Industry Co., Ltd.
Guan Ye	Chief Operating Officer of the Company. Mr Guan once worked in internationally renowned companies such as the US company Ingersoll Rand, TI Automotive and P&G, serving as President of Ingersoll-Rand Fu Hsing Holdings., Ltd, Director of Asia Pacific Operations for Ingersoll Rand Industrial Technologies and Ingersoll Rand Security Technologies, two divisions of Ingersoll Rand, and Vice-President of TI Automotive's China business.
Zeng Zhengping	Secretary of the Board of Directors of the Company. Mr Zeng used to be Chief Financial Officer of ZF (China) Investment Co., Ltd.
Lu Yimin	Chief Financial Officer of the Company. Ms Lu previously worked at Jiangsu Jinsheng Industry Co., Ltd, where she was Vice-President of the company and Chief Financial Officer of the Overseas Segment. She also worked for PwC China and PwC USA, holding the posts of M&A Consulting Director, Senior Manager and Manager.
Peter Moser	Chief Human Resources Officer of the Company. Peter Moser formerly worked as Senior Vice President Human Resources for Leica Geosystems (Switzerland). Prior to joining Saurer he served as Executive Vice-President of Human Resources at Swissport International Ltd. (Switzerland)

Note: The Company completed its major asset restructuring and asset purchase via share issuance in September 2017. During the same month, the re-election of the Board of Directors and the replacement of Senior Executives was completed as well.

# SECTION 7.

## DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

### II. Employment of Directors, Supervisors and Senior Executives in Service or Leaving the Company During the Reporting Period

#### (1). Posts in the Shareholding Company

Name	Name of shareholding company	Post held	Start of term	End of term
Pan Xueping	Jiangsu Jinsheng Industry Co., Ltd	Chairman and Chief Executive Officer	2000-12	/
Zhang Yueping	Jiangsu Jinsheng Industry Co., Ltd	Director and Deputy General Manager	2000-12	/
Jin Hao	Jiangsu Jinsheng Industry Co., Ltd	Supervisor, Vice President, Chief Legal Officer	2013-3	/
Pei Guoqing	Jiangsu Jinsheng Industry Co., Ltd	Supervisor	2000-12	/
Lu Yimin	Jiangsu Jinsheng Industry Co., Ltd	Vice President and Chief Financial Officer of Overseas Segment	2014-9	2017-11-28

#### (2). Posts in Other Entities

Name	Name of other entities	Post held	Start of term	End of term
Pan Xueping	Xinjiang Litai Silk Road Investment Co., Ltd	Chairman	2015-4	/
Pan Xueping	Kuitun Litai Silk Road Investment Co., Ltd	Chairman	2015-5	/
Pan Xueping	Litai Xingshi (Taicang) Holding Co., Ltd	Chairman	2015-3	/
Pan Xueping	Jiangsu Jintan Zhonghe Investment Co., Ltd	Deputy Chairman	2015-1	/
Pan Xueping	Taicang Litai Textile Factory Co., Ltd	Chairman	2008-6	/
Pan Xueping	EMAG (China) Machinery Co., Ltd	Chairman	2010-11	/
Pan Xueping	Jiangsu Weier Technology Co., Ltd	Chairman	2006-3	/
Pan Xueping	Litai Silk Road Holding Co., Ltd	Chairman	2015-3	/
Pan Xueping	Heberlein Ceramic Materials Co., Ltd	Executive Director	2015-1	/
Pan Xueping	Jiangsu Changjin Investment Co., Ltd	Chairman and General Manager	2009-10	/
Pan Xueping	Jiangsu Jinsheng Automobile Air Conditioner Pipe Parts Co., Ltd	Executive Director	2003-4	/
Pan Xueping	Jiangsu Jinsheng Asset Management Co., Ltd	Executive Director	2015-10	/
Pan Xueping	Changzhou Jintan Changsheng Investment Co., Ltd	Chairman	2017-11	/
Pan Xueping	KOEPFER (Changzhou) Transmission Technology Co., Ltd	Chairman	2013-11	/
Pan Xueping	KOEPFER (Jintan) Transmission Technology Co., Ltd	Chairman	2013-11	/
Pan Xueping	Xinjiang Jinsheng Enterprise Management Co., Ltd	Executive Director	2017-4	/
Pan Xueping	Shanghai Shenglun Enterprise Management Co., Ltd	Executive Director	2018-2	/
Zhang Yueping	Xinjiang Litai Silk Road Investment Co., Ltd	Director	2015-4	/
Zhang Yueping	Jiangnan Financial Leasing Co., Ltd	Supervisor	2015-5	/
Zhang Yueping	Litai Xingshi (Taicang) Holding Co., Ltd	Director	2015-3	/
Zhang Yueping	EMAG (China) Machinery Co., Ltd	Director	2010-11	/
Zhang Yueping	Taicang Litai Textile Factory Co., Ltd	Deputy Chairman	2008-6	/
Zhang Yueping	Kuitun Litai Silk Road Investment Co., Ltd	Director	2015-5	/
Zhang Yueping	Jiangsu Jintan Zhonghe Investment Co., Ltd	Chairman of the Board of Supervisors	2015-1	/
Zhang Yueping	Jintan Huamao Jinsheng Technology Development Co., Ltd	Chairman and General Manager	2010-10	/
Zhang Yueping	Jiangsu Well Biotech Co., Ltd	Chairman and General Manager	2010-9	/
Zhang Yueping	KOEPFER (Changzhou) Transmission Technology Co., Ltd	Director	2013-11	/
Zhang Yueping	Taicang Litai Textile Technology Co., Ltd	Executive Director	2014-5	/
Zhang Yueping	Litai Silk Road Holding Co., Ltd	Director	2015-3	/
Zhang Yueping	Changzhou Jintan Changsheng Investment Co., Ltd	Director	2017-11	/
Zhang Yueping	Jiangsu Fine Work Auto Parts Co., Ltd	Director	2006-12	/
Zhang Yueping	Jiangsu Changjin Investment Co., Ltd	Director	2009-10	/
Zhang Yueping	Jiangsu Weier Technology Co., Ltd	Director	2006-3	/
Zhang Yueping	Xinjiang Jinsheng Enterprise Management Co., Ltd	General Manager	2017-4	/
Zhang Yueping	Jiangsu Jinsheng International Industries Co., Ltd	Executive Director	2017-6	/
Zhang Yueping	KOEPFER (Jintan) Transmission Technology Co., Ltd	Director	2013-11	/

## SECTION 7.

# DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

Name	Name of other entities	Post held	Start of term	End of term
Jin Hao	Xinjiang Litai Silk Road Investment Co., Ltd	Supervisor	2015-4	/
Jin Hao	Litai Xingshi (Taicang) Holding Co., Ltd	Supervisor	2015-3	/
Jin Hao	Kuitun Litai Silk Road Investment Co., Ltd	Supervisor	2015-5	/
Jin Hao	Jiangsu Jinsheng Asset Management Co., Ltd	Supervisor	2015-10	/
Jin Hao	Litai Silk Road Holding Co., Ltd	Supervisor	2015-3	/
Jin Hao	Heberlein Ceramic Materials Co., Ltd	Supervisor	2015-1	/
Jin Hao	Xinjiang Jinsheng Enterprise Management Co., Ltd	Supervisor	2017-4	/
Jin Hao	Jiangsu Jinsheng International Industries Co., Ltd	Supervisor	2017-6	/
Pei Guoqing	Jiangsu Fine Work Auto Parts Co., Ltd	Supervisor	2006-12	/
Pei Guoqing	Jiangsu Weier Technology Co., Ltd	Supervisor	2006-3	/
Chen Jieping	Shanghai La Chapelle Fashion Co., Ltd	Independent Non-executive Director	2017-5-12	2020-5-11
Chen Jieping	Shenzhen WorldUnion Properties Consultancy Incorporated	Independent Non-executive Director	2013-9-12	2019-9-7
Chen Jieping	HJ Capital (International) Holdings Company Limited (formerly iOne Holdings Limited)	Independent Non-executive Director	2014-7-21	2020-7-20
Chen Jieping	Jinmao (China) Hotel Investments and Management Limited	Independent Non-executive Director	2014-3-25	2020-4-24
Xie Manlin	Jiangsu Xie Manlin Law Firm	Director of Law Firm	1994-12	/
Xie Manlin	Nanjing Putian Telecommunications Co., Ltd	Independent Director	2017-8-23	2020-8-23
Xie Manlin	Jiangsu NandaSoft Technology Company Limited	Independent Director	2011-6-10	2020-12-29

### III. Annual Remuneration of the Directors, Supervisors and Senior Executives

Decision-making procedure	The annual payable remuneration of Directors, Supervisors and Senior Executives is proposed by the Remuneration and Nomination Committee and submitted to the Board of Directors for approval. The remuneration of Directors, Supervisors and Senior Executives shall also be examined and approved by the AGM if it's within AGM's approval scope.
Basis	Members of the 9th Board of Directors receive a Director's allowance from the Company. However, if a Non-independent Director holds a position in the Company, he will receive remuneration according to his post and will not be granted an additional allowance. Members of the 9th Board of Supervisors receive a Supervisor's allowance from the Company. However, if a Supervisor holds a position in the Company, he will receive remuneration according to his post and will not be granted an additional allowance. Senior Executives of the Company receive remuneration according to the related personnel regulations for their posts, and the remuneration is composed of the base pay plus performance bonus.
Remuneration payable	For details, please refer to "Shareholding Changes and Remuneration of Directors, Supervisors and Senior Executives in Service or Leaving the Company During the Reporting Period"
Total remuneration actually received by the Directors, Supervisors and Senior Executives by the end of reporting period	RMB 11.5271 million (before tax)

# SECTION 7.

## DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

### IV. Change in Directors, Superiors and Senior Executives

Name	Position	Change	Reason of change
Pan Xueping	Chairman	Elected	Restructuring
Clement Woon	Director	Elected	Restructuring
Stefan Kross	Director	Elected	Restructuring
Chen Jieping	Independent Director	Elected	Restructuring
Xie Manlin	Independent Director	Elected	Restructuring
Zhang Yueping	Chairman of the Board of Supervisors	Elected	Restructuring
Jin Hao	Supervisor	Elected	Restructuring
Pei Guoqing	Supervisor	Elected	Restructuring
Clement Woon	CEO	Hired	Restructuring
Guan Ye	Chief Operating Officer	Hired	Restructuring
Zeng Zhengping	Chief Financial Officer and Secretary of the Board	Hired	Restructuring
Zeng Zhengping	Chief Financial Officer	Left office	Operating needs of the Company
Peter Moser	Chief Human Resources Officer	Hired	Restructuring
Lu Yimin	Chief Financial Officer	Hired	Operating needs of the Company
Wu Tao	Former General Manager	Hired	Operating needs of the Company
Wu Tao	Former Director	Elected	Operating needs of the Company
Wang Changhui	Former Director	Elected	Operating needs of the Company
Liu Jun	Former Chairman	Left office	Restructuring
Yi Yongqin	Former Director	Left office	Resigned from the post
Li Zhijun	Former Director	Left office	Restructuring
Yin Weige	Former Director	Left office	Restructuring
Lan Jianxin	Former Director	Left office	Restructuring
Wu Tao	Former Director	Left office	Restructuring
Wang Changhui	Former Director	Left office	Restructuring
Wang Xin'an	Former Independent Director	Left office	Restructuring
Zhan Lei	Former Independent Director	Left office	Restructuring
Li Ting	Former Independent Director	Left office	Restructuring
Zhang Yuhe	Former Chairman of the Board of Supervisors	Left office	Restructuring
Zhao Mingfang	Former Supervisor	Left office	Restructuring
Long Xia	Former Supervisor	Left office	Restructuring
Lv Jiangmin	Former Supervisor	Left office	Restructuring
Xu Yan	Former Supervisor	Left office	Restructuring
Wu Tao	Former General Manager	Left office	Restructuring
Li Zhongliang	Former Deputy General Manager, former Chief Engineer	Left office	Restructuring
Mo Chunlei	Former Deputy General Manager	Left office	Restructuring
Xie Qiang	Former Deputy General Manager	Left office	Restructuring
Zhao Yonggang	Former Deputy General Manager	Left office	Restructuring
Li Ruofan	Former Board Secretary	Left office	Restructuring
Zhang Bo	Former Chief Accountant	Left office	Restructuring
An Zhonghong	Former Chief Economist	Left office	Restructuring

# SECTION 7.

## DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

### V. Profile of Employees of the Parent Company and Major Subsidiaries

#### (1). Employees

Number of employees in service in the parent company	13
Number of employees in service in the main subsidiaries	4,471
Total number of employees in service	4,484
Number of retired employees to be covered by the parent company and main subsidiaries	0

#### Professional composition

Category of professional composition	Number of professionals
Production personnel	1,917
Procurement personnel	148
Warehousing and logistics personnel	295
Quality personnel	213
Customer service personnel	628
Sales personnel	457
R&D personnel	416
Administrative personnel	410
Total	4,484

#### Educational background

Category of educational background	Number (people)
Master's degree or above	452
Bachelor's degree	742
Other education below university level	3,290
Total	4,484

Note: The number of employees does not include outsourced workers.

#### (2). Compensation Policy

Saurer provides employees with market-competitive compensation and social benefits. The Company awards annual performance bonuses based both on individual performance and that of the Company. For employees achieving an outstanding performance, the Company offers promotion as well as salary adjustments. At the same time, the Company also provides long-term incentives for employees. In Europe, for example, in addition to contributions made for statutory pension schemes, the Company funds additional pension plans based on local labour market regulations. It also strives to motivate employees in a number of different ways, including developing strategies for employee retention and profit sharing.

## SECTION 7.

# DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

### (3). Training Scheme

1. Saurer has set up a training system to help employees acquire new knowledge and skills and to grow their careers. In addition to a multichannel strategy to facilitate employee communication, the Company has established training and succession plans based on identification of internal key talent and has put career development programmes in place.

2. The Company has improved its training system for new employees. Newly recruited employees are given instruction and training by experienced staff. Instruction includes on-the-job training, technical skills training, and appraisal and evaluation. The Company also makes arrangements for employees to participate in a wide range of industrial management training opportunities, and technical exchange meetings are held regularly to encourage employees to expand their contacts in the industry while enhancing their business skills. These events raise employees' awareness of the needs of both the industry and the Company.

3. The Company has set up professional training programmes based on the identification of internal key talent in collaboration with globally reputed institutions such as SinaLingua, Metaplan and the China Europe International Business School. The Company has also established training courses in leadership, strategic planning and organizational capacity building to help key employees better manage their teams and to cultivate personnel with management potential. To foster development of mid-level employees, Saurer has organized international management training programmes focusing on project management and working across cultures. The Company has also set up a series of training courses for new managers focused on encouraging leadership and collaborative skills.

### (4). Labour Outsourcing

Total working hours of labour outsourcing	1,993,536
Total remuneration paid for labour outsourcing	RMB 153,379,080

# SECTION 8.

## CORPORATE GOVERNANCE REPORT

### I. Corporate Governance

#### (1). Corporate Governance

During the reporting period, the Company formulated the Articles of Association and other rules and regulations based on the actual situation of the Company. These measures improved the corporate governance structure and standardized operations in strict accordance with the Company Law and Securities Law, the Code of Corporate Governance for Listed Companies and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, the Special Committees of the Board of Directors and the Senior Executives of the Company did their part in accordance with the law to safeguard the interests of investors and the Company. Corporate governance is in line with the requirements of the Code of Corporate Governance for Listed Companies and other relevant regulations.

##### 1. Shareholders and Shareholders' General Meetings

During the reporting period, the Company convened and held shareholders' meetings in strict accordance with the relevant laws and regulations, the Articles of Association and the Rules of Procedure of the Shareholders' General Meeting. Matters given careful consideration included voting procedures, the equal treatment of all investors, effective protection of the legitimate rights and interests of small and medium-sized shareholders as well as ensuring that every shareholder had the right to know and participate in company matters and exercise their voting rights in accordance with the law.

##### 2. Controlling Shareholder and the Listed Company

During the reporting period, the controlling shareholder of the Company conscientiously performed his fiduciary duty, acted legally and compliantly, exercised his right as a shareholder at shareholders' meetings and did not directly, or indirectly, interfere with Company business activities and decision-making beyond the Shareholders' General Meeting and of the Board of Directors.

##### 3. Directors and the Board of Directors

During the reporting period, the Company successfully completed the re-election of the Board of Directors. The number of members and composition of the Board of Directors complies with all the relevant laws and regulations and requirements of the Articles of Association. The Board of Directors carried out its work in strict accordance with all the relevant laws and regulations, the Articles of Association, the Rules of Procedure of the Board, the Work System for Independent Directors and the Implementation Details for the Special Committees of the Board of Directors. All Directors performed their duties in good faith and diligence and received related training. Independent Directors performed their duties independently to safeguard the overall interests of the Company and shareholders, and issued independent opinions on important and significant issues. The

Strategy, Audit and Remuneration and Nomination Committees under the Board of Directors fulfilled their remits, providing adequate protection for the scientific decision-making of the Board and reducing risks.

##### 4. Supervisors and the Board of Supervisors

During the reporting period, the Company successfully completed the re-election of the Board of Supervisors. The number of members and composition of the Board of Supervisors complied with all the relevant laws and regulations and the requirements of the Articles of Association. The Board of Supervisors carried out work in strict accordance with the relevant laws and regulations, the Articles of Association and the Rules of Procedure for the Board of Supervisors. They effectively supervised the Company's financial operations and ensured the lawful compliance of Directors and Senior Executives in the performance of their duties and acted to safeguard the overall interests of the Company and its shareholders.

##### 5. Information Disclosure Management and Investor Relations Management

During the reporting period, the Company 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. This was done in strict accordance with the relevant laws and regulations, such as the Company Law and Securities Law, the Administrative Measures for the Disclosure of Information by Listed Companies and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. Disclosures included the provisions regarding company regulations, such as the Articles of Association, the Information Disclosure Management System, the Information Disclosure Delay and Exemption Business Management System and Investor Relations Management. These disclosures were made to ensure full Company transparency and also to warrant 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 with investors through various channels such as the investor hotline, email, the Shanghai Stock Exchange's e-interaction platform and investor meetings or road shows. The Company values the opinions and suggestions of investors and safeguards the legitimate rights and interests of all investors.

##### 6. Improvements to governance systems

To comply with the latest laws, regulations and requirements, as well as the actual situation of the Company, revisions, improvements and additions were made to the Company governance systems during the reporting period in a timely manner. These included the Articles of Association, the Rules of Procedure of the Shareholders' General Meetings, the Rules of Procedure of the Board of Directors, and External Investment Management, Related-Party Transaction Management, Investor Relations

## SECTION 8.

# CORPORATE GOVERNANCE REPORT

Management and an Information Disclosure Management System. These changes laid a solid foundation for the legality, compliance and orderliness of Company operations and those of the Boards of Directors and Supervisors, the Shareholder's General Meetings, information disclosure, investor relations management and other corporate governance work.

### (2). Insider Information Registration Management

During the reporting period, the Company was in strict compliance with the relevant laws and regulations governing insider information and the Insider Registration Management System, the registration and recording of relevant personnel involved with insider information about periodic Company reports, major asset restructuring and other relevant issues. During the reporting period, there was no occurrence of the use of insider information to buy or sell Company shares before disclosure of material and sensitive information that might have affected the Company share price. No investigations were made of the Company by the regulatory authorities, and there were no requests made for any rectification during this period.

## II. Extraordinary Shareholders' General Meetings and Annual Shareholders' General Meeting

Session	Date	Reference website	Disclosure date
First EGM in 2017	23 January 2017	Website of Shanghai Stock Exchange (www.sse.com.cn), Ad hoc 2017-006	24 January 2017
Second EGM in 2017	20 March 2017	Website of Shanghai Stock Exchange (www.sse.com.cn), Ad hoc 2017-018	21 March 2017
AGM for 2016	21 April 2017	Website of Shanghai Stock Exchange (www.sse.com.cn), Ad hoc 2017-028	22 April 2017
Third EGM in 2017	12 July 2017	Website of Shanghai Stock Exchange (www.sse.com.cn), Ad hoc 2017-052	13 July 2017
Fourth EGM in 2017	21 August 2017	Website of Shanghai Stock Exchange (www.sse.com.cn), Ad hoc 2017-065	22 August 2017
Fifth EGM in 2017	11 September 2017	Website of Shanghai Stock Exchange (www.sse.com.cn), Ad hoc 2017-075	12 September 2017
Sixth EGM in 2017	27 September 2017	Website of Shanghai Stock Exchange (www.sse.com.cn), Ad hoc 2017-091	28 September 2017

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

# SECTION 8.

## CORPORATE GOVERNANCE REPORT

### III. Board Matters

#### (1). Directors' Attendance at Board Meetings and Shareholders' Meetings

Director name	Independent Director	Attendance at Board meetings						Attendance at shareholders' meetings	
		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	3	3	1	0	0	No	1	
Clement Woon	No	3	3	1	0	0	No	0	
Stefan Kross	No	3	3	1	0	0	No	0	
Chen Jieping	Yes	3	3	1	0	0	No	1	
Xie Manlin	Yes	3	3	1	0	0	No	0	
Liu Jun	No	13	13	4	0	0	No	6	
Yin Weige	No	13	13	4	0	0	No	6	
Li Zhijun	No	13	13	4	0	0	No	6	
Lan Jianxin	No	13	13	4	0	0	No	5	
Wang Xin'an	Yes	13	13	6	0	0	No	4	
Zhan Lei	Yes	13	13	4	0	0	No	6	
Li Ting	Yes	13	13	6	0	0	No	5	
Yi Yongqin	No	8	6	3	1	1	No	3	
Wu Tao	No	4	4	0	0	0	No	2	
Wang Changhui	No	4	4	0	0	0	No	1	

Number of Board meetings held in 2017	16
Including: number of on-site meetings	8
Number of meetings by correspondence	5
Number of on-site meetings combined with other methods of correspondence	3

#### IV. Important Opinions and Suggestions Put Forward by the Special Committees Attached to the Board of Directors during the Reporting Period

During the reporting period, the Special Committees attached to the Board of Directors performed their duties conscientiously in accordance with the provisions of their respective work rules, actively and effectively supported the Company's standard operations and promoted the productive development of the Company. During the reporting period, the Special Committees raised no objections to any matters considered by the Board of Directors.

#### V. Establishment and Implementation of the Appraisal and Incentive Mechanisms for Senior Executives

During the Reporting Period, the Company determined the remuneration for Senior Executives according to the existing plan, which was examined and approved by the Board of Directors. Senior Executives received their remuneration according to the relevant requirements for the positions held, and the remuneration was composed of base pay plus performance bonus. The Company appraised the performance of Senior Executives based on completion of the Company's annual operating plan and the completion of personal work goals. All assessments were made objectively and correctly, and Company performance appraisal plans were co-implemented with the rules and regulations on incentives and penalties.

## SECTION 8.

# CORPORATE GOVERNANCE REPORT

### VI. Disclosure of Internal Control Self-Assessment Report

In accordance with Internal Enterprise Control System and Norms and other related internal control regulations, the Board of Directors assessed the effectiveness of the Company's internal controls in 2017. For details, please refer to the "Saurer Intelligent Technology 2017 Internal Control Evaluation Report" disclosed by the Company through the Shanghai Stock Exchange, the Securities Times, Securities Daily and Shanghai Securities News on 21 April 2018.

### VII. Audit Report for the Company's Internal Control

The Company employed PricewaterhouseCoopers to provide an audit opinion on the effectiveness of its internal control on financial reporting. According to the "Saurer Intelligent Technology 2017 Internal Control Audit Report" issued by PricewaterhouseCoopers, the Company maintained effective internal control on financial reporting in all material aspects in accordance with the Internal Enterprise Control System and Norms and related regulations on 31 December 2017. For details, please refer to "Saurer Intelligent Technology 2017 Internal Control Audit Report" via the Shanghai Stock Exchange, Securities Times, Securities Daily and Shanghai Securities News on 21 April 2018.

# SOLUTIONS DRIVING CUSTOMER SUCCESS

## Linz Textil Holding AG, Linz, Austria

<b>Founded in</b>	1838
<b>Number of employees</b>	2016: 597
<b>Turnover</b>	2016: 113.5 million euro
<b>Number and type of machines/ Number of spindles</b>	4 Zinser roving frames = 672 spindles Zinser FixFlow roving bobbin package transport system with CimTrack 1 22 Zinser compact spinning machines = 32,784 spindles 22 Autoconer 6 = 660 winding units
<b>Production</b>	5,400 tonnes of the finest cotton yarn
<b>Final product</b>	Linz Textil offers first-class products in the areas of textiles, weaving, technical fabrics and yarns, processing top-grade fibres using state-of-the-art spinning technology to form premium yarns.
<b>Market and customer requirements</b>	European spinning and weaving mills employ highly efficient automation and a very small yet highly skilled team in the minimum amount of space to produce quality that very few competitors can match.

“We have opted for the advantages of compact spinning for maximum raw material utilisation, and the Zinser compact spinning system makes this possible through adjustable compacting. We can thus raise the spinning limit for each raw material, permitting better utilisation of the fibre substance. With compact spinning technology from Zinser, we increase productivity by reducing twist while maintaining the tenacity of the yarn. The Zinser self-cleaning compact system is the most economical solution here, because we don't have to factor in downtime for cleaning and servicing and we attain top machine efficiency ratings.”



“With the new, highly efficient cotton spinning mill in Landeck we are one of the most competitive companies in the global market for quality yarns. We are now extremely well equipped to become even more successful in the future.”

**Christian Ascher**, Manager Operations and Production, Spinning Mills Landeck (Linz Textil Holding AG)



# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### Important Notes

#### **English translation of Financial Statements**

The English translation is for reference only. Should there be any inconsistency 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 RMB'000 Yuan unless otherwise stated.

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### Auditor's Report

PwC ZT Shen Zi (2018) No.10083

To the Shareholders of Saurer Intelligent Technology Co., Ltd,

#### Opinion

##### What we have audited

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

- ▶ the consolidated and company balance sheets as at 31 December 2017;
- ▶ the consolidated and company income statements for the year then ended;
- ▶ the consolidated and company cash flow statements for the year then ended;
- ▶ the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- ▶ notes to the financial statements.

##### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Saurer Intelligent as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

#### Basis for Opinion

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

We are independent of Saurer Intelligent in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

#### 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Key audit matters identified in our audit are summarised as follows:

- ▶ Impairment of goodwill and intangible assets with indefinite useful lives;
- ▶ Related party sales.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>(A) Impairment of goodwill and Intangible assets with indefinite useful lives</p> <p>Refer to note 4 (15), note 4 (16) and note 2 (29) (a) to the consolidated financial statements</p> <p>The goodwill and intangible assets with indefinite useful lives (trademarks) of Saurer Intelligent Machinery Co., Ltd was recognised for the acquisition of staple fibre spinning business and component business from OC Oerlikon in 2013. As at 31 December 2017, the carrying value of goodwill and trademarks amounted to RMB 604million and RMB 836million, respectively. Their carrying values represented 4.16% and 5.75% to total assets, and 9.28% and 12.84% to net assets of Saurer Intelligent, respectively.</p> <p>In carrying out the impairment assessment of goodwill and trademarks, Saurer Intelligent use discounted cash flow forecast ("DCF") to determine the recoverable amount of goodwill and trademarks every year. Management assessed whether the recoverable amount of the cash generating unit ("CGU") is lower than its carrying amount. Key assumptions adopted and judgements exercised in the preparation of the DCF mainly included revenue growth rate and discounted rate.</p> <p>We focused on this area because of the significance of goodwill and trademarks balances and the significant judgements and assumptions involved in determining the recoverable amount of the CGU.</p>	<p>In testing the impairment of goodwill and trademark, we performed the procedures as set out below:</p> <ul style="list-style-type: none"> <li>– Understood, evaluated and tested internal process and key controls implemented by management of Saurer Intelligent for the impairment testing of goodwill and trademarks;</li> <li>– Evaluated the reasonableness of financial budget prepared by management by comparing the actual financial performance of current year with the budget used in last years' impairment test;</li> <li>– Evaluated whether the methodology adopted by management to determine CGU is appropriate;</li> <li>– Obtained the DCF model from management, understood and evaluated whether the methodology adopted by management is appropriate;</li> <li>– Obtained key assumptions adopted and judgements exercised in preparation of the DCF model, including sales growth rate and discounting rates. In respect of the financial budget used in the model, we compared it with the actual financial performance of current year, as well as did benchmarking against industry practice and data; in respect of the sales growth rate, we compared them to the historical sales growth rate and industry data. In respect of the discount rates, we compared them to the range independently estimated by us. In addition, we performed sensitivity analysis to evaluate the reasonableness of the key assumptions and parameters adopted by management; and</li> <li>– Tested the mathematical accuracy of underlying DCF calculations.</li> </ul> <p>Based on the above audit procedures performed, we found the key assumptions adopted and estimates made by management in determining the recoverable amounts of goodwill and trademarks to be supportable based on the evidences we gathered.</p>
<p>(B) Related party sales</p> <p>Refer to note 2 (23) and note 8 (4) (b) to the consolidated financial statements</p> <p>In 2017, the total sales of Saurer Intelligent to its related parties, Litai Lions (Taicang) Holdings Co., Ltd and its subsidiaries (collectively known as "Litai Lions") amounted to RMB 820 million, accounting for 9.41% of Saurer Intelligent's total sales of the year. Litai Lions purchased equipments from Saurer Intelligent for its own production and operation.</p> <p>We focused on this area because of the significance of the amount of the related party sales from Saurer Intelligent to Litai Lions, and comparing to third party sales, related party transaction (including transaction pricing) are an audit focus area.</p>	<p>In auditing Saurer Intelligent's sales to Litai Lions, we performed the procedures as set out below:</p> <ul style="list-style-type: none"> <li>– Understood, evaluated and tested the processes of related party transactions and key management internal controls;</li> <li>– Reviewed the sales contracts and interviewed the management to understand and evaluate the pricing policy of related party transactions and its reasonableness and consistency, we also compared the sales to related party with the sales to third parties;</li> <li>– Performed on-site visit to Litai Lions, inspected on the machines purchased from Saurer Intelligent in 2017 on a sample basis, understood the construction plan and progress of Litai Lions' plants, and compared its demand of machines and the installation progress of those machines purchased from Saurer Intelligent;</li> <li>– Conducted tests on the sales from Saurer Intelligent to Litai Lions on a sample basis, by tracing to the risk and rewards clauses in the relevant sales contracts and corresponding supporting documents such as customs declaration documents, invoices, and goods-in-receipts. Tested the revenue recognized before and post year-end to ensure that the relevant sales were recorded in the correct financial period; and</li> <li>– Sent confirmations to Litai Lions to confirm the amount of sales transactions in 2017 and balances as at 31 December 2017 between Saurer Intelligent and Litai Lions.</li> </ul> <p>Based on the above audit procedures we performed, we found Saurer Intelligent's revenue recognition for sales to Litai Lions is in compliance with its revenue recognition accounting policies.</p>

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### Other Information

Management of Saurer Intelligent is responsible for the other information. The other information comprises all of the information included in 2017 annual report of Saurer Intelligent other than the financial statements and our auditor's report thereon.

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

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

### Responsibilities of Management and The Audit Committee for the Financial Statements

Management of Saurer Intelligent is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee are responsible for overseeing Saurer Intelligent's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- ▶ 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 obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Saurer Intelligent'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 these 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 Saurer Intelligent to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Saurer Intelligent 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.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

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 current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP  
Shanghai , the People's Republic of China

Signing CPA

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Jiang Songyi (Engagement Partner)

20 April 2018

Signing CPA

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Rao Shenghua

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### FINANCIAL STATEMENTS

#### CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2017

All amounts in RMB'000 Yuan unless otherwise stated

ASSETS	Note	31 December 2017 Consolidated	31 December 2016 Consolidated	31 December 2017 Company	31 December 2016 Company
<b>Current assets</b>					
Cash at bank and on hand	4 (1), 15 (1)	2,473,431	3,103,780	1,572	693,119
Financial assets at fair value through profit or loss	4 (2)	6,178	1,860	0	0
Notes receivable	4 (3)	127,383	30,893	0	500
Accounts receivable	4 (5), 15 (2)	2,042,921	966,126	0	3,028,724
Advances to suppliers	4 (7), 15 (3)	76,265	63,643	0	33,039
Interest receivable	4 (4)	8,565	24,676	0	0
Dividends receivable	/	0	0	0	37
Other receivables	4 (6), 15 (4)	157,455	36,054	0	2,197,327
Inventories	4 (8)	1,574,625	1,213,840	0	760,248
Other current assets	4 (10)	4,726,641	4,710,506	0	19,837
Total current assets	/	11,193,464	10,151,378	1,572	6,732,831
<b>Non-current assets</b>					
Available-for-sale financial assets	4 (11)	0	51	0	20,000
Long-term receivables	4 (9)	35,240	51,127	0	1,170,042
Long-term equity investments	4 (12), 15 (5)	350	1,082	10,452,842	193,910
Investment property	/	0	0	0	520,417
Fixed assets	4 (13), 15 (6)	846,896	871,519	0	55,677
Construction in progress	4 (14)	208,767	38,727	0	450
Intangible assets	4 (15), 15 (7)	1,315,639	1,208,058	0	16,072
Development costs	4 (15)	51,655	74,569	0	400
Goodwill	4 (16)	603,812	583,884	0	0
Long-term prepaid expenses	4 (17), 15 (8)	3,454	3,705	0	414
Deferred tax assets	4 (18)	67,187	26,738	0	504,762
Other non-current assets	4 (20)	205,308	214,405	0	85,907
Total non-current assets	/	3,338,308	3,073,865	10,452,842	2,568,051
<b>TOTAL ASSETS</b>	/	<b>14,531,772</b>	<b>13,225,243</b>	<b>10,454,414</b>	<b>9,300,882</b>

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2017 Consolidated	31 December 2016 Consolidated	31 December 2017 Company	31 December 2016 Company
<b>Current liabilities</b>					
Short-term borrowings	4 (21)	267,001	878,882	0	1,510,000
Financial liabilities at fair value through profit or loss	4 (2)	7,532	1,082	0	0
Notes payable	/	0	0	0	104,050
Accounts payable	4 (22), 15 (9)	1,492,701	823,976	0	578,655
Advances from customers	4 (23), 8 (5) (b)	1,374,279	843,492	0	268,473
Employee benefits payable	4 (24), 15 (11)	259,705	231,278	308	12,641
Taxes payable	4 (25)	255,681	118,594	33,049	19,258
Interest payable	4 (26)	2,395	2,300	671	5,348
Dividends payable	/	0	0	0	405
Other payables	4 (27), 15 (10)	330,368	228,574	827,547	901,718
Current portion of non-current liabilities	4 (28)	733,286	431,448	0	1,308,250
Other current liabilities	/	0	0	0	1,547,847
Total current liabilities	/	4,722,948	3,559,626	861,575	6,256,645
<b>Non-current liabilities</b>					
Long-term borrowings	4 (29)	2,729,389	2,356,705	0	1,159,125
Provisions	4 (30)	7,770	7,385	0	0
Long-term employee benefits payable	4 (31)	328,688	293,881	0	9,108
Deferred tax liabilities	4 (18)	168,323	150,398	0	0
Special payable	/	0	0	0	59,060
Deferred revenue	4 (32)	69,290	69,290	0	52,190
Total non-current liabilities	/	3,303,460	2,877,659	0	1,279,483
Total liabilities	/	8,026,408	6,437,285	861,575	7,536,128
<b>Owners' equity</b>					
Paid-in capital	4 (33)	1,895,413	1,219,627	1,895,413	675,786
Capital surplus	4 (35) (a)	0	24,022	6,857,481	552,019
Other comprehensive income	4 (34)	-123,388	33,250	1,534	1,534
Special reserve	/	0	0	1,447	1,447
Surplus reserve	4 (35) (b)	48,742	0	205,662	156,920
Retained earnings	4 (36)	386,267	1,253,134	631,302	377,048
Total equity attributable to equity holders of the Company	/	2,207,034	2,530,033	9,592,839	1,764,754
Non-controlling interests	/	4,298,330	4,257,925	0	0
Total owners' equity	/	6,505,364	6,787,958	9,592,839	1,764,754
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	/	<b>14,531,772</b>	<b>13,225,243</b>	<b>10,454,414</b>	<b>9,300,882</b>

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

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### CONSOLIDATED AND COMPANY INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in RMB'000 Yuan unless otherwise stated

Item	Note	31 December 2017 Consolidated	31 December 2016 Consolidated	31 December 2017 Company	31 December 2016 Company
<b>1. Revenue</b>	4 (38), 15 (12)	8,713,412	6,352,754	853,275	2,900,577
Less: Cost of Sales	4 (38), 4 (43) 15 (12)	-6,389,179	-4,735,487	-801,045	-2,753,685
Taxes and surcharges	4 (39)	-28,947	-21,240	-40,791	-9,241
Selling and distribution expenses	4 (40), 4 (43)	-595,694	-444,839	-6,047	-14,058
General and administrative expenses	4 (41), 4 (43)	-686,425	-598,310	-154,502	-86,301
Financial income - net	4 (42), 15 (13)	52,989	48,830	-114,837	-154,107
Asset impairment losses	4 (46)	-52,697	-32,103	-54,173	-453,147
Add: Gains/(losses) on changes in fair value	4 (44)	0	64,101	0	0
Investment income/(losses)	4 (45)	11,342	-54,908	770,591	6,314
Including: Shares of (losses)/income in associates and joint ventures	/	-740	-395	0	156
(Losses)/income of assets disposal	4 (48)	-1,318	1,282	278	-90
Other income	/	0	0	0	0
<b>2. Operating profit</b>	/	<b>1,023,483</b>	<b>580,080</b>	<b>452,749</b>	<b>-563,738</b>
Add: Non-operating income	4 (47)	4,192	102,099	8,242	12,984
Less: Non-operating expenses	4 (48)	-31,290	-11,661	-1,156	-1,386
<b>3. Profit before tax</b>	/	<b>996,385</b>	<b>670,518</b>	<b>-459,835</b>	<b>-552,140</b>
Less: Income tax expenses	4 (49)	-246,868	-167,533	27,583	89,818
<b>4. Net profit</b>	/	<b>749,517</b>	<b>502,985</b>	<b>487,418</b>	<b>-462,322</b>
Classification by business continuity					
- Net income from continuing operations	/	749,157	502,985	487,418	-462,322
- Net income from discontinuing operations	/	0	0	0	0
Classification by attribution of the ownership					
- Attributable to equity holders of the Company	/	658,327	474,917		
- Non-controlling interests	/	91,190	28,068		
<b>5. Other comprehensive income, net of tax</b>	<b>4 (34)</b>	<b>-156,147</b>	<b>3,528</b>	<b>0</b>	<b>1,534</b>
Other comprehensive income attributable to equity holders of the Company					
Other comprehensive income items which will not be reclassified subsequently to profit or loss	/	10,077	-19,587	0	1,534
- Changes in measurement of defined benefit plans assets/liabilities	/	10,077	-19,587	0	1,534
Other comprehensive income items which will be reclassified subsequently to profit or loss	/	-166,715	22,586	0	0
- Effective part of cash flow hedges	/	249	-271	0	0
- Foreign currency translation difference	/	-166,964	22,857	0	0
Other comprehensive income attributable to non-controlling interests, net of tax	/	491	529	0	0
<b>6. Total comprehensive income</b>	/	<b>593,370</b>	<b>506,513</b>	<b>487,418</b>	<b>-460,788</b>
- Attributable to equity holders of the Company	/	501,689	477,916	0	0
- Attributable to non-controlling interests	/	91,681	28,597	0	0
<b>7. Earnings per share</b>					
Basic earnings per share (in yuan)	/	0.4556	0.3894	0	0
Diluted earnings per share (in yuan)	/	0.4556	0.3894	0	0

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

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### CONSOLIDATED AND COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in RMB'000 Yuan unless otherwise stated

Item	Note	31 December 2017 Consolidated	31 December 2016 Consolidated	31 December 2017 Company	31 December 2016 Company
<b>1. Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services	/	8,560,567	8,197,139	1,621,297	3,816,449
Cash received relating to other operating activities	4 (50) (a)	15,654	110,796	98,993	120,742
Sub-total of cash inflows	/	8,576,221	8,307,935	1,720,290	3,937,191
Cash paid for goods and services	/	-5,367,987	-4,181,023	-1,324,318	-3,164,977
Cash paid to and on behalf of employees	/	-1,571,943	-1,344,039	-75,254	-96,472
Payments of taxes and surcharges	/	-315,033	-181,398	-62,856	-184,366
Cash paid relating to other operating activities	4 (50) (b)	-645,101	-396,737	-127,131	-786,809
Sub-total of cash outflows	/	-7,900,064	-6,103,197	-1,589,559	-4,232,624
Net cash flows from/(used in) operating activities	4 (51) (a), 15 (14) (a)	676,157	2,204,738	130,731	-295,433
<b>2. Cash flows from investing activities</b>					
Cash received from restricted cash and deposit	/	914,297	976,589	0	0
Cash received from investment income	/	0	0	1,326	6,120
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	/	1,324	16,779	297	138,770
Cash received from disposal of subsidiaries and other operating units	4 (51) (c)	30,585	368,118	0	63,581
Interest received	/	192,638	322,335	0	0
Cash received from repayment by related parties	/	0	2,780,798	0	0
Cash received from repayment by third parties	/	800,000	0	0	0
Cash received relating to other investing activities	4 (50) (c)	9,315,396	8,568	0	0
Sub-total of cash inflows	/	11,254,240	4,473,187	1,623	208,471
Cash paid to acquire fixed assets, intangible assets and other long-term assets	/	-396,885	-240,460	-1,244	-5,890
Cash paid to acquire investments	/	0	0	-715,342	-51,000
Cash paid for loans to related parties	/	0	-1,808,160	0	0
Cash paid for loans to third parties	/	-926,077	0	0	0
Cash paid for restricted cash and deposit	/	-351,670	-892,027	0	0
Cash paid relating to other investing activities	4 (50) (d)	-9,250,000	-4,563,000	-601,091	-18,206
Sub-total of cash outflows	/	-10,924,632	-7,503,647	-1,317,677	-75,096
Net cash flows from/(used in) investing activities	/	329,608	-3,030,460	-1,316,054	133,375

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

<b>3. Cash flows from financing activities</b>					
Cash received from capital contributions	/	0	4,200,000	0	0
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	/	0	4,200,000	0	0
Cash received from bank borrowings	/	1,564,858	1,217,046	2,555,000	2,845,000
Cash received from related party borrowings	/	0	319,665	811,789	0
Cash received from other financing activities	4 (50) (e)	184,422	0	480,000	500,000
Sub-total of cash inflows	/	1,749,280	5,736,711	3,846,789	3,345,000
Cash repayments of bank borrowings	/	-1,834,182	-2,183,361	-2,228,425	-2,659,750
Cash paid for repayment of related party borrowings	/	0	-603,104	0	0
Dividend distributed to non-controlling interests of subsidiaries	/	-295,093	-166,917	-311,693	-231,301
Including: Dividend distributed to non-controlling interests of subsidiaries	/	0	0	0	0
Cash paid to acquire non-controlling interests of subsidiaries	4 (37)	-715,342	-55,997	0	0
Cash paid for other financing activities	/	0	0	-780,000	-839,680
Sub-total of cash outflows	/	-2,844,617	-3,009,379	-3,320,118	-3,730,731
Net cash flows from/(used in) financing activities	/	-1,095,337	2,727,332	526,671	-385,731
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	/	<b>21,850</b>	<b>11,833</b>	<b>0</b>	<b>0</b>
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	<b>4 (51) (e), 15 (14) (c)</b>	<b>-67,722</b>	<b>1,913,443</b>	<b>-658,652</b>	<b>-547,789</b>
Add: Cash and cash equivalents at the beginning of the year	/	2,125,438	211,995	660,224	1,208,013
<b>6. Cash and cash equivalents at the end of the year</b>	<b>4 (51) (d), 15 (14) (d)</b>	<b>2,057,716</b>	<b>2,125,438</b>	<b>1,572</b>	<b>660,224</b>

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

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in RMB'000 Yuan unless otherwise stated

Item	Note	Equity attributable to the parent company					Non-controlling interests	Total owners' equity
		Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits		
<b>Balance at 1 January 2016</b>	<b>4 (33)</b>	<b>1,219,627</b>	<b>0</b>	<b>30,251</b>	<b>0</b>	<b>778,217</b>	<b>29,328</b>	<b>2,057,423</b>
<b>Movements for the year ended 31 December 2016</b>								
Comprehensive income								
Net profit	/	0	0	0	0	474,917	28,068	502,985
Other comprehensive income	4 (34)	0	0	2,999	0	0	529	3,528
Total comprehensive income		0	0	2,999	0	474,917	28,597	506,513
Capital contribution and withdrawal by owners								
Capital investment of minority shareholders of subsidiaries	6 (1) (b)	0	0	0	0	0	4,200,000	4,200,000
Expenses paid by the parent company on behalf of the Group	4 (35)	0	24,022	0	0	0	0	24,022
<b>Balance at 31 December 2016</b>	<b>/</b>	<b>1,219,627</b>	<b>24,022</b>	<b>33,250</b>	<b>0</b>	<b>1,253,134</b>	<b>4,257,925</b>	<b>6,787,958</b>

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

### CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in RMB'000 Yuan unless otherwise stated

Item	Note	Equity attributable to the parent company					Non-controlling interests	Total owners' equity
		Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits		
<b>Balance at 1 January 2017</b>		<b>1,219,627</b>	<b>24,022</b>	<b>33,250</b>	<b>0</b>	<b>1,253,134</b>	<b>4,257,925</b>	<b>6,787,958</b>
<b>Movements for the year ended 31 December 2017</b>								
Comprehensive income								
Net profit	/	0	0	0	0	658,327	91,190	749,517
Other comprehensive income	4 (34)	0	0	-156,030	0	0	491	-155,539
Transfer out from disposal of subsidiaries	/	0	0	-608	0	0	-34,619	-35,227
Total comprehensive income	/	0	0	-156,638	0	658,327	57,062	558,751
Capital contribution and withdrawal by owners								
The impact of restructuring deals	5 (1)	675,786	-24,022	0	0	-891,100	113,333	-126,003
Purchase of non-controlling interests of subsidiaries	4 (37)	0	0	0	0	-585,352	-129,990	-715,342
Profit distribution								
Appropriation to surplus reserves	4 (35) (b)	0	0	0	48,742	-48,742	0	0
<b>Balance at 31 December 2017</b>	<b>/</b>	<b>1,895,413</b>	<b>0</b>	<b>-123,388</b>	<b>48,742</b>	<b>386,267</b>	<b>4,298,330</b>	<b>6,505,364</b>

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

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in RMB'000 Yuan unless otherwise stated

Item	Note	Paid-in capital	Capital surplus	Other comprehensive income	Special Reserve	Surplus reserve	Undis-tributed profits	Total owners' equity
<b>Balance at 1 January 2016</b>	/	675,786	551,092	0	1,556	156,920	873,159	2,258,513
<b>Movements for the year ended 31 December 2016</b>								
Total comprehensive income								
Net profit	/	0	0	0	0	0	-462,322	-462,322
Other comprehensive income	/	0	0	1,534	0	0	0	1,534
Total comprehensive income	/	0	0	1,534	0	0	-462,322	-460,788
Profit distribution								
Distribution to shareholders	/	0	0	0	0	0	-33,789	-33,789
Special reserve								
Withdrawal in current period	/	0	0	0	52,964	0	0	52,964
Utilization in current period	/	0	0	0	-53,073	0	0	-53,073
Others	/	0	927	0	0	0	0	927
<b>Balance at 31 December 2016</b>	/	675,786	552,019	1,534	1,447	156,920	377,048	1,764,754

Item	Note	Paid-in capital	Capital surplus	Other comprehensive income	Special Reserve	Surplus reserve	Undis-tributed profits	Total owners' equity
<b>Balance at 1 January 2017</b>	/	675,786	552,019	1,534	1,447	156,920	377,048	1,764,754
<b>Movements for the year ended 31 December 2017</b>								
Total comprehensive income								
Net profit	/	0	0	0	0	0	487,418	487,418
Other comprehensive income	/	0	0	0	0	0	0	0
Total comprehensive income	/	0	0	0	0	0	487,418	487,418
Capital contribution and withdrawal by owners								
Capital contribution by owners	5 (1)	1,219,627	6,305,462	0	0	0	0	7,525,089
Profit distribution								
Distribution to shareholders	5 (1)	0	0	0	0	0	-184,422	-184,422
Appropriate surplus reserve	4 (35) (b)	0	0	0	0	48,742	-48,742	0
Special reserve								
Withdrawal in current period	/	0	0	0	1,109	0	0	1,109
Utilization in current period	/	0	0	0	-1,109	0	0	-1,109
<b>Balance at 31 December 2017</b>	/	1,895,413	6,857,481	1,534	1,447	205,662	631,302	9,592,839

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

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### 1 General information

Saurer Intelligent Technology Company Limited (formerly known as “Xinjiang City Construction (Group) Company Limited”, hereinafter “the Company”) is a limited liability company incorporated in 22nd floor, 1st Chengjian Building Urumqi City, Xinjiang Uygur Autonomous Region of the People’s Republic of China.

With the approval from The Committee of Economic System Reform of the Xinjiang Uygur Autonomous Region regarding Article 1992 No.58 “The Approval for ‘The Request to Set Up City Construction and Development Company Limited in Urumqi City’”, the Company was set up by 6 companies or organizations including Urumqi Water Supply Company, Urumqi Municipal Construction Company, Urumqi Municipal Construction Department, The Office of Water Conservation in Urumqi, Urumqi Municipal Construction and Maintenance Department, and Urumqi Suburbs Road Maintenance Department, with target placement to its other legal persons and internal employees. The Company submitted its registration with Urumqi Administration for Industry and Commerce on 25 February 1993, and obtained the “License of the business corporation” No.6500001000005. The registered capital was RMB 7,500,000.00. After 5 times of rights issue and 2 times of capital injection and ownership enlargement, the capital was increased to RMB 100,541,029.00 on 29 August 2000.

In 2003, with the approval from China Securities Regulatory Commission (CSRC) regarding the “Announcement for Public Offering of Xinjiang City Construction Company Limited” (CSRC Issued [2003]75), the Company issued A-shares common stock amounting to 60,000,000.00 shares with face value of RMB 1.00 by fixed pricing to the public in secondary market. The registered total capital has increased to RMB 160,541,029.00.

In 2006, after the resolutions of second Extraordinary General Meeting (EGM) the Company decided to privately issue shares to specific investors. The plan was approved by CSRC in July 2007 in “The Announcement Regarding The Approval For Private Issuing of Shares by Xinjiang City Construction (Group) Company Limited” (CSRC Issued [2007] 177). With the private issuing of 43,000,000.00 common shares, total share capital increased to RMB 203,541,029.00.

With the resolutions of the 2007 Annual General Meeting (AGM), the Company issued 2 bonus shares for every 10 shares; and used the capital reserve to transfer 6 shares for every 10 shares. Upon accomplishing of the issuing, total share capital has increased to RMB 366,373,852.00.

In 2008, after the resolutions of the third Extraordinary General Meeting (EGM) the Company decided to privately issue shares to specific investors. The plan was approved by CSRC in “The Approval For Private Issuing of Shares by Xinjiang City Construction (Group) Company Limited” (CSRC Issued [2008]1450). With private

issuing of 84,150,000.00 common shares, total share capital increased to RMB 450,523,852.00.

With the resolutions 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 675,785,778.00.

With the resolution from the 17th EGM on 28 December 2016 and the first Extraordinary General Meeting (EGM) on 23 January 2017, the approval was given for the “Proposal on the Company’s major asset replacement and issuance of shares to purchase assets and the associated trading scheme”, “Draft report on the Company’s major asset replacement and issuance of shares to purchase assets and the associated trading scheme” and the “Approval of Jiangsu Jinsheng Company Limited being exempted from the offer of increase in shareholdings”, the Company went through a series of major asset restructuring, with plans as follows:

#### (1) Major asset replacement

In August 2017, the Company used all the assets and liabilities as at 31 August 2016 (base date of assets evaluation) excluding cash of RMB 185,000,000.00 (hereinafter “exchange-out assets”) in exchange for 95% of shareholdings held by the 17 shareholders of Saurer Intelligent Machinery Company Limited (hereinafter “Saurer Intelligent Machinery”) excluding Shanghai Yongyun Huachuang Equity Investment Partnership (hereinafter “Shanghai Yongyun”). In this transaction, the assets disposed 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 were distributed as cash dividends to all former shareholders before the Company issued stocks and purchased assets.

#### (2) Undertaking of the assets disposed and transfer of shares

Jiangsu Jinsheng Industry Co. Ltd (hereinafter Jinsheng Industrial) exchange 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 shareholder Urumqi State-owned Asset Management Company (hereinafter “Guo-zi Company”) or the designated third party (hereinafter “Assets Receiver”). As the consideration of the exchange-out assets, Guo-zi Company transferred its 22.11% shares of the Company to Jiangsu Jinsheng Industry Co. Ltd (149,400,432 shares of RMB common share).

#### (3) Issue shares and purchase assets

In August 2017, regarding the difference amounting to RMB 7,525,100,000 arising from major assets exchange mentioned above, Xinjiang City Construction issued to 17 shareholders of Saurer Intelligent Machinery, excluding Shanghai Yongyun, 1,219,627,217 common shares at face value of RMB 1.00 and at an issue price of RMB 6.17. The difference between face value and issue price amounting to RMB 6,305,472,712 was recognised as

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capital reserve. Therefore, the total number of shares increased to 1,895,412,995.

In August 2017, the settlement of exchange-out assets was completed. Meanwhile the exchange of assets in the major asset replacement was completed. Therefore, 25 August 2017 was the settlement day of the major asset replacement.

With the resolutions of the 5th meeting of the 8th term of Board on 25 August 2017 and 5th EGM on 11 September 2017, Xinjiang City Construction was renamed as Saurer Intelligent Technology Company Limited.

The additional registered capital and paid-in capital arising from deals mentioned above was verified by Pricewaterhouse Coopers Zhong Tian LLP with Pricewaterhouse Coopers Zhong Tian LLP Yan Zi (2017) No. 801 capital verification report issued.

The business scope of the Company and its subsidiaries after major assets restructuring covers: production, research and development, and selling of the complete set of intelligent textile equipment; production, research and development, and selling of robot, robot system, robot application technology, and software production; design, production, research, development and sales of automated intelligence equipment; production, research and development, and selling of intelligent packaging machinery; design, production and selling of intelligent electromechanical and information product; providing the related technical consultancy service and technology service; import and export of agent products and technology.

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

Upon completion of deals above, Jiangsu Jinsheng Industry Co. Ltd and other shareholders were holding 45.39% and 54.07% of the Company's equity respectively.

Please refer to Note 6 (1) for relevant information on the Company's subsidiaries.

On 31 December 2017, Jiangsu Jinsheng Industry Co. Ltd is the Company's parent and Changzhou Jintan Changsheng Investment Company was the ultimate holding company.

The financial statements were authorised by the Company's Board of Directors on 20 April 2018.

## 2 Summary of significant accounting policies and accounting estimates

The specific accounting policies and accounting estimates are determined based on the production and management features of the Group, and mainly reflected in inventory valuation method (Note 2 (12)), depreciation of fixed assets and amortization of intangible assets (Note 2 (14), (17)), criteria for capitalisation of development expenditure (Note 2 (17)), the time for revenue recognition (Note 2 (23)), etc. The significant accounting policies listed in these financial statements are consistent with the accounting policies executed by Saurer Intelligent Machinery Co., Ltd.

Key judgements applied by the Group in determining significant accounting policies are stated in Note 2 (29).

### (1) Basis of preparation

(a) The financial statements were prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations (hereafter collectively referred to as "CAS") issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

Based on the "Announcement regarding the implementation of accounting standards 2008" and the "Reply on the accounting standards relating to the indirect listing of a private company acquiring the shareholdings of a public company" issued by The Ministry of Finance, this major asset replacement and the acquisition of assets by share issue is a reverse purchase outside of the Company's scope of business, and it should be recorded as equity transaction. Therefore, the consolidated financial statements have been prepared according to the following accounting principles, and please refer to details in Note 5 (1).

The Group's consolidated financial statement is the continuation of the financial statement of the acquirer (legally the subsidiary), i.e. Saurer Intelligent Machinery, regarding the confirmation and measurement of the book value of the identifiable assets and liabilities before restructuring.

(b) All the identifiable assets and liabilities of the Company (legally the parent company) after asset replacement are recognized and measured at fair value as at the date of restructuring. The difference between the cost of acquisition and the fair value of the identifiable net assets of the Company is adjusted in the capital reserve in the consolidated financial statement, not recognized as goodwill or current period profit or loss.

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(c) The opening balance of the share capital in the consolidated financial statement reflects the amount issued to acquire Saurer Intelligent Machinery.

(d) Except for the opening balance of the share capital, the comparative information in the consolidated financial statement is the comparative information of Saurer Intelligent Machinery and its subsidiaries, the consolidated financial statement of the parent company is recognized and measured at historical book value of the Company.

### (2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the consolidated and the Company as at 31 December 2017 and their financial performance, cash flows and other information for the year ended 31 December 2017.

### (3) Accounting year

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

### (4) Functional currency

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

In preparing the financial statements, the Group regards RMB as its presentation currency in accordance with the translation method detailed in Note 2 (8) (b).

### (5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. If the party being absorbed is acquired from a third party in prior years by the ultimate controlling party, it is based on the book value of the assets and liabilities (including any goodwill generated from the business combination) in the consolidated financial statement of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration

paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. The acquirer shall recognise the positive difference between the combination cost and the fair value of the identifiable net assets it obtains from the acquiree as goodwill and recognise the negative difference in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

### (6) Preparation of consolidated financial statements

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

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, the difference between the long-term equity investment from the acquisition of non-controlling interests from a subsidiary and the net asset share of the subsidiary continuously calculated from the date of acquisition (or the consolidation date) based on the new shareholding is treated as an adjustment to owners' equity (capital surplus). If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and

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the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Intra-group unrealised gains and losses due to the sales from the Company to its subsidiaries are fully offset net profit attributable to shareholders of the parent company; Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the Company in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

Under the circumstances that the Group and its subsidiaries have different accounting policy on a single identical transaction, the subsidiaries will uniform with the Group's accounting policy under consolidation basis.

### (7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (8) Foreign currency translation

#### (a) Foreign currency transaction

Foreign currency transactions are translated into RMB using the approximate exchange rates of the 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 rates on the balance sheet date; exchange differences arising from these translations are recognised in profit or loss for the current period directly, except that the exchange differences arising from specific foreign currency borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation. Non-monetary items denominated in foreign currencies that

are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

#### (b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the 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 overseas operations are translated at the spot exchange rates or the approximate exchange rates of the spot exchange rate at the transaction dates. The differences arising from the above translation are presented separately in the shareholders' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

### (9) Financial instruments

#### (a) Financial assets

##### (i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The Group's financial assets mainly represent financial assets at fair value through profit or loss, receivables and available-for-sale financial assets.

##### - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

##### - Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### - Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

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### (ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are changed into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

### (iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets. It will affect estimated future cash flows of financial assets, and its impact can be reliably measured.

When an impairment loss on a financial asset carried at amortised cost occurs, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If an impairment loss on available-for-sale financial assets measured at fair value incurs, the cumulative losses arising from the decline in fair value that had been recognised directly in owners' equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

If an impairment loss on an available-for-sale financial asset measured at cost incurs, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, and is recognised in profit or loss for the current period. The previously recognised impairment loss will not be reversed in subsequent periods.

### (iv) Derecognition of financial assets

A financial asset is derecognised when any of the following criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

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### (b) Financial liabilities

Financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities at fair value through profit or loss mainly include derivative financial instrument liabilities which are presented as “financial liabilities held for trading” in the balance sheet. The financial liabilities of the Group mainly comprise other financial liabilities, including payables, borrowings.

Payables comprise accounts payables and other payables and are recognised at fair value at initial recognition. Payables are measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with an initial maturity period of less than one year (including one year) are classified as current liabilities; those with an initial maturity period of over one year which will be due within one year (including one year) at the balance sheet date are classified as current portion of non-current liabilities; and the others are classified as non-current liabilities.

A financial liability (or a part of a financial liability) is derecognised when all or part of the obligation is extinguished. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished and the consideration paid, shall be recognised in profit or loss.

### (c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at 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 technique. The Group adopts the most appropriate valuation technique for the situation that have enough available data and other information supports and selects assets or liabilities inputs with consistent characteristics as other market participants in related transactions. Observable inputs are preferred. In the case that relevant observable inputs cannot be obtained or are not feasible to procure in the situation, unobservable inputs are applied.

### (10) Hedging instruments

Hedging instruments represent derivative instruments designated by the Group for hedging to avoid foreign exchange risk and interest rate risk, the changes in the fair value or cash flows of which are expected to offset the changes in the fair value or cash flows of hedged items. Hedging instruments of the Group comprise fair value hedges and cash flow hedges. When hedging instruments meet the following criteria, the Group applies hedge accounting:

(i) At the inception of the transaction, the Group officially designates the hedging relations between hedging instruments and hedged items; and also documents the hedging relations, risk management objectives and hedging strategies; (ii) The hedging expectation is highly effective and is in compliance with the risk management strategy designated initially for the hedging relation by the Group; (iii) The cash flow hedge is applied when the hedged item is highly probable, and the risk of changes on cash flow will finally impact the Group's income statement; (iv) The effectiveness of the hedge can be reliably measured; (v) The Group is able to make continuous assessment of the effectiveness of the hedge and ensures the hedging is highly effective in the designated term of hedging relations.

For fair value hedges meeting the above conditions, the gains or losses arising from changes in the fair value of hedging instruments and hedged items are recognised in profit or loss for the current period.

For cash flow hedges meeting the above conditions, the effective hedge of the hedging gains or losses is recognised in other comprehensive income and the ineffective part is recognised in profit or loss for the current period. For hedged items representing expected transactions which made the Company subsequently recognise a financial asset or financial liability, gains or losses originally recognised as other comprehensive income are transferred out in the same period when the financial asset or financial liability impacts the profit or loss of the Group, and recorded in profit or loss for the current period. For hedged items representing expected transactions which made the Group subsequently recognise a non-financial asset or non-financial liability, gains or losses originally recognised as other comprehensive income are transferred out in the same period when the non-financial asset or non-financial liability impacts the profit or loss of the Group, and recorded in profit or loss for the current period.

### (11) Receivables

Receivables comprise accounts receivable other receivables and notes receivable. Accounts receivable arising from sales of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

#### (a) Accounts receivable

(i) Accounts receivable with amounts that are individually significant and subject to provision for bad debts on the individual basis

Accounts receivable with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that account receivable is made.

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The criteria for amount that is individually significant: the individual amount exceeds RMB 6 million.

The method of making provision for bad debts for those individually significant amounts is as follows: the provision is determined based on the negative difference between the present value of the future cash flows expected to be derived from the account receivable and its carrying amount.

(ii) Accounts receivable that are subject to provision for bad debts on the grouping basis

Accounts receivable with amounts that are not individually significant and those accounts receivable that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

The basis for determining the groupings:

Grouping 1	Accounts receivable from related parties
Grouping 2	Accounts receivable from non-related parties that are overdue but with no impairment risk
Grouping 3	Other accounts receivable from non-related parties
Bank Acceptance	Banks with low credit risk

The method of making provision for bad debts on the grouping basis is as follows:

Grouping 1	Pursuant to the previous bad debt loss rate, the provision rate is 0%
Grouping 2	Pursuant to the previous bad debt loss rate and the assessment of management, the provision rate is 0%
Grouping 3	Aging analysis method
Bank acceptance	Not accrued

In grouping 3, the provision rates of using the aging analysis method are shown below:

The provision rate for accounts receivable

	The provision rate for accounts receivable
Not due	0%
Overdue within 3 months	0%
Overdue between 3 and 6 months	5%
Overdue between 6 and 12 months	20%
Overdue more than 1 year	50%-100%

(iii) Accounts receivable with amounts that are not individually significant but subject to provision for bad debts on the individual basis:

The reason for provision for bad debts on the individual basis: there exists objective evidence that the Group will not be able to collect the amount under the original terms.

The method of making provision for bad debts: the provision is determined based on the negative difference between the present value of the future cash flows expected to be derived from the account receivable and its carrying amount.

(b) Other receivables other than accounts receivable  
Other receivables other than accounts receivable are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made. The method of making provision for bad debts: the provision is determined based on the negative difference between the present value of the future cash flows expected to be derived from the receivable and its carrying amount.

(c) When the Group transfers the receivables to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

### (12) Inventories

(a) Classification

Inventories include raw materials, work in process, finished goods, spare parts and turnover materials, and are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of finished goods and work in process comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

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(e) Amortisation method of low value consumables  
Turnover materials include low value consumables. Low value consumables are expensed when issued.

### (13) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements; investments in joint ventures and associates are accounted for using the equity method.

#### (a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

#### (b) Subsequent measurement and recognition of related profit and loss

Long-term equity investments accounted for using the cost method are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at

the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For losses on intra-group transactions amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

#### (c) Basis for determining existence of control, joint control or significant influence over investees

Control is the power over the investee so that the Company is entitled to variable return through participating in related activities of the investee and is able to exercise power over the investee to affect the amount of return.

Joint control is the contractually agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

#### (d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (19)).

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### (14) 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 to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

#### (b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	20–60 years	0%–5%	1.58%–5%
Machinery equipment and other equipment	3–15 years	0%–5%	6.33%–33.33%
Land ownership (outside China)	Infinite	0	0

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

The Group's land ownership is located in Switzerland, Germany, India and America held by overseas subsidiaries. Such land ownership has infinite useful lives, thus no depreciation is recognised.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (19)).

#### (d) 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

amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

### (15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their 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. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (19)).

### (16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

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### (17) Intangible assets

Intangible assets include land use rights, customer relationships, patents, trademarks, computer software and development cost, etc., which are measured at cost, except for intangible assets obtained from business combinations involving enterprises not under common control, which are measured at fair value at the acquisition date.

#### (a) Land use rights

Land use rights located in PRC are amortised on the straight-line basis over their approved use period of 40.5 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

#### (b) Customer relations

Customer relationships are amortised on the straight-line basis over their benefit period of 7-10 years.

#### (c) Patents

Patents are amortised on a straight-line basis over the patent protection period of 7-10 years as stipulated by the laws.

#### (d) Trademarks

Trademarks include registered trademarks, etc. Trademarks have infinite useful lives, thus no amortization recognised.

#### (e) Computer software

Computer software is amortised on the straight-line basis over its useful life of 2-5 years.

#### (f) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

#### (g) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- ▶ it is technically feasible to complete the intangible asset so that it will be available 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 asset during its development phase can be measured reliably.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use - capitalisation for expenditures of development and research.

#### (h) Impairment of intangible assets

The carrying amount of an intangible is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (19)).

### (18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

### (19) Impairment of long-term assets

Fixed assets (excluding land with indefinite useful life), construction in progress, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment 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 whether there is any indication that they may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the as-

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set belongs is determined. A group of assets is the smallest group of assets 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 ownership) and intangible assets with indefinite useful lives, and intangible assets not ready for their intended use are tested for impairment at least annually, irrespective of whether there is any indication that it may be impaired.

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

### (20) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

#### (a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

#### (b) Post-employment benefits

The Group provides various pension plans and other post-employment benefits in China, Germany, Switzerland and other places. The plans include defined benefit plans and defined contribution plans.

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. A defined

contribution plan is a pension plan that the Group 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 liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the similar interest rates of high-quality corporate bonds and state bonds with similar obligation terms and currency. Service costs (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 employees' services for the subsequent years may lead the defined benefit level enjoyed significantly higher than the previous years, the Group recognises the cumulative defined benefit plan obligations on a straight-line basis over the period from the services provided by employees causing the enterprise to firstly resume the defined benefit obligation to such services no longer causing significant increase in the benefit obligation. In determining the vesting period, the significant increase in defined benefit obligation only due to the increase of future salary is not taken into consideration. Changes in the remeasurement of net liability or net asset related to the defined benefit plan are charged to other comprehensive income.

#### Basic pensions

The Group contributes fixed expenses to local labour and social security authority or independent fund, and the social security authority or independent fund bears the responsibility to pay pensions and other retirement benefits to the retired employees. 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.

#### (c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because

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of an employment termination plan or a curtailment proposal;  
2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

#### (d) Employee leave entitlements

The Group recognises the employee benefits related to accumulated paid leave when the employee provides service and thereby increases his/her rights to enjoy the paid leave, and measured at the increased amount expected to be paid due to accumulated rights to be exercised.

The Group recognises the employee benefits related to non-cumulative paid leave in the accounting period when the leave is actually taken.

#### (21) Dividend distribution

Cash dividend is recognised as a liability in the period in which it is approved by the shareholders.

#### (22) Provisions

Provisions for external guarantees, legal proceedings, product warranties, onerous contracts are recognised when the Group 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 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 since the balance sheet date are classified as current liabilities.

#### (23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts, rebates and returns.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, the

related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

#### (a) Sales of products

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 Group 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 Group and the relevant revenue and costs can be measured reliably.

#### (b) 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 Group.

#### (24) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax refund, financial subsidies, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets will be recorded to net off the book value of the assets, or recognized as deferred revenue and amortized in a reasonable and systematic method in income statement within the useful life of the asset; government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred. The Group adopts the same reporting method for the same type of government grants.

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Government grants related to operating activities are recorded as operating income, and government grants not related to operating activities are recorded as non-operating income.

The loans that the Group received with concessional interest rate are recorded at the amount actually received. The borrowing cost is calculated with the loan principal and the concessional interest rate. The financial discount received by the Group is recorded to reduce the borrowing cost.

### (25) Deferred tax assets and deferred tax liabilities

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). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the 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.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- ▶ the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- ▶ that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

### (26) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

#### (a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease.

#### (b) Finance leases

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 payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

### (27) Held for sale and discontinued operations

Non-current assets or held-for-sale assets that meet the following conditions: (1) the assets are available for immediate sale in other similar transactions; (2) the Group has sales agreement with other parties and the agreement is legally binding with appropriate authorization, the asset will be sold within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment loss.

Such non-current assets and assets included in disposal groups classified as held for sale are accounted for as current assets; while liabilities included in disposal groups classified as held for sale are accounted for as current liabilities, and are individually presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

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The discontinued net profit in the income statement includes the operating profit and loss, and profit and loss on disposal.

### (28) Segment information

The Group identifies 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 of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

### (29) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

#### Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Accounting estimates for impairment provision of goodwill, fixed assets and intangible assets with indefinite useful lives  
The Group tests for impairment of goodwill, fixed assets and intangible assets with indefinite useful lives annually. The recoverable amount of asset groups and combinations of asset groups is the present value of the future cash flows expected to be derived from them. The recoverable amount of fixed assets and intangible assets with indefinite useful lives is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The calculations of the recoverable amounts require the use of estimates.

If management revises the growth rate that is used in the calculation of the future cash flows of asset groups and combinations of asset groups, the Group would need to adjust the provision for impairment against goodwill and fixed assets and intangible assets with infinite useful lives. If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently

applied, the Group would need to recognise further impairment against goodwill and fixed assets and intangible assets with infinite useful lives.

If the actual growth rate/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill and fixed assets and intangible assets with indefinite useful lives previously provided for is not allowed to be reversed by the Group.

(b) Accounting estimates for provision for decline in the value of inventories

The Group periodically evaluates the net realizable value of inventories and recognises decline in the value of inventories at the excess of their costs over their net realizable value. When making estimates of the net realisable value, the Group takes into consideration the use of inventories on hand and other information available to form the underlying assumptions, including the inventories' expected selling price. The net realisable value of inventories may vary based on changes in the market price and actual use of the inventories, resulting in changes in the provision for decline in the value of inventories and thereby affecting the profit or loss.

(c) Useful lives and residual values of fixed assets (excluding overseas land ownership)

The Group's management estimates the expected useful lives and residual values of fixed assets with finite useful lives. The estimates are based on the actual useful lives of past and industry practices of fixed assets with similar nature and function. The economic environment, technical environment and other environment may have a significant impact on the useful lives and expected net residual values of fixed assets; and changes in the economic environment, technical environment and other environment may also lead to significant changes in the expected realisation method of economic benefits related to fixed assets. Different estimates may affect the depreciation of fixed assets and profit or loss for the current period. Fixed assets of the Group also include certain developed land located outside China, which has indefinite useful lives and is not subject to amortization.

(d) Useful lives and residual values of intangible assets (excluding trademarks)

The Group's management estimates the expected useful lives of intangible assets with finite useful lives. The estimates are based on the actual useful lives of past and industry practices of intangible assets with similar nature and function. The economic environment, technical environment and other environment may have a significant impact on the useful lives of intangible assets; and changes in the economic environment, technical environment and other environment may also lead to significant changes in the expected realisation method of economic benefits related to

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intangible assets. Different estimates may affect the amortisation of intangible assets and profit or loss for the current period.

### (e) Income tax and deferred income tax

The Group is subject to income taxes in numerous countries/jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these countries/jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and deferred tax liabilities are measured at 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 taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

The Group's management recognises deferred tax assets in accordance with the enacted or substantially enacted tax laws and the best estimate of the Group's realisable earnings in the expected future year in which the deferred tax assets will be realised. However, estimate of future earnings or future taxable income requires a large number of judgements and estimates, together with tax planning strategies. Different judgements and estimates will affect the amount of deferred tax assets recognised. Management will re-assess the estimate of earnings and other estimates at each balance sheet date.

### (f) Provisions

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

The Group's management makes estimates of the warranty cost based on the historical experience of similar projects or the costs expected to be incurred. However, the evaluation of the future actual warranty cost requires a large number of judgements and estimates. Different judgements and estimates will affect the amount of provisions recognised. During the warranty process, the Group continues to review and reevaluate the expected warranty cost.

### (30) Significant change in accounting policies

The Ministry of Finance has issued in 2007 the "Accounting principle No. 42 – non-current assets held for sale, disposal group and discontinued operation", "Accounting principle No.16 – government grant" and "the announcement regarding the amendment and printing of the revised financial statement template". The Group has adopted the above accounting principles to prepare the financial statements in 2017, the impact to the Group's financial statements listed as follows:

Content and reason of accounting policies changes	Impacted accounts	Impacted amount
		1 January 2017
The Group records the book value on 1 January 2017 of the Government grants related to assets in deferred income to net off the relevant book value of the assets. The comparative financial statements of the year 2016 were not restated.	Fixed assets	0
	Deferred income	0
The Group records the Government grants related to the daily business activities of the enterprise which received in 2017 in other income. The comparative financial statements of the year 2016 were not restated.	NA	NA
The Group directly reduces costs/losses when receiving profits related to government subsidies in 2017. The comparative financial statements of the year 2016 were not restated.	NA	NA
The group records the gains and losses arising from the disposal of fixed assets and intangible assets to gain/losses of asset disposal in 2017. The comparative financial statements of the year 2016 are adjusted accordingly.	Income of asset disposal	1,282
	Non-operating income	2,448
	Non-operating expenses	-1,166

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### 3 Taxation

(1) The main categories and rates of taxes applicable to the Group for the year ended 31 December 2016 and 31 December 2017 are set out below:

Category		Tax rate	Corresponding countries/regions	Tax base
Corporate income tax	(a)	Note 3 (1) (a)	Corresponding countries/regions where the Group locates	Taxable income
Value-added tax ("VAT")	(b)	1.5%-35%	Corresponding countries/regions where the Group locates	VAT payable
Urban maintenance and construction tax	(c)	7%	China	Turnover tax paid
Educational surcharge	(c)	3%	China	Turnover tax paid
Local educational surcharges	(c)	2%	China	Turnover tax paid

(a) Corporate income tax

The corporate income tax rates applicable to the Group and its main subsidiaries are set out below:

	Countries and regions	Tax rate for 2017	Tax rate for 2016
The Company (Note 1)	China	25.00%	15.00%
Saurer Intelligent Machinery Company Limited	China	25.00%	25.00%
Saurer Hong Kong Machinery Company Limited	Hong Kong	16.50%	16.50%
Saurer Asia Machinery Co., Ltd	Hong Kong	16.50%	16.50%
Saurer (Jiangsu) Textile Machinery Co. Ltd (Note 3 (2))	China	15.00%	15.00%
Saurer (Changzhou) Textile Machinery Co., Ltd (Note 3 (2))	China	15.00%	15.00%
Saurer (Changzhou) Texparts Components Co. Ltd	China	25.00%	25.00%
Saurer (Shanghai) Textile Machinery Technology Co., Ltd	China	25.00%	25.00%
Saurer Finance Lease Co. Ltd	China	25.00%	25.00%
Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd	China	25.00%	25.00%
Changzhou Saurer Textile Machinery Technology Co., Ltd	China	25.00%	25.00%
Changzhou Jintan Saurer Investment Co., Ltd	China	25.00%	25.00%
Saurer Xinjiang Intelligent Machinery Company Limited	China	25.00%	25.00%
Saurer Têxtil Soluções Ltda.	Brazil	34.00%	34.00%
SAURER AG (Note 3 (2))	Switzerland	17.40%	17.40%
Saurer Czech s.r.o.	Czech Republic	19.00%	19.00%
Saurer Technologies GmbH & Co KG	Germany	31.26%	31.52%
Saurer Germany GmbH & Co KG	Germany	31.87%	31.52%
Saurer Fibrevision Ltd	UK	19.00%	20.00%
Schlafhorst Machines LLP (Original name: Schlafhorst Machines Private Ltd )	India	32.44%	30.90%
Saurer Textile Solutions Pvt. Ltd	India	32.44%	32.44%
Peass Industrial Engineers Pvt. Ltd (Note 5 (2))	India	32.44%	32.44%
Zinser Textile Machines LLP (Note 2)	India	N/A	N/A
Saurer México S.A. de C.V.	Mexico	30.00%	30.00%
Saurer Components Pte. Ltd	Singapore	17.00%	17.00%
Saurer Tekstil A.S.	Turkey	20.00%	20.00%
Saurer Inc.	USA	38.58%	38.58%
Saurer Technologies Management	Austria	31.27%	N/A

Note 1: For the year 2016 and the 8-month period ended 31 August 2017, the income tax rate applicable to the Company was 15%. Upon the completion of major assets re-structuring mentioned in Note 1, the income tax rate applicable to the Company is 25%.

Note 2: Zinser Textile Machines was incorporated in November 2016, and was still in the start-up period.

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### (b) Value-added tax ("VAT")

The Group's sales of products are subject to VAT.

The Company and domestic subsidiaries have been approved to use the "exempt, credit, refund" method on goods exported. VAT input on purchase of raw materials, fuels, power and certain 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 of the current period. 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 of the current period. In 2017 and 2016, the applicable tax rate of the Company was ranging from 1.5% to 35%.

### (c) Taxes and surcharges

Pursuant to relevant regulations of Provision on the Accounting Treatments of Value-Added Tax (Cai-Kuai [2016] No. 22) issued by Ministry of Finance, property tax, land use tax, stamp tax and vehicle and vessel tax incurred in the Group's ordinary course of activities are reclassified from "general and administrative expenses" to "taxes and surcharges" from 1 May 2016. Expenses incurred after 1 May 2016 are not subject to adjustment. Comparative figures would not be adjusted.

## (2) Tax preference

According to "Announcement on issues concerning corporate income tax of fully implementing the strategy of development in China's western region" (2012, No.12), from 1 January 2011 to 31 December 2020, the enterprise located at western region with main business listed in "Catalogue of encouraged industries in western region" and the amount of main operating revenue greater than 70% of that total revenue in current year, shall be subject to enterprise income tax rate at the reduced rate of 15%. According to the letter promulgated by Xinjiang Uygur Autonomous Region Economic and Informatization Council, "Letter of confirmation that the main operating business of Xinjiang City Construction complies with the requirements of the catalogue of encouraged industries", the Company for the year of 2016 and the 8-month period ended 31 August 2017 was subjected to enterprise income tax rate at the rate of 15%. Upon completion of major assets restructuring mentioned in Note 1, the Company applicable enterprise income tax rate is 25%.

On 6 July 2015, Saurer (Jiangsu) Textile Machinery Co., Ltd ("Saurer Jiangsu"), a subsidiary of the Group, obtained Advance High Technology Enterprise Approval Certificate, with a validity period of 3 years. As a result, the enterprise income tax rate of Saurer Jiangsu reduced to 15% from 1 January 2015 after approval from SAT, Jintan Office, Changzhou City, Jiangsu Province, PRC on 28 December 2015. In 2017, the applicable enterprise income tax rate of the Company was 15%.

On 10 October 2015, Saurer (Changzhou) Textile Machinery Co., Ltd ("Saurer Changzhou"), a subsidiary of the Group, obtained Advance High Technology Enterprise Approval Certificate, with a validity period of 3 years. As a result, the enterprise income tax rate of Saurer Changzhou reduced to 15% from 1 January 2015 after approval from SAT, Jintan Office, Changzhou City, Jiangsu Province, PRC on 22 September 2016. In 2017, the applicable tax enterprise income tax rate of the Company was 15%.

Pursuant to the relevant regulations of Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax (Cai Zheng [2016] No. 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, for exemplary service outsourcing enterprises registered in the pilot area, the taxable services in offshore service outsourcing business are exempted from VAT. Pursuant to the approval from SAT, Jintan Office, Changzhou City, Jiangsu Province, PRC, relevant technical services and after-sales services of Saurer Jiangsu, a subsidiary of the Company, are exempted from VAT from 1 May 2016.

SAURER AG, a subsidiary of the Company, has obtained a tax break from the local state government of Switzerland. From 1 July 2013 to 30 June 2018, the taxable amount of SAURER AG is reduced by 50% according to the tax levels of the state when certain conditions are satisfied, with a ceiling of CHF 10 million taxable net profit. In the condition that SAURER AG goes bankrupt or relocates to other state or other country, the local state government can retroactively revoke the tax breaks. In addition, SAURER AG has obtained a tax break from the local commerce, education and research departments of Switzerland. From 1 July 2013 to 30 June 2018, the taxable amount of SAURER AG is reduced by 50% according to the tax levels of the state when certain conditions are satisfied, with a ceiling of CHF 10 million taxable net profit. In the condition that SAURER AG fails to satisfy the relevant standards, such departments can retroactively revoke the tax breaks. When further conditions are satisfied, the above tax breaks can be respectively extended to the next five years.

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### 4 Notes to the consolidated financial statements

#### (1) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	53	44
Cash at bank	2,409,196	2,354,012
Other cash balances	64,182	749,724
	2,473,431	3,103,780
Including: Total overseas deposits	350,632	850,891

As at 31 December 2017, other cash balances included:

(i) The deposit for the issuance of letter of credit applied by the Group's subsidiary Saurer Jiangsu amounting to RMB 17,442,000 (31 December 2016: RMB 14,853,000);

(ii) The deposit for the issuance of letter of guarantee for early retirement ("Altersteilzeit") and overtime accounts governed by the German law AltTZG §8a applied by the Group's subsidiary Saurer Germany GmbH & Co KG, amounting to EUR 5,843,000 (equivalent to RMB 45,604,000) (31 December 2016: EUR 5,843,000, equivalent to RMB 42,688,000);

(iii) Other deposits amounting to RMB 1,136,000 (31 December 2016: RMB 2,183,000);

(iv) As at 31 December 2016, the Group's other monetary funds also including the bank guarantee of RMB 690,000,000 provided by its subsidiary Saurer Intelligent Machinery Company Limited to its subsidiary Saurer Hongkong Machinery Company Limited regarding the bank loan of EUR 88,485,000 (equivalent to RMB 613,741,000).

#### (2) Financial assets/financial liabilities at fair value through profit or loss

	31 December 2017	31 December 2016
Financial assets at fair value through profit or loss		
- Forward foreign exchange contract - cash flow hedging (a)	6,178	1,860
	6,178	1,860
Financial liabilities at fair value through profit or loss		
- Forward foreign exchange contract - cash flow hedging (b)	7,532	1,067
- Interest rate swap contract	0	15
	7,532	1,082

(a) The Company's subsidiaries Saurer Germany GmbH & Co KG and Saurer Inc. entered into foreign exchange forward contracts to mitigate foreign exchange risk arising from the collection and payment in foreign currency for the year ended 31 December 2017 and 31 December 2016. Some foreign exchange forward contracts entered into by the Group meet the conditions for applying hedge accounting. Those foreign exchange forward contracts, made to sell EUR and buy foreign currencies including USD, GBP, SGD and CHF at fixed exchange rate or sell USD and buy EUR at fixed exchange rate, are cash flow hedging.

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For the year ended 31 December 2017, net gains arising from changes in fair value of effective portion of cash flow hedging amounting to RMB 249,000 (31 December 2016: net losses equivalent to RMB 271,000) was included in other comprehensive income. The cash flow hedging had no non-effective portion.

As at 31 December 2017 the unsettled foreign exchange forward contracts held by the Group amounted to RMB 1,025,047,000 (2016: RMB 215,655,000).

(b) In 2016, the Company's subsidiary Saurer Hong Kong Machinery Company Limited entered into interest rate swap contracts to mitigate interest rate risks relating to foreign currency denominated borrowings. The principal of relevant borrowings amounted to EUR 88,485,000 (equivalent to RMB 668,760,000). Those interest rate swap contracts are measured at fair value. In 2017, the interest rate swap contracts had expired.

### (3) Notes receivable

	31 December 2017	31 December 2016
Bank acceptance notes	127,383	30,893

(a) As at 31 December 2017 and 31 December 2016, pledged notes receivable of the Group are set out below:

	31 December 2017	31 December 2016
Bank acceptance notes	5,500	1,000

As at 31 December 2017, the Group's subsidiary Saurer Jiangsu pledged notes receivable of RMB 5,500,000 (31 December 2016: equivalent to RMB 1,000,000) to bank for letter of guarantee of RMB 4,399,000 (31 December 2016: equivalent to RMB 860,000).

(b) As at 31 December 2017 and 31 December 2016, notes receivable that have been endorsed or discounted but are not mature yet are as follows:

	31 December 2017		31 December 2016	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	147,448	0	83,475	0

All the bank acceptance notes receivable will expire within 12 months after the year end.

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### (4) Interest receivable

	31 December 2017	31 December 2016
Interest of bank deposit/ other interest	8,565	24,676

### (5) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	2,088,816	1,039,114
Less: long-term receivable (Note 4 (9))	-35,240	-51,127
	2,053,576	987,987
Less: provision for bad debts	-10,655	-21,861
	2,042,921	966,126

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

(a) The aging of accounts receivable is analysed as follows:

	31 December 2017	31 December 2016
Not due	900,091	386,056
Overdue within 3 months	109,235	312,009
Overdue between 3 and 6 months	330,868	233,147
Overdue between 6 and 12 months	209,365	9,956
Overdue more than 1 year	504,017	46,819
	2,053,576	987,987

(b) Accounts receivable are analysed by categories as follows:

	31 December 2017			
	Carrying amount		Provision for bad debts	
	Amount	Percentage of total balance (%)	Amount	Ratio
Amounts that are individually significant and the related provision for bad debts is provided on the individual basis	0	0	0	0
Amounts that the related provision for bad debts is provided on the grouping basis				
Grouping 1	1,023,300	50	0	0
Grouping 2	22,200	1	0	0
Grouping 3	1,008,076	49	-10,655	1%
Amounts that are not individually significant but the related provision for bad debts is provided on the individual basis	0	0	0	0
	2,053,576	100	-10,655	1%

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	31 December 2016			
	Carrying amount		Provision for bad debts	
	Amount	Percentage of total balance (%)	Amount	Ratio
Amounts that are individually significant and the related provision for bad debts is provided on the individual basis	0	0	0	0
Amounts that the related provision for bad debts is provided on the grouping basis				
Grouping 1	429,044	43	0	0
Grouping 2	21,075	2	0	0
Grouping 3	537,868	55	-21,861	4%
Amounts that are not individually significant but the related provision for bad debts is provided on the individual basis	0	0	0	0
	987,987	100	-21,861	2%

(c) As at 31 December 2017 and 31 December 2016, the Group had no accounts receivable with amounts that were individually significant and the related provision for bad debts is provided on the individual basis.

(d) As at 31 December 2017 and 31 December 2016, Accounts receivable of grouping 2 that were overdue amounted to RMB 22,200,000 and RMB 21,075,000 respectively. The Group expected such accounts receivable to be recoverable and not impaired based on clients' financial position and credit history, and thus no provision was made individually.

(e) Accounts receivable that the related provision for bad debts is provided on the basis of grouping 3 using the aging method are analysed as follows:

	31 December 2017			
	Amount	Percentage of total balance (%)	Provision for bad debts	Ratio
Not due	900,091	89%	0	0
Overdue within 3 months	77,989	8%	0	0
Overdue between 3 and 6 months	10,531	1%	-533	5%
Overdue between 6 and 12 months	4,893	0%	-979	20%
Overdue more than 1 year	14,572	2%	-9,143	63%
	1,008,076	100%	-10,655	1%

	31 December 2016			
	Amount	Percentage of total balance (%)	Provision for bad debts	Ratio
Not due	376,691	70%	-146	0%
Overdue within 3 months	111,159	20%	-126	0%
Overdue between 3 and 6 months	14,776	3%	-850	6%
Overdue between 6 and 12 months	9,753	2%	-2,162	22%
Overdue more than 1 year	25,489	5%	-18,577	73%
	537,868	100%	-21,861	4%

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In 2017, the provision for bad debts was RMB 6,476,000 (2016: equivalent to RMB 16,308,000). The reversal or write-off of provision for bad debts amounted to RMB 9,819,000 (2016: equivalent to RMB 13,186,000). Significant reversal or write-off is presented below:

2017	Reason for reversal or write-off	Basis and rationality in determining the original provision for bad debts	Amount	Recovery mode
Overseas customer A	Business recovery	Provide on the basis of aging	3,944	Cash collected

2016	Reason for reversal or write-off	Basis and rationality in determining the original provision for bad debts	Amount	Recovery mode
Domestic customer B	Win a lawsuit	Provide on the basis of aging	5,519	Object collected back

(f) Accounts receivable that are written-off

In 2017, the accounts receivable that were written-off amounted to RMB 8,092,000 (2016: equivalent to RMB 584,000).

2017	Reason	Nature	Amount	Whether arising from related party transactions
Overseas customer C	Can not be recovered after many times of collection, and write-off according to the policies of the Company	Payment for goods	6,492	No

(g) The top 5 accounts receivable are analysed by balance as follows:

	Balance	Provision for bad debts	Percentage of total balance of accounts receivable (%)
31 December 2017	1,311,128	0	64
31 December 2016	534,831	0	55

(h) Please refer to Note 4 (21) (a) for detailed pledging information of accounts receivable as at 31 December 2017 and 31 December 2016.

### (6) Other receivables

	31 December 2017	31 December 2016
Account receivable from third parties (i)	125,808	0
Deposits receivable	7,476	8,351
Loans receivable from employees	6,100	6,485
Tax refund receivable	1,792	3,248
Others	16,279	17,970
	157,455	36,054
Less: Provision for bad debts	0	0
	157,455	36,054

(i) As at May 2017, Saurer Hongkong Machinery Company Limited has provided supplier loans amounting to RMB 125,808,000. The repayment has been received on January and March 2018.

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### (7) Advances to suppliers

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

	31 December 2017		31 December 2016	
	Amount	% total balance	Amount	% total balance
Within 6 months	54,007	71	53,124	83
6 to 12 months	17,654	23	2,430	4
Over 1 year	4,604	6	8,089	13
	76,265	100	63,643	100

As at 31 December 2017, advances with the aging over 1 year were unsettled advances for procurement, amounting to RMB 4,604,000 (31 December 2016: equivalent to RMB 8,089,000 respectively).

(b) As at 31 December 2017 and 31 December 2016, 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 2017	24,944	33
31 December 2016	20,298	32

### (8) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2017			31 December 2016		
	Carrying amount	Provision for decline in inventories	Carrying amount	Carrying amount	Provision for decline in inventories	Carrying amount
Raw materials	850,181	-74,227	775,954	620,951	-49,216	571,735
Work in progress	153,489	-2,378	151,111	130,012	-1,188	128,824
Finished goods	373,773	-6,759	367,014	250,570	-3,188	247,382
Spare parts	315,898	-35,352	280,546	294,448	-28,549	265,899
	1,693,341	-118,716	1,574,625	1,295,981	-82,141	1,213,840

(b) Provision for decline in inventories is analysed as follows:

	31 December 2016	Increase in the current year			Foreign currency translation difference	31 December 2017
		Accrual	Reversal	Write-off		
Raw materials	49,216	61,574	-23,696	-15,191	2,324	74,227
Work in progress	1,188	1,592	-557	0	155	2,378
Finished goods	3,188	3,789	0	-326	108	6,759
Spare parts	28,549	15,784	-2,446	-7,652	1,117	35,352
	82,141	82,739	-26,699	-23,169	3,704	118,716

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(c) Provision for decline in inventories in 2017 is as follows:

	Specific determining basis for net realisable value	The reason for reversal or write-off of provision for decline in the value of inventories
Raw materials	Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.	The difference between the accrued provision for the decline in the value of inventories in the current year and prior year is reversed; the provision for decline in the value of inventories in prior year is written-off based on the physical disposal of the inventories in the current year.
Work in progress		
Finished goods		
Spare parts		

(d) Please refer to Note 4 (21) (a) for detail pledging information of inventories 31 December 2016.

### (9) Long-term receivables

	31 December 2017	31 December 2016
Accounts receivable (Note 4 (5))	2,088,816	1,039,114
Less: Accounts receivable due within one year	-2,053,576	-987,987
	35,240	51,127

Long-term receivables are the undued receivables from installment sales of the subsidiaries.

### (10) Other current assets

	31 December 2017	31 December 2016
VAT input	179,221	95,138
Enterprise income tax prepaid	8,289	12,053
Wealth management products (a) (WMPs)	4,539,131	4,603,315
	4,726,641	4,710,506

(a) The balance of WMPs on 31 December 2017 comprises:

- Saurer Textile (Changzhou) Machinery Technology Co. Ltd, the subsidiary of the Company, purchased interest-guaranteed and principal-guaranteed RMB WMP issued by Bank of Nanjing Jintan Branch in September 2017, amounting to RMB 4,500,000,000, with an expected annual yield of 3.5%. The WMPs were due on 27 February 2018 (as at 31 December 2016, RMB 4,500,000,000 of WMP with an expected annual yield of 3%. The WMPs were due in September 2017.)

The balance of WMPs on 31 December 2016 comprises:

- Saurer (Changzhou) Textile Machinery Co. Ltd, the subsidiary of the Company, purchased WMPs issued by ICBC Jintan Branch and CITIC Bank Jintan Branch, amounting to RMB 59,000,000 and RMB 4,000,000, with expected annual yields of 2.30% and 2.75% respectively. The WMPs were due and collected in January 2017.

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### (11) Available-for-sale financial assets

	31 December 2017	31 December 2016
Measured at fair value		
- Fund products	0	51
Less: Provisions for impairment	0	0
Less: Available-for-sale financial assets included in other current assets	0	0
	0	51

The fair value of available-for-sale financial assets is based on the quoted market price at the balance sheet date.

### (12) Long-term equity investments

	31 December 2017	31 December 2016
Joint ventures	350	1,082
Total	350	1,082
Less: Provision for impairment of long-term equity investments	0	0
	350	1,082

On 2 March 2015, the Company's Switzerland subsidiary SAURER AG entered into a joint venture agreement with a third party to establish Saurer Premier Technologies Private Limited in India. The registered capital of the joint venture was INR 30,000,000. According to the agreement, SAURER AG and the third party hold 50% equity and 50% voting rights in the joint venture, respectively. The main operations of the joint venture are production and sales of clearers and accessories. The long-term equity investments are subject to foreign exchange control of India, where the investments are located.

#### (a) Joint ventures

	31 December 2016	Movements in the current year							31 December 2017	Provision for impairment	
		Investment increased	Investment decreased	Share of net profit/(loss) under equity method	Adjustment of other comprehensive income	Share of other changes in equity	Profit/cash dividends declared by joint venture	Provision for impairment			Others
Saurer Premier Technologies Private Limited	1,082	0	0	-740	0	0	0	0	8	350	0

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### (13) Fixed assets

	31 December 2016	Increase in the current year		Decrease in the current year	Foreign currency translation difference	31 December 2017
		Transfers from construction in progress	Other increases			
Total cost	1,354,590	55,886	69,238	-55,847	52,794	1,476,661
Buildings	421,243	5,762	1,269	-2,085	17,153	443,342
Machinery equipment and other equipment	784,706	50,124	67,969	-22,713	34,069	914,155
Land ownership	148,641	0	0	-31,049	1,572	119,164
Total accumulated depreciation	-476,057	0	-138,447	14,846	-22,616	-622,274
Buildings	-80,175	0	-21,548	1,131	-3,482	-104,074
Machinery equipment and other equipment	-395,882	0	-116,899	13,715	19,134	-518,200
Land ownership	0	0	0	0	0	0
Total impairment	-7,014	0	0	0	-477	-7,491
Buildings	0	0	0	0	0	0
Machinery equipment and other equipment	-7,014	0	0	0	-477	-7,491
Land ownership	0	0	0	0	0	0
Carrying amount	871,519	0	0	0	0	846,896
Buildings	341,068	0	0	0	0	339,268
Machinery equipment and other equipment	381,810	0	0	0	0	388,464
Land ownership	148,641	0	0	0	0	119,164

(a) In 2017, depreciation of fixed assets was RMB 138,447,000 (in 2016: equivalent to RMB 141,036,000), of which RMB 115,251,000, RMB 5,311,000 and RMB 17,885,000 (in 2016: of which RMB 121,336,000, RMB 5,038,000 and RMB 14,662,000) were charged in cost of sales, operating expenses and general and administrative expenses.

In 2017, the cost of fixed assets transfers from construction in progress were RMB 55,886,000 (in 2016: RMB 51,322,000).

As at 31 December 2017, the balances of impairment provision were equivalent to RMB 7,491,000 (31 December 2016: equivalent to RMB 7,014,000).

(b) Information of mortgage and pledge  
Refer to Note 4 (21) (a) for mortgage information of fixed assets.

(c) In 2017 and 2016, the Company had no idle fixed assets, fixed assets held under financial lease, fixed assets used for operating lease or fixed assets without property certificate.

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### (14) Construction in progress

	31 December 2017			31 December 2016		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Xinjiang Plant Construction Project	136,134	0	136,134	0	0	0
Other plant and equipment	72,633	0	72,633	38,727	0	38,727
	208,767	0	208,767	38,727	0	38,727

(a) Changes in major construction in progress

Project name	Budget	31 December 2016	Increase in the current year	Transfer to fixed assets	Transfer to intangible assets	Foreign currency translation difference	31 December 2017	% of engineering investment to budget	Progress of works	Cumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current year	Capitalisation rate for borrowing costs in the current year	Source of fund
Xinjiang Plant Construction Project	475,766	0	136,134	0	0	0	136,134	29	29%	0	0	0	Self-raised
Other plant and equipment	138,597	38,727	88,016	-55,886	-856	2,632	72,633	52	52%	0	0	0	Self-raised
Total	614,363	38,727	224,150	-55,886	-856	2,632	208,767	0	0	0	0	0	/

Project name	Budget	31 December 2015	Increase in the current year	Transfer to fixed assets	Transfer to intangible assets	Foreign currency translation difference	31 December 2016	% of engineering investment to budget	Progress of works	Cumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current year	Capitalisation rate for borrowing costs in the current year	Source of fund
Plant and equipment	196,783	28,418	62,553	-51,322	-1,760	838	38,727	20	20%	0	0	0	Self-raised

As at 31 December 2017 and 2016, the Group believed that there was no indication that any construction in progress may be impaired, therefore no provision was made.

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### (15) Intangible assets/development expenditure

	31 December 2016	Increase in the current year	Decrease in the current year	Foreign currency translation difference	31 December 2017
<b>Cost</b>					
- Development cost	74,569	46,757	-72,473	2,802	51,655
- Total intangible assets	1,399,700	177,304	-783	19,969	1,596,190
Land use rights	25,625	92,802	0	0	118,427
Customer relations	98,675	0	0	5,449	104,124
Patents	335,437	0	0	18,014	353,451
Trademarks	844,648	0	0	-8,700	835,948
Software and others	36,146	12,029	-783	1,786	49,178
Capitalising R&D expenditure - technology	59,169	72,473	0	3,420	135,062
<b>Accumulated amortisation</b>					
- Development cost	0	0	0	0	0
- Total intangible assets	-186,446	-75,812	765	-13,952	-275,445
Land use rights	-2,141	-2,067	0	0	-4,208
Customer relations	-35,808	-11,486	0	-2,110	-49,404
Patents	-123,254	-36,654	0	-7,336	-167,244
Trademarks	0	0	0	0	0
Software and others	-18,196	-7,110	765	-908	-25,449
Capitalising R&D expenditure - technology	-7,047	-18,495	0	-3,598	-29,140
<b>Impairment</b>					
Capitalising R&D expenditure - technology	-5,196	0	0	90	-5,106
<b>Carrying amount</b>					
- Development cost	74,569	0	0	0	51,655
- Total intangible assets	1,208,058	0	0	0	1,315,639
Land use rights	23,484	0	0	0	114,219
Customer relations	62,867	0	0	0	54,720
Patents	212,183	0	0	0	186,207
Trademarks	844,648	0	0	0	835,948
Software and others	17,950	0	0	0	23,729
Capitalising R&D expenditure - technology	46,926	0	0	0	100,816

(a) In 2017, the amortisation of intangible assets amounted to RMB 75,812,000 (2016: equivalent to RMB 60,603,000).

(b) Expenditures on research and development of the Group are as follows:

Project name	31 December 2016	Increase in the current year		Foreign currency translation difference	31 December 2017
		Expenditures on research and development	Recognised in profit or loss		
Project 1	3,068	336	0	217	3,621
Project 2	0	2,693	0	62	2,755
Project 3	36,322	28,951	-19,836	111	7,275
Project 4	10,710	23	0	474	0
Project 5	0	20,400	0	470	20,870
Others	24,469	269,679	-255,489	1,468	17,134
	74,569	322,082	-275,325	2,802	51,655

Expenditures on research and development incurred in 2017 and 2016 amounting to RMB 322,082,000 and RMB 296,049,000 in total respectively, of which RMB 275,325,000 and RMB 263,543,000 were the expenditure incurred on the research phase and recognised in profit or loss during the current year, RMB 72,473,000

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and RMB 47,649,000 were recognised as intangible assets respectively, and RMB 51,655,000 and RMB 74,569,000 were incurred on the development phase and included in the year end balance of development costs respectively.

Development cost incurred in 2017 and 2016 accounted for 14% and 11% respectively of total expenditures on research and development.

As at 31 December 2017 and 31 December 2016, intangible assets resulting from internal research and development of the Group comprised of 3.8% and 3.9% of the carrying amount of intangible assets.

As at 31 December 2017 and 31 December 2016, the Company's subsidiary, SAURER AG, made a provision of CHF 753,000 (equivalent to RMB 5,106,000) and CHF 753,000 (equivalent to RMB 5,196,000) respectively for impairment of part of R&D projects.

### (16) Goodwill

	31 December 2016	Movement in the current year	Foreign currency translation difference	31 December 2017
Goodwill -				
Acquisition of staple fibres and textile components business from the Oerlikon Group	569,506	0	18,950	588,456
Acquisition of Verdol twisting operations	14,378	0	978	15,356
	583,884	0	19,928	603,812
Less: Impairment (a)	0	0	0	0
	583,884	0	19,928	603,812

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

#### (a) Impairment

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

	31 December 2017	31 December 2016
Spinning Solutions	502,805	475,403
Textile Technologies	101,007	108,481
	603,812	583,884

The recoverable amount of asset groups or asset group portfolio is calculated using the estimated cash flows determined according to the three-year budget approved by management. Fixed growth rates will be used as basis of estimation after three years. The cash flows beyond the three-year period are calculated based on the estimated growth rates. The estimated growth rates are determined based on the estimated data of the market by management. Management determines budgeted gross margins based on past experience and forecast on future market development and adopts the discount rate of 13% in both 2017 and 2016. The above assumptions are used to assess the recoverable amount of each asset group or asset group portfolio within the corresponding business segment. According to the result of the impairment test, the recoverable amount of an asset group or group of asset groups is higher than its carrying amount. Thus, no impairment loss is recognised.

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### (17) Long-term prepaid expenses

	31 December 2016	Increase in current year	Amortisation in current year	Foreign currency translation difference	31 December 2017
Leasehold improvement	3,705	1,062	(1,252)	(61)	3,454

### (18) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without taking into consideration the offsetting of balances

	31 December 2017		31 December 2016	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Bad debts provision for account receivables	1,076	310	3,036	999
Provision for decline in inventories	38,455	8,862	24,592	5,785
Defined benefit plan	176,555	54,137	139,701	42,474
Other payables and accrued expenses	52,187	10,570	29,477	6,133
Provisions	1,146	317	2,950	857
Depreciation of fixed assets	42	13	4,456	1,399
Amortisation of intangible assets	67,701	13,930	79,121	16,176
Deductible losses	49,029	15,970	23,469	7,494
Elimination of intra-group unrealised profit	89,747	23,813	44,827	11,945
Others	0	0	3,090	798
	475,938	127,922	354,719	94,060
Including:				
Expected to reverse within one year (inclusive)	0	59,842	0	33,478
Expected to reverse after one year	0	68,080	0	60,582
	0	127,922	0	94,060

(b) Deferred tax liabilities without taking into consideration the offsetting of balances

	31 December 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	121,208	25,697	152,458	33,346
Amortisation of intangible assets	330,019	75,808	284,844	67,018
Capitalised development cost	113,532	36,049	85,173	26,847
Defined benefit plan	138,844	24,395	119,511	20,999
Bad debts provision for account receivables	8,529	1,506	8,103	1,414
Provision for decline in inventories	15,355	2,738	15,055	3,207
Withholding income tax of profit not remitted by overseas subsidiaries	418,396	41,083	368,295	35,426
Interest receivable	4,522	1,131	24,833	6,297
Others	96,857	20,651	117,301	23,166
	1,247,262	229,058	1,175,573	217,720
Including:				
Expected to reverse within one year (inclusive)	0	18,470	0	24,165
Expected to reverse after one year	0	210,588	0	193,555
	0	229,058	0	217,720

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(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2017	31 December 2016
Deductible temporary differences	68,451	79,135
Deductible losses	15,824	12,413
	84,275	91,548

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2017	31 December 2016
2018	0	0
2019	0	0
2020	1,198	0
2021	2,210	1,198
2022 and beyond	12,416	11,215
	15,824	12,413

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2017		31 December 2016	
	Offsetting amount	After offsetting	Offsetting amount	After offsetting
Deferred tax assets	-60,735	67,187	-67,322	26,738
Deferred tax liabilities	-60,735	168,323	-67,322	150,398

(f) Temporary differences that are not recognised as deferred tax liabilities and related to investment to subsidiaries

	31 December 2017	31 December 2016
Retained earnings of subsidiaries	173,425	0

### (19) Allowance for assets impairment

	31 December 2016	Increase in the current year	Decrease in the current year		Foreign currency translation Difference	31 December 2017
			Reversal	Write-off		
Provision for/(reversal of) bad debts	21,861	6,476	-9,819	-8,092	229	10,655
Including:	21,861	6,476	-9,819	-8,092	229	10,655
Provision for bad debts of accounts receivable						
Provision for decline in the value of inventories	82,141	82,739	-26,699	-23,169	3,704	118,716
Provision for impairment of fixed assets	7,014	0	0	0	477	7,491
Provision for impairment of intangible assets	5,196	0	0	0	-90	5,106
	116,212	89,215	-36,518	-31,261	4,320	141,968

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### (20) Other non-current assets

	31 December 2017	31 December 2016
Defined benefit plan assets (Note 4 (31))	138,844	119,511
Prepayment for machinery equipment	54,757	0
Land bidding deposits and transfer fees (a)	0	83,723
Others	11,707	11,171
	205,308	214,405

(a) As at 31 December 2016, the balance comprised deposits, transfer fees and related expenses which the Company's subsidiary Saurer Xinjiang Intelligent Machinery Company Limited paid to Ministry of Land and Resources of Urumqi Municipality, Xinjiang Uygur Autonomous Region in December 2016, for purchase of plant construction land. In 2017, the expenditure was transferred to intangible asset as land cost.

### (21) Short-term borrowings

	Original currency	31 December 2017	31 December 2016
Pledged borrowings (a)	INR	0	2,548
Guaranteed borrowings	CNY	181,000	192,974
Guaranteed borrowings	EUR	64,842	682,946
Guaranteed borrowings	INR	21,159	414
	/	267,001	878,882

(a) As at 31 December 2016, accounts receivable with a carrying amount equivalent to RMB 9,704,000, inventories with a carrying amount equivalent to RMB 7,880,000 and fixed assets with a carrying amount equivalent to RMB 2,717,000 of the Company's subsidiary, Peass Industrial Engineers Pvt. Ltd, were pledged as collateral to acquire the credit line of INR 45,942,000 (equivalent to RMB 4,685,000) from the local bank. As at 31 December 2016, credit line used to obtain short-term amounted to INR 24,985,000 (equivalent to RMB 2,548,000), and the credit line used to obtain current portion of long-term borrowings amounted to INR 396,000 (equivalent to RMB 40,000) (Note 4 (29)). Peass Industrial Engineers Pvt. Ltd, subsidiary of the Company, was disposed in June 2017 (Note 5 (2)).

As at 31 December 2017 and 31 December 2016, there were no overdue short-term borrowings.

### (22) Accounts payable

	31 December 2017	31 December 2016
Trade payable	1,492,701	823,976

As at 31 December 2017, accounts payable with the aging over 1 year amounted to RMB 33,805,000 (31 December 2016: equivalent to RMB 26,008,000), and mainly comprised unsettled trade payable.

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### (23) Advances from customers

	31 December 2017	31 December 2016
Advances from customers	1,374,279	843,492

As at 31 December 2017, advances from customers with the aging over 1 year amounted to RMB 47,818,000 (31 December 2016: equivalent to RMB 48,214,000), and mainly comprised advances for machinery orders. Such payments are not settled because the orders have not been completed yet.

### (24) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits (a)	198,528	165,239
Defined contribution plans (b)	2,670	1,037
Termination benefits (c)	2,162	18,310
Long-term employee benefits payable within one year (Note 4 (31))	56,345	46,692
	259,705	231,278

#### (a) Short-term employee benefits

	31 December 2016	Increase in the current year	Decrease in the current year	Foreign currency translation difference	31 December 2017
Wages and salaries, bonus, allowances and subsidies	110,692	1,167,150	-1,145,076	2,895	135,661
Welfare of employee	994	22,666	-23,725	65	0
Social security contributions	379	20,751	-20,299	23	854
Including:					
Medical insurance	296	16,830	-16,700	12	438
Work injury insurance	75	3,479	-3,165	11	400
Maternity insurance	8	442	-434	0	16
Housing funds	162	12,356	-12,375	0	143
Labour union funds and employee education funds	4,223	744	-846	0	4,121
Other short-term employee benefits	48,789	242,448	-236,252	2,764	57,749
	165,239	1,466,115	-1,438,573	5,747	198,528

#### (b) Defined contribution plans

	31 December 2016	Increase in the current year	Decrease in the current year	Foreign currency translation difference	31 December 2017
Basic pensions	822	35,396	-33,770	-35	2,413
Unemployment insurance	215	1,957	-1,908	-7	257
	1,037	37,353	-35,678	-42	2,670

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(c) Termination benefits payable

	31 December 2017	31 December 2016
Other termination benefits	2,162	18,310

### (25) Taxes payable

	31 December 2017	31 December 2016
Enterprise income tax payable	186,827	72,106
Land value increment tax payable	22,689	0
Individual income tax payable	17,901	12,983
Withholding taxes payable	10,738	11,935
Stamp tax	10,388	4,339
Unpaid value-added tax	3,398	12,867
Others	3,740	4,364
	255,681	118,594

### (26) Interest payable

	31 December 2017	31 December 2016
Interest payable on bank borrowings	1,923	2,039
Interest payable to related parties (Note 8 (5) (e))	472	261
	2,395	2,300

### (27) Other payables

	31 December 2017	31 December 2016
Overpayment from customers	86,613	82,862
Project payment payable	49,957	1,600
Accrued expenses	49,730	36,990
Accrued agent fee	44,221	45,278
Freight payable	31,109	7,290
Professional service fee payable	15,038	9,181
Payables to related parties (Note 8 (5) (d))	11,999	14,517
Accrued rebate	10,142	9,491
IT maintenance fee	5,257	5,245
Fixed assets procurement	3,455	1,010
Others	22,847	15,110
	330,368	228,574

As at 31 December 2017, other payables with an aging over one year amounted to RMB 72,846,000 (31 December 2016: equivalent to RMB 72,338,000), and mainly comprised non-trade payables. Such payables are not paid because they have not been settled yet.

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### (28) Current portion of non-current liabilities

	31 December 2017	31 December 2016
Current portion of long-term borrowings (a)	459,516	285,702
Current portion of provisions (Note 4 (30))	273,770	145,746
	733,286	431,448

(a) Current portion of long-term borrowings

	Original currency	31 December 2017	31 December 2016
Pledged borrowings (Note 4 (29))	EUR	459,516	285,662
Secured borrowings (Note 4 (29))	INR	0	40
	/	459,516	285,702

As at 31 December 2017 and 31 December 2016, the Group had no overdue current portion of long-term borrowings.

### (29) Long-term borrowings

	Original currency	31 December 2017	31 December 2016
Pledged borrowings (a)	EUR	2,517,680	2,642,367
Guaranteed borrowings	EUR	671,225	0
Pledged borrowings (Note 4 (21) (a))	INR	0	40
	/	3,188,905	2,642,407
Less: Current portion of long-term borrowings (Note 4 (28) (a))	EUR	-459,516	-285,662
	INR	0	-40
	/	2,729,389	2,356,705

(a) As at 31 December 2017, pledged borrowings balance of EUR 322,575,000 (equivalent to RMB 2,517,680,000) (including the current portion of long-term borrowings EUR 48,875,000, equivalent to RMB 381,476,000) (31 December 2016: EUR 361,675,000, equivalent to RMB 2,642,367,000 (including the current portion of long-term borrowings EUR 39,100,000, equivalent to RMB 285,662,000)) were borrowed from China Development Bank by the Company's subsidiary Saurer Hong Kong Machinery Company Limited in 2013, which was secured by long-term equity investments held by the Group in SAURER AG, Saurer Netherlands Machinery Company B.V., Saurer (Jiangsu) Textile Machinery Co. Ltd., Saurer (Changzhou) Textile Machinery Co., Ltd. and Saurer (Changzhou) Texparts Components Co. Ltd.

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### (30) Provisions

	31 December 2016	Increase in the current year	Usage/other decreases	Foreign currency translation difference	31 December 2017
Product warranties	110,057	119,789	-23,357	6,555	213,044
Expenses of overseas plant shutdown	18,630	8,539	-27,963	794	0
Others	24,444	44,196	-1,331	1,187	68,496
	153,131	172,524	-52,651	8,536	281,540
Less: Provision due within one year					
Product warranties	-103,403	-119,583	23,357	-6,425	-206,054
Expenses of overseas plant shutdown	-18,630	-8,539	27,963	-794	0
Others	-23,713	-44,196	1,331	-1,138	-67,716
	-145,746	-172,318	52,651	-8,357	-273,770
Non-current portion of provisions					
Product warranties	6,654	206	0	130	6,990
Others	731	0	0	49	780
	7,385	206	0	179	7,770

### (31) Long-term employee benefits payable

	31 December 2017	31 December 2016
Defined benefit plan (a)	352,153	307,480
Other employee benefits	32,880	33,093
	385,033	340,573
Less: Payables within one year	-56,345	-46,692
	328,688	293,881

Retirement benefits supposed to be paid within 1 year are presented in employee benefits payable (Note 4 (24)).

#### (a) Defined benefit pension plans

The Group's defined benefit pension plans are mainly adopted in subsidiaries located in Germany and Switzerland. The Group's defined benefit pension plan assets are mainly held by independent entities (such as foundations) separated from the Group. The plans are reviewed by qualified actuaries according to local practices and the required frequency. Actuarial assumptions adopted in the calculation of defined retirement benefit liabilities and current service cost will vary due to the economic conditions of countries or regions where the plans are located.

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(i) Changes of current value of defined benefit pension and fair value of plan assets  
This note was listed according to the total value of defined benefit pension plans and fair value of plan asset. The consolidation is not applied in subsidiary level.

	Current value of defined benefit pension	Fair value of plan assets
31 December 2016	832,549	644,580
Defined benefit cost recorded in profit or loss for the current period		
- Service cost for the current period	37,371	6,909
- Past service cost	0	0
- Gain on settlement	173	0
- Net interest	10,711	0
	48,255	6,909
Defined benefit cost recorded in other comprehensive income for the current period		
- Actuarial gain	23,475	33,113
- Return on plan assets	0	0
	23,475	33,113
Other movement		
- Consideration paid upon settlement	5,657	27,756
- Benefit (accrual)/paid	-24,317	-16,870
	-18,660	10,886
Foreign currency translation difference	28,085	4,907
31 December 2017	913,704	700,395

	Current value of defined benefit pension	Fair value of plan assets
31 December 2015	703,927	562,568
Defined benefit cost recorded in profit or loss for the current period		
- Service cost for the current period	35,979	0
- Past service cost	369	0
- Gain on settlement	147	0
- Net interest	12,479	8,144
	48,974	8,144
Defined benefit cost recorded in other comprehensive income for the current period		
- Actuarial gain	21,458	0
- Return on plan assets	0	-8,488
	21,458	-8,488
Other movement		
- Consideration paid upon settlement	5,254	26,025
- Benefit (accrual)/paid	12,397	16,541
	17,651	42,566
Foreign currency translation difference	40,539	39,790
31 December 2016	832,549	644,580

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(ii) The net amount of defined benefit plans after offsetting is presented in the balance sheet as follows:

	31 December 2017	31 December 2016
Defined benefit plan assets (Note 4 (20))		
Present value of defined benefit plan obligations	-312,131	-302,711
Less: Fair value of plan assets	450,975	422,222
Less: Upper limit of plan assets	0	0
	138,844	119,511
Defined benefit plan liabilities		
Present value of defined benefit plan obligations	-601,573	-529,822
Less: Fair value of plan assets	249,420	222,342
	-352,153	-307,480
	-213,309	-187,969

(iii) Changes in retirement benefits of the Group are as follows:

This note was listed according to the net value of defined benefit pension plans and fair value of plan asset. The consolidation is applied at subsidiary level.

	Defined benefit plan assets	Defined benefit plan liabilities	Net liabilities of the Group
31 December 2016	119,511	-307,480	-187,969
Defined benefit cost included in profit or loss for the current period			
- Service cost for the current period	-8,547	-28,824	-37,371
- Past service cost	0	0	0
- Gain on settlement	-151	-22	-173
- Net interest	952	-4,754	-3,802
	-7,746	-33,600	-41,346
Remeasurement of defined benefit plan liabilities			
- Actuarial gain			
- Difference from actuarial assumption	-2,947	-12,000	-14,947
- Difference from experience adjustments	-3,592	-4,939	-8,531
- Return on plan assets (excluding that included in net interest)	31,761	1,355	33,116
	25,222	-15,584	9,638
Other changes			
- Consideration paid upon settlement			
- From companies	4,496	17,603	22,099
- From employees participating in the plan	0	0	0
- Benefit paid	0	7,447	7,447
	4,496	25,050	29,546
Foreign currency translation difference	-2,639	-20,539	-23,178
31 December 2017	138,844	-352,153	-213,309

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	Defined benefit plan assets	Defined benefit plan liabilities	Net liabilities of the Group
31 December 2015	109,616	-250,975	-141,359
Defined benefit cost included in profit or loss for the current period			
- Service cost for the current period	-7,773	-28,206	-35,979
- Past service cost	-369	0	-369
- Gain on settlement	-127	-20	-147
- Net interest	1,020	-5,355	-4,335
	-7,249	-33,581	-40,830
Remeasurement of defined benefit plan liabilities			
- Actuarial gain			
- Difference from actuarial assumption	-1,126	-25,137	-26,263
- Difference from experience adjustments	4,427	378	4,805
- Return on plan assets (excluding that included in net interest)	2,461	-10,949	-8,488
	5,762	-35,708	-29,946
Other changes			
- Consideration paid upon settlement			
- From companies	4,480	16,291	20,771
- From employees participating in the plan	0	0	0
- Benefit paid	0	4,144	4,144
	4,480	20,435	24,915
Foreign currency translation difference	6,902	-7,651	-749
31 December 2016	119,511	-307,480	-187,969

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

	31 December 2017		31 December 2016	
	Germany	Switzerland	Germany	Switzerland
Discount rate	1.35%	0.80%	1.60%	0.80%
Salary growth rate	N/A	1.00%	N/A	0.50%
Pension growth rate	1.55%	0.00%	1.55%	0.00%

(v) The sensitivity of principal actuarial assumptions adopted in determining the present value of defined benefit plan obligations in 2017 is analysed as follows:

	Change in assumption	Impact on defined benefit obligations	
		Increase in assumption	Decrease in assumption
Discount rate	Change of 0.5 percentage point	Decrease by 5.93%	Increase by 6.67%
Salary growth rate	Change of 0.5 percentage point	Increase by 0.32%	Decrease by 0.38%
Pension growth rate	Change of 0.5 percentage point	Increase by 0.38%	Decrease by 0.25%
Life expectancy	Change of 1 year	Increase by 1.20%	Decrease by 1.26%

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The sensitivity of principal actuarial assumptions adopted in determining the present value of defined benefit plan obligations in 2016 is analysed as follows:

	Change in assumption	Impact on defined benefit obligations	
		Increase in assumption	Decrease in assumption
Discount rate	Change of 0.5 percentage point	Decrease by 6.06%	Increase by 6.86%
Salary growth rate	Change of 0.5 percentage point	Increase by 0.43%	Decrease by 0.46%
Pension growth rate	Change of 0.5 percentage point	Increase by 0.35%	Decrease by 0.22%
Life expectancy	Change of 1 year	Increase by 1.23%	Decrease by 1.25%

(vi) The plan assets portfolio of the Group is mainly composed of the following investment products:

	31 December 2017	31 December 2016
Cash and cash equivalents	12,191	17,390
Equity instruments	148,203	122,767
Debt instruments	115,331	118,797
Real estate	153,621	146,805
Investment funds	220,684	193,650
Others	50,365	45,171
	700,395	644,580

### (32) Deferred revenue

	2017	2016
Enterprise development special fund	69,290	69,290

Finance Bureau of Urumqi Economic and Technological Development Zone (Toutunhe District), Xinjiang Uygur Autonomous Region, appropriates enterprise development special fund amounting to RMB 69,290,000 through Construction Investment and Development Co., Ltd of Urumqi Economic and Technological Development Zone, to support the development of the Company's subsidiary Saurer Xinjiang Intelligent Machinery Company Limited, and promote industrial transformation and upgrading and expand the business scope. The special fund shall be used exclusively for its intended purposes as expenses in production and operation, expanded reproduction, etc., and may not be misused for expenses incurred in non-production business, construction of fixed assets, etc. Saurer Xinjiang Intelligent Machinery Company Limited had not started production and operation yet in 2017. As a result, the fund was recognised as deferred revenue in 2017 and 2016.

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(a) Government grants

	31 December 2016		1 January 2017		Decrease in the current year						31 December 2017 Related to assets/ related to income	
	Changes in accounting policies		Increase in the current year	Offset fixed assets	Recognise in other income	Offset general and administra- tive expenses	Offset financial expense	Recognise in non-operating income	Offset non-operating expenses			
Enterprise development special fund	69,290	0	69,290	0	0	0	0	0	0	0	69,290	Related to Income
	69,290	0	69,290	0	0	0	0	0	0	0	69,290	

	31 December 2015		1 January 2016		Decrease in the current year						31 December 2016 Related to assets/ related to income	
	Changes in accounting policies		Increase in the current year	Offset fixed assets	Recognise in other income	Offset general and administra- tive expenses	Offset financial expense	Recognise in non-operating income	Offset non-operating expenses			
Enterprise development special fund	0	0	0	69,290	0	0	0	0	0	0	69,290	Related to Income
	0	0	0	69,290	0	0	0	0	0	0	69,290	Related to Income

**(33) Paid-in capital**

	31 December 2016	Movement in the current year					31 December 2017
		Issue of new shares	Issue of bonus shares	Provident funds to equity	Influence of restructuring deal (Note 5 (1))	Sub-total	
RMB ordinary shares	1,219,627	0	0	0	675,786	675,786	1,895,413

	31 December 2015	Movement in the current year					31 December 2016
		Issue of new shares	Issue of bonus shares	Provident funds to equity	Others	Sub-total	
RMB ordinary shares	1,219,627	0	0	0	0	0	1,219,627

According to [2017] No.1397 the approval of major assets restructuring of Xinjiang Urban Construction Co. Ltd. by issuing new shares to Jiangsu Jinsheng Industries Co. Ltd. and other investors promulgated by CSRS on 28 July 2017, the Company obtained permission to issue 1,219,627 (in thousand) common shares to the public with an offering price of RMB 6.17 per share. The paid-in capital as at 1 January 2016 in the Group's consolidated financial statements reflects the amount for acquiring Saurer Intelligent Machinery by issuing shares in this restructuring process.

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### (34) Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in income statement for the year ended 31 December 2017				
	31 December 2016	Attributable to the parent company, net of tax	31 December 2017	Amount before income tax of the year	Less: Transfer from previous other comprehensive income	Less: Income tax expenses	Attributable to the parent company, net of tax	Attributable to non-controlling interest, net of tax
Items that will not be reclassified subsequently to profit or loss								
Defined benefit plan actuarial losses or gains	-16,549	10,077	-6,472	9,638	0	439	10,077	0
Items that may be reclassified to profit or loss								
Cash flow hedge losses	693	249	942	164	0	85	249	0
Foreign currency translation difference	49,106	-166,964	-117,858	-165,865	-608	0	-166,964	491
	33,250	-156,638	-123,388	-156,063	-608	524	-156,638	491

	Other comprehensive income in balance sheet			Other comprehensive income in income statement for the year ended 31 December 2016				
	31 December 2015	Attributable to the parent company, net of tax	31 December 2016	Amount before income tax of the year	Less: Transfer from previous other comprehensive income	Less: Income tax expenses	Attributable to the parent company, net of tax	Attributable to non-controlling interest, net of tax
Items that will not be reclassified subsequently to profit or loss								
Defined benefit plan actuarial losses or gains	3,038	-19,587	-16,549	-29,946	0	10,359	-19,587	0
Items that may be reclassified to profit or loss								
Cash flow hedge losses	964	-271	693	-236	0	-35	-271	0
Foreign currency translation difference	26,249	22,857	49,106	23,386	0	0	22,857	529
	30,251	2,999	33,250	-6,796	0	10,324	2,999	529

### Reconciliation of other comprehensive income

	Equity attributable to the parent company			Sub-total	Non-controlling interests	Total other comprehensive income
	Losses arising from cash flow hedging instrument	Defined benefit plan actuarial gains or losses	Differences on translation of foreign currency financial statements			
31 December 2015	964	3,038	26,249	30,251	821	31,072
Movements for the year ended 31 December 2016	-271	-19,587	22,857	2,999	529	3,528
31 December 2016	693	-16,549	49,106	33,250	1,350	34,600
Movements for the year ended 31 December 2017	249	10,077	-166,964	-156,638	491	-156,147
31 December 2017	942	-6,472	-117,858	-123,388	1,841	-121,547

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### (35) Capital surplus and surplus reserve

#### (a) Capital surplus

	31 December 2016	Increase in the current year	Decrease in the current year (Note 5 (1))	31 December 2017
Expenses paid by the parent company on behalf of the Group (Note 4 (29) (a))	24,022	0	-24,022	0

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Expenses paid by the parent company on behalf of the Group (Note 4 (29) (a))	0	24,022	0	24,022

#### (b) Surplus reserve

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Statutory surplus reserve	0	48,742	0	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 accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. No surplus reserve was appropriated by the Company due to net losses in 2016.

In 2017, the Company appropriated 10% of the current year profit to its statutory surplus reserve and did not appropriate discretionary surplus reserve.

### (36) Retained earnings

	2017	2016
Undistributed profit at the beginning of the year	1,253,134	778,217
Add: Net profit attributable to shareholders of the Company for the current year	658,327	474,917
Less: Appropriate statutory surplus reserve	-48,742	0
Less: Impact of restructuring deal (Note 5 (1))	-891,100	0
Less: Purchase non-controlling interests of subsidiaries (Note 4 (37))	-585,352	0
Undistributed profits at the end of the year	386,267	1,253,134

### (37) Purchase non-controlling interests of subsidiaries

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

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The difference between the consideration amounting to RMB 715,342,000 paid by the Company and the share of net assets of Saurer Intelligent Machinery Co., Ltd calculated continuously since the acquisition day regarding the increased shareholding ratio, amounting to RMB 129,990,000, was RMB 585,352,000. The Company offset the capital surplus, surplus reserve and retained earnings in sequence, and adjusted retained earnings due to insufficiency of capital surplus and surplus reserve.

### (38) Revenue and cost of sales

	2017	2016
Main operating income	8,706,683	6,347,251
Other operating income	6,729	5,503
	8,713,412	6,352,754

	2017	2016
Cost of goods sold	6,389,179	4,735,487
Other operating cost	0	0
	6,389,179	4,735,487

#### (a) Revenue from main operations and cost of main operations

	2017		2016	
	Revenue from main operations	Cost of main operations	Revenue from main operations	Cost of main operations
- Sale of machinery and equipment and components	7,608,732	5,810,349	5,195,805	4,181,957
- Sales of spare parts and rendering of services	1,097,951	578,830	1,151,446	553,530
	8,706,683	6,389,179	6,347,251	4,735,487

#### (b) Revenue from other operations and cost of other operations

	2017		2016	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sales of raw materials	4,284	0	3,053	0
Rental income	2,445	0	2,450	0
	6,729	0	5,503	0

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### (39) Taxes and surcharges

	2017	2016	Calculating standard
Stamp tax	12,047	9,111	/
City maintenance and construction tax	9,101	6,403	Refer to Note 3 (1)
Educational surcharge	6,698	4,123	Refer to Note 3 (1)
Business tax	0	555	/
Others	1,101	1,048	/
	28,947	21,240	/

### (40) Selling and distribution expenses

	2017	2016
Employee benefits	287,057	271,482
Freight/ Insurance	187,436	66,904
Travelling expenses	39,110	33,637
Exhibition and advertising fees	17,964	18,405
Depreciation and amortisation expenses	16,761	16,219
Rental and related expenses	14,723	10,584
IT cost	5,994	4,789
Others	26,649	22,819
	595,694	444,839

### (41) General and administrative expenses

	2017	2016
Employee benefits	418,165	360,527
Depreciation and amortisation expenses	80,717	67,215
Professional service fees	54,497	40,658
Rental and related expenses	34,020	35,816
Travelling expenses	18,466	13,219
Transportation insurance	9,412	7,212
IT cost	8,862	8,838
Tax expenses	5,453	8,992
Others	56,833	55,833
	686,425	598,310

### (42) Financial income - net

	2017	2016
Interest expenses, including:		
Interest expenses of borrowings	106,964	142,388
Interest expenses of benefit plans	3,802	4,335
Sub-total of interest expenses	110,766	146,723
Interest income	-175,438	-148,485
Interest income - net	-64,672	-1,762
Net exchange gains	-30,042	-92,743
Charges for letter of guarantee (Note 4 (29) (a))	23,513	24,022
Others	18,212	21,653
	-52,989	-48,830

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### (43) Expenses by nature

The cost of sales, selling expenses, general and administrative expenses in the income statements are listed as follows by nature:

	2017	2016
Cost of raw materials sold and consumed	4,798,205	3,485,369
Employee benefits	1,607,457	1,384,331
Freight/Insurance	266,156	109,866
Depreciation and amortisation expenses	215,511	203,926
Warranties	174,113	52,633
Rental and related expenses	157,396	158,179
Travelling expenses	89,222	78,160
IT cost	25,092	21,640
Professional service fees	58,966	43,048
Exhibition and advertising fees	17,964	18,405
Tax expenses	10,304	13,775
Others	250,912	209,304
	7,671,298	5,778,636

### (44) Gains/(losses) on changes in fair value

	2017	2016
Income from fair value change of currency swap contracts and interest rate swap contracts (Note 4 (2))	0	64,101

### (45) Investment income/(losses)

	2017	2016
Proceeds from disposal of subsidiaries (Note 5 (2))	12,082	0
Share of investee's net loss under equity method	-740	-395
Losses arising from currency swap contract (Note 4 (2))	0	-54,513
	11,342	-54,908

### (46) Asset impairment losses

	2017	2016
(Reversal)/ Provision for bad debts	-3,343	3,122
Provision for decline in the value of inventories	56,040	28,981
	52,697	32,103

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### (47) Non-operating income

	2017	2016	The amount included in non-recurring profit or loss in 2017	The amount included in non-recurring profit or loss in 2016
Asset write-downs	411	383	411	383
Government grants (a)	2,511	31,816	2,511	31,816
Income from guarantees for related parties	0	61,174	0	61,174
Others	1,270	8,726	1,270	8,726
	4,192	102,099	4,192	102,099

(a) Detail of government grants

	2017	2016	Asset related/income related
Financial subsidies	1,519	0	Income related
Other government grants	992	299	Income related
Contribution rewards	0	31,517	Income related
	2,511	31,816	/

In 2016, the subsidiary of the Company, Saurer (Jiangsu) received contribution rewards of RMB 31,517,000 from Finance Bureau of Jintan Economic Development Zone, Jiangsu Province.

### (48) Non-operating expenses

	2017	2016	The amount included in non-recurring profit or loss in 2017	The amount included in non-recurring profit or loss in 2016
Penalty and overdue fine	234	634	234	634
Expenditures for donations (Note)	20,000	0	20,000	0
Others	11,056	11,027	11,056	11,027
	31,290	11,661	31,290	11,661

Note: In 2017, the subsidiary of the Company, Saurer (Jiangsu) Textile Machinery Co., Ltd donated poverty alleviation funds to Wujia County and Cele County of Xinjiang Uygur Autonomous Region amounting to RMB 10,000,000 and RMB 10,000,000 respectively.

(b) (Losses)/gains of assets disposal

	2017	2016	The amount included in non-recurring profit or loss in 2017	The amount included in non-recurring profit or loss in 2016
Income of fixed assets disposal	285	2,448	285	2,448
Abandonment loss of fixed assets disposal	-1,603	-1,166	-1,603	-1,166
	-1,318	1,282	-1,318	1,282

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### (49) Income tax expenses

	2017	2016
Current income tax calculated according to tax law and relevant regulations	265,330	138,206
Deferred income tax	-18,462	29,327
	246,868	167,533

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:

	2017	2016
Total profit	996,385	670,518
Income tax expenses calculated at the Company's applicable tax rate of 25%	249,096	167,630
Effect of different tax rates of subsidiaries (Note 3 (1))	-9,438	-13,808
Income not subject to tax	-3,905	-13,419
Other costs, expenses and losses not deductible for tax purposes	11,385	17,737
Utilisation of previously unrecognised tax losses	-2,251	-1,378
Tax losses for which no deferred income tax asset was recognised in the current period	2,404	2,804
Withholding income tax of profit not remitted by overseas subsidiaries	3,433	8,165
Tax clearance difference in prior years	-8,475	-2,566
Others	4,619	2,368
Income tax expenses	246,868	167,533

### (50) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2017	2016
Government grants	2,511	101,106
Others	13,143	9,690
	15,654	110,796

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### (b) Cash paid relating to other operating activities

	2017	2016
Transportation/Insurance	173,029	74,116
Expenses related to major asset restructuring	88,125	0
Warranties	63,508	82,761
Professional service fees	48,640	42,182
Rental and related expenses	48,743	46,400
Guarantee charges	23,513	0
Expenditures for donations	20,000	0
Bank charges	18,212	21,653
Exhibition and advertising fees	17,964	18,729
IT cost	17,504	13,628
Others	125,863	97,268
	645,101	396,737

### (c) Cash received relating to other investing activities

	2017	2016
Recovery of mature Bank WMPs (Note 4 (10) (a))	9,313,000	0
Net cash inflows from actual income of foreign exchange forward contracts	2,396	4,778
Recovery of mutual fund - net	0	3,790
	9,315,396	8,568

As at 13 September 2017, the subsidiary of the Company, Saurer (Changzhou) Textile Machinery Co., Ltd, collected the receivable of Bank WMP purchased in 2016 amounting to RMB 4,500,000,000 and deposited in Nanjing Bank as 7-day notified deposit. The deposit was returned on 28 September 2017 and was used to purchase Bank WMP amounting to RMB 4,500,000,000 on the same day.

### (d) Cash paid relating to other investing activities

	2017	2016
Purchase of WMPs issued by banks (Note 4 (50) (c))	9,250,000	4,563,000

### (e) Cash received from other financing activities

	2017	2016
Cash received in the restructuring deals	184,422	0

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### (51) Supplementary information to the cash flow statement

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

	2017	2016
Net profit	749,517	502,985
Add/(Less): Provision for asset impairment (Note 4 (46))	52,697	32,103
Depreciation of fixed assets (Note 4 (13))	138,447	141,036
Amortisation of intangible assets (Note 4 (15))	75,812	60,603
Amortisation of long-term prepaid expenses (Note 4 (17))	1,252	2,287
Net losses on disposal of fixed assets, intangible assets and other non-current assets	1,318	-1,282
Financial expenses - net	-64,967	27,621
Investment (income)/losses	-11,342	54,908
Gains or losses on changes in fair value	0	-64,101
Increase in deferred tax assets	-40,449	-1,700
Increase in deferred tax liabilities	23,966	24,494
(Increase)/decrease in inventories	-429,481	189,907
Increase/(decrease) in operating receivables	-1,218,665	824,698
Increase in operating payables	1,398,052	411,179
Net cash flows from operating activities	676,157	2,204,738

(b) In 2017, the Group's major investing activities that do not involve cash receipts and payments included major asset restructuring and part of deals of equity issue and assets acquirement, details refer to Note 1.

In 2016, there was no significant investing and financing activities that did not involve cash receipts and payments.

(c) Acquisition or disposal of subsidiaries

On 22 June 2017, the Group's subsidiary SAURER AG transferred all of its equity in Peass Industrial Engineers Pvt. Ltd (51%) to an overseas third party company at a consideration of INR 360,825,000. According to the agreement, the equity transfer took effect on 22 June 2017. The related information at the date of disposal is as follows:

	2017
Cash and cash equivalents received from disposal of subsidiaries in the current year	35,741
Less: Cash and cash equivalents held by the Company under disposition	-5,156
Net proceeds from disposal of subsidiaries	30,585
Consideration received from disposal of subsidiaries in 2017	35,741

At the date of disposal, the assets and liabilities of Peass Industrial Engineers Pvt. Ltd held by the Company at consolidation level are listed as follows:

	Disposal day
Current assets	60,439
Non-current assets	13,648
Current liabilities	-20,463
Non-current liabilities	-6,041
	47,583

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(d) Cash and cash equivalents

	<b>31 December 2017</b>	<b>31 December 2016</b>
Cash	2,473,431	3,103,780
Including: Cash on hand	53	44
Bank deposits on demand	2,409,196	2,354,012
Other cash balances	64,182	749,724
Less: Restricted cash at bank	-64,182	-749,724
Term deposits with the original term over 3 months	-351,533	-228,618
Cash and cash equivalents at the end of the year	2,057,716	2,125,438

(e) Net decrease /(increase) in cash and cash equivalents

	<b>2017</b>	<b>2016</b>
Cash and cash equivalents at the end of the year	2,057,716	2,125,438
Less: Cash and cash equivalents at the beginning of the year	-2,125,438	-211,995
Net (decrease)/increase in cash and cash equivalents	-67,222	1,913,443

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### 5 Changes of consolidation scope

#### (1) Reverse purchase

Based on the "Announcement regarding the implementation of accounting standards 2008" (Cai Kuai Han [2008] No.60) and the "Reply on the accounting standards relating to the indirect listing of a private company acquiring the shareholdings of a public company" (Cai Kuai Bian [2009] No.17) promulgated by The Ministry of Finance, the major asset restructuring and the acquisition of assets by share issuing completed on 25 August 2017 is a reverse purchase outside of the Company's scope of business, and it should be recorded as equity transaction.

All the identifiable assets and liabilities of the Company (legally the parent company) after asset replacement are recognized and measured at fair value as at the date of restructuring. The difference between the cost of acquisition and the fair value of the identifiable net assets of the Company is adjusted in the capital reserve in the consolidated financial statement, not recognized as goodwill or current period profit or loss.

#### (a) Merging costs

	<b>Amount</b>
Fair value of obtained identifiable net assets (b)	-126,003
Shares of the company existed at the date of major restructuring	-675,786
Added minority equity from major assets restructuring	-113,333
Undistributed profits adjusted in consolidated statements	-915,122
- Reduced capital reserve on consolidated statement (Note 4 (35) (a))	-24,022
- Reduced surplus reserve on consolidated statement (Note 4 (35) (b))	0
- Reduced retained earnings on consolidated financial statement (Note 4 (36))	-891,100

As of August 2017, in the progress of major assets restructuring and acquisition of assets by share issuing, the difference between the paid-in capital of the Company (Parent company in law, the acquiree in accounting) and the fair value of exchange-out assets amounted to RMB 801,789,000. The added minority equity from major assets restructuring (5% equity of Saurer Intelligent Machinery amounting to RMB 113,333,000 holding by Shanghai Yongyun). The total amount of the two parts mentioned above was offset the capital reserve, surplus reserve and retained reserve at the date of the acquisition in sequence.

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(b) The assets and liabilities of acquiree at the date of restructuring are listed below:

	Fair value at date of restructuring	Book value at date of restructuring	Book value on 31 December 2016
Cash at bank and on hand	184,422	184,422	693,119
Notes receivable	0	0	500
Accounts receivable	0	0	3,028,724
Advances to suppliers	0	0	33,039
Dividend receivable	0	0	37
Other receivables	0	0	2,197,327
Inventories	0	0	760,248
Other current assets	0	0	19,837
Available-for-sale financial assets	0	0	20,000
Long-term receivables	0	0	1,170,042
Long-term equity investments	0	0	193,910
Investment property	0	0	520,417
Fixed assets	0	0	55,677
Construction in progress	0	0	450
Intangible assets	0	0	16,072
Development costs	0	0	400
Long-term prepaid expenses	0	0	414
Deferred tax assets	0	0	504,762
Other non-current assets	0	0	85,907
Less: Short-term borrowings	0	0	-1,510,000
Notes payable	0	0	-104,050
Accounts payable	0	0	-578,655
Advances from customers	0	0	-268,473
Employee benefits payable	0	0	-12,641
Taxes payable (Note 1)	-37,878	-37,878	-19,258
Interest payable	0	0	-5,348
Dividends payable	-184,422	-184,422	-405
Other payables (Note 1)	-88,125	-88,125	-901,718
Current portion of non-current liabilities	0	0	-1,308,250
Other current liabilities	0	0	-1,547,847
Long-term borrowings	0	0	-1,159,125
Long-term employee benefits payable	0	0	-9,108
Special payable	0	0	-59,060
Deferred revenue	0	0	-52,190
Net assets	-126,003	-126,003	1,764,754

Note 1: The expenses mentioned above mainly were the tax fee and service fee related to major assets restructuring that are supposed to be paid by the listed company.

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### (2) Disposal of subsidiary

On 22 June 2017, the Group's subsidiary SAURER AG transferred all of its equity in Peass Industrial Engineers Pvt. Ltd (51%) to an overseas third party. According to the transfer agreement, the equity transfer took effect on 22 June 2017 with the total amount of transfer price and tax related expenses at a consideration of INR 360,825,000 (equivalent to RMB 35,741,000). At date of disposal, the net assets held by the Group at the consolidation level amounts to INR 225,139,000 (equivalent to RMB 24,267,000).

	<b>Amount</b>
Disposal price	35,741
Less: Net assets of Peass Industrial Engineers Private Limited owned on consolidated statement	-24,267
Other comprehensive income transferred to profits and losses at current period	608
Investment income from disposal	12,082

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### 6 Equity in other entities

#### (1) Equity in subsidiaries

##### (a) Structure of the Group

##### (i) Major subsidiaries obtained through incorporation or investment

	Type	Major business location	Place of registration
1 Saurer Hong Kong Machinery Company Limited	Directly held	Hong Kong, China	Hong Kong, China
2 Saurer Asia Machinery Co., Ltd	Indirectly held	Hong Kong, China	Hong Kong, China
3 Saurer (Jiangsu) Textile Machinery Co. Ltd	Indirectly held	China	China
4 Saurer Têxtil Soluções Ltda.	Indirectly held	Brazil	Brazil
5 SAURER AG	Indirectly held	Switzerland	Switzerland
6 Saurer Germany Management GmbH	Indirectly held	Germany	Germany
7 Saurer Germany GmbH & Co KG	Indirectly held	Germany	Germany
8 Saurer Technologies GmbH & Co KG	Indirectly held	Germany	Germany
9 Saurer Textile Solutions Pvt. Ltd	Indirectly held	India	India
10 Saurer Netherlands Machinery Company B.V.	Indirectly held	Netherlands	Netherlands
11 Saurer Inc.	Indirectly held	USA	USA
12 Saurer (Shanghai) Textile Machinery Technology Co., Ltd	Indirectly held	China	China
13 Saurer Finance Lease Co. Ltd	Indirectly held	China	China
14 Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd (Note 1)	Directly held	China	China
15 Changzhou Saurer Textile Machinery Technology Co., Ltd (Note 2)	Indirectly held	China	China
16 Changzhou Jintan Saurer Investment Co., Ltd	Directly held	China	China
17 Saurer Xinjiang Intelligent Machinery Company Limited (Note 3)	Directly held	China	China
18 Zinser Textile Machines LLP	Indirectly held	India	India
19 Saurer Industries AG	Directly held	Switzerland	Switzerland
20 Saurer Technologies Management GmbH	Indirectly held	Austria	Austria

Note 1: Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd is a limited liability company established on 18 August 2016 in Changzhou City, Jiangsu Province, PRC, with an approved operating period of 30 years. The registered capital is RMB 100,000,000, 100% of which is contributed by the Company. On 30 August 2016, the registered capital was increased to RMB 2,810,000,000. After the capital increase, the contribution proportions of the Company and Changzhou Qiuling Textile Science and Technology Co., Ltd (former name: Changzhou Qiuling Gardening Co., Ltd) were 50.18% and 49.82% respectively. Pursuant to the Articles of Association, the Company has control over Changzhou Jintan Saurer Investment Co., Ltd, and Changzhou Jintan Saurer Investment Co., Ltd is accounted for as a subsidiary of the Company since the incorporation date.

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Date of incorporation	Nature of business	31 December 2017		31 December 2016	
		Direct/indirect shareholding (%)	Voting rights (%)	Direct/indirect shareholding (%)	Voting rights (%)
25 October 2012	Investment holding	100	100	100	100
28 February 2013	Investment holding	100	100	100	100
01 April 2013	Manufacturing and sales of textile machinery	100	100	100	100
08 March 2013	Sales and services of textile machinery	100	100	100	100
06 March 2013	Manufacturing and sales of textile machinery	100	100	100	100
21 December 2012	Investment holding	100	100	100	100
27 November 2012	Manufacturing, sales and services of textile machinery	100	100	100	100
14 November 2017	Manufacturing and sales of textile machinery	100	100	100	100
18 April 2013	Sales and services of textile machinery	100	100	100	100
22 November 2012	Investment holding	100	100	100	100
25 March 2013	Sales and services of textile machinery	100	100	100	100
11 April 2014	Sales and services of textile machinery	100	100	100	100
16 December 2014	Leasing	100	100	100	100
18 August 2016	Consulting, investment and import and export business	50.18	50.18	50.18	50.18
17 August 2016	Consulting, investment and import and export business	50.09	50.09	50.09	50.09
08 April 2016	Investment holding	100	100	100	100
05 August 2016	Manufacturing and sales of intelligent textile machinery	100	100	100	100
18 November 2016	Manufacturing and sales of textile machinery	100	100	N/A	N/A
21 December 2017	Manufacturing and sales of textile machinery	100	100	N/A	N/A
01 July 2017	Investment holding	100	100	N/A	N/A

Note 2: Changzhou Saurer Textile Machinery Technology Co., Ltd is a limited liability company established on 17 August 2016 in Changzhou City, Jiangsu Province, PRC, with an approved operating period of 30 years. The registered capital is RMB 100,000,000, 100% of which is contributed by the Company's subsidiary, Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd. On 30 August 2016, the registered capital was increased to RMB 5,610,000,000. After the capital increase, the contribution proportions of Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd and Jiangsu Jintan Economic and Technological Development Co., Ltd were 50.09% and 49.91% respectively. Pursuant to the Articles of Association, the Company has control over Changzhou Saurer Textile Machinery Technology Co., Ltd, and Changzhou Saurer Textile Machinery Technology Co., Ltd is accounted for as a subsidiary of the Company since the incorporation date.

Note 3: Saurer Xinjiang Intelligent Machinery Company Limited is a limited liability company incorporated on 5 August 2016 in Urumqi Municipality, Xinjiang Uygur Autonomous Region, PRC. The registered capital of Saurer Xinjiang Intelligent Machinery Company Limited amounted to RMB 50,000,000.

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# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

(ii) Major subsidiaries obtained through acquisition involving enterprises not under common control

	Type	Major business location	Place of registration
1 Saurer (Changzhou) Textile Machinery Co., Ltd	Indirectly held	China	China
2 Saurer (Changzhou) Texparts Components Co. Ltd	Indirectly held	China	China
3 Aktiengesellschaft Adolph Saurer (Note 1)	Indirectly held	Switzerland	Switzerland
4 Saurer Czech s.r.o.	Indirectly held	Czech Republic	Czech Republic
5 Saurer Fibrevision Ltd	Indirectly held	UK	UK
6 Schlafhorst Machines LLP.	Indirectly held	India	India
7 Zinser Textile Systems Pvt. Ltd (Note 2)	Indirectly held	India	India
8 Peass Industrial Engineers Pvt. Ltd	Indirectly held	India	India
9 Saurer México S.A. de C.V.	Indirectly held	Mexico	Mexico
10 Saurer Components Pte. Ltd	Indirectly held	Singapore	Singapore
11 Saurer Tekstil A.S.	Indirectly held	Turkey	Turkey

Note 1: Aktiengesellschaft Adolph Saurer was merged into another subsidiary of the Group, SAURER AG, in the first half year of 2016, and was cancelled in June 2016.

Note 2: Zinser Textile Systems Pvt. Ltd was merged into another subsidiary of the Group, Saurer Textile Solutions Pvt. Ltd, on 27 Oct 2016.

(b) Subsidiaries with significant non-controlling interests

Subsidiaries	Shareholding of non-controlling shareholders	Total profit or loss attributable to non-controlling shareholders for the year ended 31 December 2016	Other comprehensive income attributable to non-controlling interests for the year ended 31 December 2016	Dividends paid to non-controlling interests for the year ended 31 December 2016	Accumulated non-controlling interests as at 31 December 2016
Peass Industrial Engineers Pvt. Ltd	49%	3,033	529	0	32,890
Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd	49.82%	-700	0	0	1,399,300
Changzhou Saurer Textile Machinery Technology Co., Ltd	49.91%	25,735	0	0	2,825,735
	0	28,068	529	0	4,257,925

Subsidiaries	Shareholding of non-controlling shareholders	Total profit or loss attributable to non-controlling shareholders for the year ended 31 December 2017	Other comprehensive income attributable to non-controlling interests for the year ended 31 December 2017	Dividends paid to non-controlling interests for the year ended 31 December 2017	Accumulated non-controlling interests as at 31 December 2017
Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd	49.82%	-16	0	0	1,399,284
Changzhou Saurer Textile Machinery Technology Co., Ltd	49.91%	73,311	0	0	2,899,046
	0	73,295	0	0	4,298,330

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Nature of business	31 December 2017		31 December 2016	
	Direct/indirect shareholding (%)	Voting rights (%)	Direct/indirect shareholding (%)	Voting rights (%)
Manufacturing and sales of textile machinery	100	100	100	100
Manufacturing and sales of textile machinery	100	100	100	100
Investment holding	N/A	N/A	N/A	N/A
Manufacturing and sales of textile machinery	100	100	100	100
Manufacturing and sales of textile machinery	100	100	100	100
Investment holding	100	100	100	100
Manufacturing and sales of textile machinery	100	100	100	100
Manufacturing, sales and services of textile machinery	51	51	51	51
Sales and services of textile machinery	100	100	100	100
Manufacturing of textile machinery	100	100	100	100
Sales and services of textile machinery	100	100	100	100

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2017			
	Current assets	Non-current assets	Total assets	Current liabilities
Peass Industrial Engineers Pvt. Ltd	0	0	0	0
Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd	14	2,810,000	2,810,014	1,452
Changzhou Saurer Textile Machinery Technology Co., Ltd	5,783,427	0	5,783,427	41,129

	2017		
	Revenue	Net profit/(loss)	Total comprehensive income
Peass Industrial Engineers Pvt. Ltd	0	0	0
Changzhou Jintan Saurer Textile Machinery Technology Co., Ltd	0	-32	-32
Changzhou Saurer Textile Machinery Technology Co., Ltd	0	97,924	97,924

### (2) Equity in joint ventures

(a) General information of significant joint ventures

	Major business location	Place of registration	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Joint ventures -						
Saurer Premier Technologies Private Limited	India	India	Production and sales of clearers and accessories	Yes	0	50

The above equity investment is accounted for using the equity method.

(b) Summarised financial information of significant joint ventures

	31 December 2017	31 December 2016
Current assets	3,484	3,060
Including: Cash and cash equivalents	261	106
Non-current assets	424	108
Total assets	3,908	3,168
Current liabilities	3,205	864
Non-current liabilities	0	146
Total liabilities	3,205	1,010
Non-controlling interests	0	0
Equity attributable to the parent company	703	2,158
Shares of net assets in proportion	352	1,079
Carrying amount of investment in joint ventures	350	1,082

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### 31 December 2016

Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
0	0	54,358	38,350	92,708	19,657	5,928	25,585
0	1,452	9	2,810,000	2,810,009	1,415	0	1,415
0	41,129	5,658,647	0	5,658,647	14,273	0	14,273

### 2016

Cash flows from operating activities	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
0	78,998	6,189	7,226	3,225
-1,405	0	-1,406	-1,406	9
-35,862	0	34,374	34,374	11

	2017	2016
Revenue	1,493	3,202
Financial income	71	73
Income tax expenses	0	-141
Net loss	-1,479	-788
Other comprehensive income	0	0
Total comprehensive income	-1,479	-788
Dividends received from joint ventures by the Group for the current year	0	0

## 7 Segment information

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment 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 2 reportable segments as follows:

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

Inter-segment transfer prices are measured by reference to selling prices to third parties.

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

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

(a) Segment information as at and for the year ended 31 December 2017 is as follows:

	Spinning Solutions	Technologies	Unallocated	Elimination	Total
Revenue from external customers	6,954,509	1,758,577	326	0	8,713,412
Inter-segment revenue	22,583	51,120	0	-73,703	0
Asset impairment losses	-48,420	-4,268	-9	0	-52,697
Depreciation and amortisation expenses	-159,729	-53,823	-1,959	0	-215,511
Earnings/(losses) before interest and tax	815,166	187,650	-71,103	0	931,713
Interest income	0	0	175,438	0	175,438
Interest expenses	0	0	-110,766	0	-110,766
Total profit	815,166	187,650	-6,431	0	996,385
Income tax expenses	0	0	-246,868	0	-246,868
Net profit/(loss)	815,166	187,650	-253,299	0	749,517
Total assets	5,869,723	1,297,666	7,406,337	-41,954	14,531,772
Total liabilities	3,410,259	726,937	3,931,166	-41,954	8,026,408
Addition of fixed assets, construction in progress, long-term prepaid expenses and intangible assets	355,744	53,112	5,807	0	414,663

(a) Segment information as at and for the year ended 31 December 2016 is as follows:

	Spinning Solutions	Technologies	Unallocated	Elimination	Total
Revenue from external customers	4,897,507	1,454,712	535	0	6,352,754
Inter-segment revenue	140	23,152	0	-23,292	0
Asset impairment losses	-19,320	-12,762	-21	0	-32,103
Depreciation and amortisation expenses	-156,193	-40,291	-6,865	0	-203,349
Earnings/(losses) before interest and tax	464,686	132,654	71,416	0	668,756
Interest income	0	0	148,485	0	148,485
Interest expenses	0	0	-146,723	0	-146,723
Total profit	464,686	132,654	73,178	0	670,518
Income tax expenses	0	0	-167,533	0	-167,533
Net profit/(loss)	464,686	132,654	-94,355	0	502,985
Total assets	4,264,533	1,145,712	7,841,345	-26,347	13,225,243
Total liabilities	2,138,857	446,533	3,878,242	-26,347	6,437,285
Addition of fixed assets, construction in progress, long-term prepaid expenses, intangible assets and goodwill	194,179	47,156	118	0	241,453

The Group's sales revenue from external customers in China and in foreign countries or geographical areas, and the total non-current assets other than financial assets and deferred tax assets located in China and in foreign countries or geographical areas are as follows:

Sales revenue from external customers	2017	2016
Germany	5,254,702	4,267,888
China	2,598,140	1,268,564
United States of America	291,242	285,228
Switzerland	278,869	212,308
India	152,450	208,121
Turkey	45,213	32,964
England	43,454	34,680
Brazil	35,947	28,506
Mexico	7,529	11,514
Singapore	5,866	2,981
	8,713,412	6,352,754

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# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Total non-current assets	2017	2016
Switzerland	1,266,495	1,261,661
Germany	1,098,915	1,022,355
China	576,999	377,565
India	154,019	180,498
United of Kingdom	54,818	55,237
Singapore	51,884	66,118
United States of America	27,538	28,480
Czech Republic	2,861	2,668
Brazil	1,186	0
Turkey	723	1,070
Mexico	441	297
	3,235,879	2,995,949

## 8 Related parties and related party transactions

### (1) Information of the parent company

(a) General information of the controlling shareholder (2016: parent company)

	Type	Place of registration	Legal representative	Nature of business
Jiangsu Jinsheng Industry Co. Ltd	Limited company	Jintan, China	Pan Xueping	Manufacturing of textile machinery

(b) Registered capital and changes in registered capital of the parent company

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Jiangsu Jinsheng Industry Co. Ltd	30,000	70,000	0	100,000

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Jiangsu Jinsheng Industry Co. Ltd	30,000	0	0	30,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2017	
	Percentage of shareholdings	Percentage of voting rights
Jiangsu Jinsheng Industry Co. Ltd	46.38%	46.38%

In August 2017, the process of major assets restructuring (Note 1) was accomplished. As of 31 December 2016, the percentage of shareholdings and voting rights were same as the percentage before the completion of the major restructuring which were 65% and 65% respectively.

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## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (2) Information of subsidiaries

The general information and other related information of the major subsidiaries are set out in Note 6 (1).

### (3) Information of other related parties

Name of related party	Relationship with the Group
Shanghai Textile Machinery Parts Factory Steel Ring Manufacturing Co., Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Taicang Li Tai Textile Co., Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Jiangsu Jin Hong Textile Co., Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Victory Rich Success Co., Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Changzhou Jintan Changrun Trading Co., Ltd (former name: Jintan Changrun Trading Co., Ltd)	Controlled by Jiangsu Jinsheng Industry Co. Ltd
EMAG (China) Machinery Co., Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Shanghai Huayuan Mechatronics Co., Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Litai Xingshi (Taicang) Holding Co. Ltd (Note)	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Xinjiang Litai Silk-Road Investment Co., Ltd (Note)	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Kuitun Litai Silk-Road Investment Co., Ltd (Note)	Controlled by Jiangsu Jinsheng Industry Co. Ltd
LT Textile International Limited Liability Company (Note)	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Heberlein Ceramic Technology Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Heberlein AG (former name: Saurer Components AG)	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Sea Dynamic International Co., Ltd	Controlled by Jiangsu Jinsheng Industry Co. Ltd
Saurer Premier Technologies Private Limited	Joint ventures
Chen Meifang	Close family member of the ultimate controlling shareholder
Changzhou Jintan Huamao Jinsheng Technology Development Co., Ltd (former name: Jintan Huamao Jinsheng Technology Development Co., Ltd)	Controlled by the close family member of the ultimate controlling shareholder
Jintan Garden Hotel	Controlled by the close family member of the ultimate controlling shareholder

Note: Xinjiang Litai Silk-Road Investment Co., Ltd, Kuitun Litai Silk-Road Investment Co., Ltd and LT Textile International Limited Liability Company are subsidiaries of Litai Xingshi (Taicang) Holding Co. Ltd. The financial statements disclose Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries as a whole.

### (4) Related party transactions

#### (a) Pricing policy and decision-making procedure

The transaction price between the Group 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 by making reference to the market price.

#### (b) Sales of goods and rendering of services

	2017	2016
Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries	820,203	1,032,073
Taicang Li Tai Textile Co., Ltd	131	233
Saurer Premier Technologies Private Limited	96	51
EMAG (China) Machinery Co., Ltd	80	45
Changzhou Jintan Huamao Jinsheng Technology Development Co., Ltd	13	20
Jiangsu Jin Hong Textile Co., Ltd	0	132
	820,523	1,032,554

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (c) Purchase of goods

	2017	2016
Heberlein AG	3,227	3,553
Saurer Premier Technologies Private Limited	418	2,429
Jiangsu Jin Hong Textile Co., Ltd	68	0
Changzhou Jintan Huamao Jinsheng Technology Development Co., Ltd	24	0
	3,737	5,982

### (d) Other service provided

	2017	2016
Heberlein AG	741	3,435
Jiangsu Jinsheng Industry Co. Ltd	0	51
	741	3,486

### (e) Other service received

	2017	2016
Shanghai Huayuan Mechatronics Co.,Ltd	1,382	4,919
Heberlein AG	377	148
Jintan Garden Hotel	176	177
Changzhou Jintan Huamao Jinsheng Technology Development Co., Ltd	24	0
	1,959	5,244

### (f) Interest income

	2017	2016
Jiangsu Jinsheng Industry Co. Ltd	0	61,697
Heberlein Ceramic Technology Ltd	0	9,805
Victory Rich Success Co., Ltd	0	288
Shanghai Textile Machinery Parts Factory Steel Ring Manufacturing Co., Ltd	0	61
	0	71,851

### (g) Interest expenses

	2017	2016
Jiangsu Jinsheng Industry Co. Ltd	211	2,128
Sea Dynamic International Co., Ltd	0	2,131
Victory Rich Success Co., Ltd	0	1,425
Heberlein AG	0	7
	211	5,691

### (h) Remuneration of key management

	2017	2016
Remuneration of key management	18,022	34,556

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

(i) Financing  
- Lending out

	2017	2016
Jiangsu Jinsheng Industry Co. Ltd	0	1,864,934
Victory Rich Success Co., Ltd	0	43,316
Changzhou Jintan Changrun Trading Co., Ltd	0	7,000
Jiangsu Jin Hong Textile Co., Ltd	0	1,300
	0	1,916,550

- Borrowing in

	2017	2016
Jiangsu Jinsheng Industry Co. Ltd	0	260,845
Sea Dynamic International Co., Ltd	0	58,850
	0	319,695

(j) Income from providing guarantees for related parties

	2017	2016
Sea Dynamic International Co., Ltd (Note 4 (47) (b))	0	61,174

(k) Guarantee charges paid by related parties

	2017	2016
Jiangsu Jinsheng Industry Co. Ltd (Note 4 (29) (a))	0	24,022

(l) Disposal of non-current assets

	2017	2016
Jiangsu Jinsheng Industry Co. Ltd	0	2,037

(m) Acquisition of fixed assets

	2017	2016
Shanghai Huayuan Mechatronics Co.,Ltd	314	0

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (5) Receivables from and payables to related parties

#### (a) Accounts receivable

	31 December 2017	31 December 2016
Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries	1,023,204	425,768
Saurer Premier Technologies Private Limited	55	51
Taicang Li Tai Textile Co., Ltd	41	315
Jiangsu Jin Hong Textile Co., Ltd	0	217
EMAG (China) Machinery Co., Ltd	0	53
Heberlein AG	0	2,539
Changzhou Jintan Huamao Jinsheng Technology Development Co., Ltd	0	101
	1,023,300	429,044

#### (b) Advances from customers

	31 December 2017	31 December 2016
Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries	698,238	0

#### (c) Accounts payable

	31 December 2017	31 December 2016
Heberlein AG	523	446
Jiangsu Jin Hong Textile Co., Ltd (iv)	68	0
	591	446

#### (d) Other payables

	31 December 2017	31 December 2016
Jiangsu Jinsheng Industry Co. Ltd (i)	11,916	11,916
Jintan Garden Hotel	45	0
Shanghai Huayuan Mechatronics Co.,Ltd	32	2,601
Changzhou Jintan Huamao Jinsheng Technology Development Co., Ltd	6	0
	11,999	14,517

(i) As at 31 December 2017 and 31 December 2016, the balance of payables to Jiangsu Jinsheng Industry Co. Ltd also included: the balance of RMB 9,278,000 represented the consideration the Company should pay to Jinsheng Industrial for the acquisition of its 30% equity of Saurer (Changzhou) Textile Machinery Co., Ltd and 30% equity of Saurer (Changzhou) Texparts Components Co., Ltd, respectively; the repayment to Jiangsu Jinsheng Industry Co. Ltd was RMB 2,608,000, with annual interest rate of 8%, will be due in one year; the remaining balance of RMB 30,000 was payments paid on behalf of the Company.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

(e) Interest payable

	31 December 2017	31 December 2016
Jiangsu Jinsheng Industry Co., Ltd	472	261

(f) Advance to suppliers

	31 December 2017	31 December 2016
Saurer Premier Technologies Private Limited	2,006	0

(g) Employee benefits payable

	31 December 2017	31 December 2016
Pan Xueping	2,100	2,100

### (6) Commitments in relation to related parties

As at each balance sheet date, the Group's commitments in relation to Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries that have been contracted for but not yet performed are as follows:

	31 December 2017	31 December 2016
Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries	1,544,176	1,622,147

### 9 Contingencies

As at 31 December 2017 and 31 December 2016, the Group did not have significant contingencies.

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### 10 Commitments

#### (1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2017	31 December 2016
Buildings, machinery and equipment	370,389	13,384
Intangible assets	732	0
	371,121	13,384

#### (2) Operating lease commitments

As at the balance sheet date, the future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2017	31 December 2016
Within 1 year	70,833	63,017
1 to 2 years	46,119	44,277
2 to 3 years	37,963	40,582
Over 3 years	163,866	193,750
	318,781	341,626

### 11 Events after the balance sheet date

(a) At time of report issuing, Saurer Textile (Changzhou) Machinery Technology Co. Ltd, the subsidiary of the Company, purchased interest-guaranteed and principal-guaranteed RMB WMP issued by Bank of Nanjing Jintan Branch on 28 February 2018, amounting to RMB 4,500,000,000, with an expected annual yield of 4.5%. The WMPs are due in June 2018.

(b) On 20 April 2018, the Board of Directors proposed that cash dividend of RMB 0.1 (before tax) be paid out for every 10 shares of all shareholders on undistributed profit with the total share capital of 1,895,412,995 shares as a base. Apart from above mentioned cash dividend, no other form of profit distribution was proposed and no share premium should be converted into share capital. This proposal is yet to be approved at the AGM of shareholders. Cash dividends proposed after the balance sheet date are not recognized as a liability on the balance sheet date.

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### 12 Financial risk

The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (1) Market risk

##### (a) Foreign exchange risk

The Group operates in China and some overseas countries such as Germany, Switzerland and USA, etc. Thus it is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR, CHF and USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk mainly arises from financial instruments with non-functional currency. The Group's finance department at its headquarters makes policies, monitors and manages the foreign exchange risk related to its functional currency. Therefore, the Group has signed a number of forward foreign exchange contracts in order to achieve the purpose of avoiding foreign exchange risk (Note 4 (2)). The Group holds several foreign business investments, of which the net assets are exposed to foreign currency risk. The Group manages the exchange risk arising from net assets of foreign business mainly through the relevant foreign currency loans.

As at 31 December 2017 and 31 December 2016, the foreign exchange risk of the Group primarily arose from USD and CHF financial assets and liabilities of the subsidiaries whose functional currency is the EUR.

If the EUR had strengthened/weakened by 10% against the USD while all other variables had been held constant, the Group's net profit for the year ended 31 December 2017 would have been approximately RMB 11,903,000 higher/lower for various financial assets and liabilities denominated in USD; and net profit for the year ended 31 December 2016 would have been approximately RMB 48,152,000 higher/lower for various financial assets and liabilities denominated in USD.

If the EUR had strengthened/weakened by 10% against the RMB while all other variables had been held constant, the Group's net profit for the year ended 31 December 2017 would have been approximately RMB 51,389,000 lower/higher for various financial assets and liabilities denominated in RMB; and net profit for the year ended 31 December 2016 would have been approximately RMB 16,776,000 lower/higher for various financial assets and liabilities denominated in RMB.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (b) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings including bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2017 and 31 December 2016, the Group's interest-bearing assets and borrowings classified by floating rate and fixed rate were as follows:

	31 December 2017	31 December 2016
Floating interest rate		
- Short-term borrowings	0	2,548
- Long-term borrowings (including current portion of long-term borrowings)	2,751,828	2,642,400
	2,751,828	2,644,948
Fixed interest rate		
- Short-term borrowings	267,001	876,334
- Other payables	2,608	2,608
- Long-term borrowings (including current portion of long-term borrowings)	437,077	7
	706,686	878,949

To mitigate the impact of interest rate fluctuations, the Group continuously assesses and monitors its exposure to interest rate risk to take measures to control relevant risks.

As at 31 December 2017, if the floating rate had strengthened/weakened by 50 points, while all other variables had been held constant, the Group's net profit for the year would have been approximately decreased/increased RMB 13,759,000 (31 December 2016: equivalent to RMB 13,225,000).

### (2) Credit risk

Credit risk is managed on the Group basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables, notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other domestic and foreign medium or large size banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Except for financial liabilities at fair value through profit or loss that have been disclosed in Note 4 (2), the financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	270,652	0	0	0	270,652
Accounts payable	1,492,701	0	0	0	1,492,701
Interest payable	2,395	0	0	0	2,395
Other payables	330,368	0	0	0	330,368
Long-term borrowings (Including: Current portion of non-current liabilities)	812,178	526,084	1,916,468	464,253	3,719,131
	2,908,294	526,084	1,916,616	464,253	5,815,247

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	888,644	0	0	0	888,644
Accounts payable	823,976	0	0	0	823,976
Interest payable	2,300	0	0	0	2,300
Other payables	228,574	0	0	0	228,574
Long-term borrowings (Including: Current portion of non-current liabilities)	530,451	431,679	1,290,626	886,335	3,139,091
	2,473,945	431,679	1,290,626	886,335	5,082,585

As at 31 December 2017 and 31 December 2016, the Group had no external financial guarantee.

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### 13 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

#### (1) Financial instruments measured at fair value on recurring basis

As at 31 December 2017, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	0	6,178	0	6,178
Available-for-sale financial assets	0	0	0	0
<b>Total financial assets/total assets</b>	<b>0</b>	<b>6,178</b>	<b>0</b>	<b>6,178</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	0	7,532	0	7,532

As at 31 December 2016, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	0	1,860	0	1,860
Available-for-sale financial assets	51	0	0	51
Other current assets	0	0	63,000	63,000
<b>Total financial assets/total assets</b>	<b>51</b>	<b>1,860</b>	<b>63,000</b>	<b>64,911</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	0	1,067	15	1,082

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. In 2017 and 2016, there was no shift among the first, second and third level.

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 Group using valuation technique. For the valuation of hedging instruments, the discounted cash flow method is used with significant input being the observable exchange rate; for the valuation of currency swap contracts, the discounted cash flow method is used with significant input being the observable forward exchange rate and swap rate of the related currency.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The changes in Level 3 financial assets are analysed below:

<b>Financial assets/(liabilities) and WMPs at fair value through profit or loss</b>	<b>2017</b>	<b>2016</b>
Balance at the beginning of the year	63,000	0
Purchases	250,000	63,000
Retract	-313,818	0
Transfer into Level 3	0	0
Transfer out of Level 3	0	0
Total gains or losses for the current period	0	0
- (Losses) recognised in profit or loss	818	0
- Gains or losses recognised in other comprehensive income	0	0
Balance at the end of the year	0	63,000
Changes in unrealised gains or losses included in profit or loss for the current period with respect to assets still held at the end of the year		
- (Losses) on changes in interest of WMPs	818	0
- (Losses) on changes in fair value	0	-15

Gains or losses recognised in profit or loss are included in the income statement under the items of gains on changes in fair value, investment income and asset impairment losses respectively.

### (2) Assets measured at fair value on a non-recurring basis

As at 31 December 2017 and 31 December 2016, the Group had no assets measured at fair value on a non-recurring basis.

### (3) Assets and liabilities not measured at fair value but disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables, short-term borrowings, payables, long-term borrowings and long-term payables. The carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

## 14 Capital management

The Group's capital management policies aim to safeguard the Group'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 Group can adjust the dividends payment to the owners, inject capital or dispose the assets to net-off the debts.

The total capital of the Group is the total owners' equity listed in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

As at 31 December 2017 and 31 December 2016, the Group's gearing ratios are as follows:

	31 December 2017	31 December 2016
Gearing ratio	55%	49%

### 15 Notes to the Company financial statements

#### (1) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	0	12
Cash at bank	1,572	680,464
Other cash balances	0	12,643
	1,572	693,119

#### (2) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	0	3,268,661
Less: Provision for bad debts	0	-239,937
Net book value	0	3,028,724

(a) The aging of accounts receivable is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	0	1,018,809
Overdue for 1-2 years	0	1,304,493
Overdue for 2-3 years	0	341,566
Overdue for 3-4 years	0	277,884
Overdue for 4-5 years	0	76,231
Overdue for more than 5 years	0	9,741
	0	3,028,724

#### (3) Advances to suppliers

	31 December 2017	31 December 2016
Advances to suppliers	0	33,039

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (4) Other receivables

	31 December 2017	31 December 2016
Loan	0	1,816,707
Collateral	0	368,321
Trade receivables and payables	0	330,718
Labour insurance	0	31,783
Deposit	0	2,181
Receivable from asset transfer	0	1,162
Transfer from prepayment	0	356
Others	0	18,939
Total	0	2,570,167
Less: Provision for bad debts	0	-372,840
Net book value	0	2,197,327

The aging of other receivable is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	0	1,084,585
Overdue for 1 to 2 years	0	311,940
Overdue for more than 2 years	0	800,802
	0	2,197,327

### (5) Long-term equity investments

	31 December 2017	31 December 2016
Subsidiaries	10,452,842	403,282
Total	10,452,842	403,282
Less: Provision for impairment of long-term equity investments	0	-209,372
Net book value	10,452,842	193,910

As at 31 December 2017, the Company's directly holding subsidiary is Saurer Intelligent Machinery Company Limited (Note 6 (1) (a)) which holds certain long-term equity investments in subsidiaries in Hong Kong and overseas. Those long-term equity investments are subject to applicable foreign exchange control in Mainland China, Hong Kong and overseas where the investment locates.

The invested organization	31 December 2016	Increase in the current year	Decrease in the current year (Exchange-out assets)	31 December 2017	Provision for impairment	Provision for impairment at year end
- Saurer Intelligent Machinery	0	10,452,842	0	10,452,842	0	0
- Others	193,910	0	-193,910	0	0	0
	193,910	10,452,842	-193,910	10,452,842	0	0

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (6) Fixed assets

	31 December 2016	Increase in the current year			Decrease in the current year	31 December 2017
		Transfers from construction in progress	Purchase	Other increases		
Total cost	154,324	0	8,464	0	162,788	0
Buildings	24,595	0	8	0	24,603	0
Structures and groove	44,056	0	3,140	0	47,196	0
Machinery equipment	50,560	0	2,754	0	53,314	0
Transportation equipment	23,920	0	1,470	0	25,389	0
Electronic and other equipment	11,193	0	1,092	0	12,286	0
Total accumulated depreciation	81,528	0	8,888	0	90,416	0
Buildings	11,227	0	1,221	0	12,448	0
Structures and groove	12,749	0	2,658	0	15,407	0
Machinery equipment	33,432	0	2,705	0	36,137	0
Transportation equipment	16,584	0	1,367	0	17,951	0
Electronic and other equipment	7,536	0	937	0	8,473	0
Total provision for impairment	17,119	0	0	618	17,737	0
Buildings	8,478	0	0	0	8,478	0
Structures and groove	5,938	0	0	0	5,938	0
Machinery equipment	2,611	0	0	175	2,786	0
Transportation equipment	29	0	0	464	493	0
Electronic and other equipment	63	0	0	-21	42	0
Carrying amount	55,677	0	0	0	0	0
Buildings	4,890	0	0	0	0	0
Structures and groove	25,369	0	0	0	0	0
Machinery equipment	14,517	0	0	0	0	0
Transportation equipment	7,307	0	0	0	0	0
Electronic and other equipment	3,594	0	0	0	0	0

(a) In 2017, the depreciation expense of fixed assets was RMB 8,888,000 (2016: RMB 24,417,000), which was charged to general and administrative expenses.

(b) As at 31 December 2017, the Company accrued fixed assets impairment of RMB 618,000 (2016: RMB 97,135,000)

### (7) Intangible assets

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Cost -				
Patent technology	20,218	414	-20,632	0
Accumulated amortisation -				
Patent technology	-4,146	-602	4,748	0
Carrying amount -				
Patent technology	16,072	0	0	0

(a) In 2017, the amortisation of intangible assets amounted to RMB 602,000 (2016: RMB 512,000,000).

(b) As at 31 December 2017 and 31 December 2016, the Company considered there was no indication that the intangible assets may be impaired, therefore no provision for impairment was required.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (8) Long-term prepaid expenses

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Improvements to fixed assets held under operating leases	414	119	-533	0

### (9) Accounts payable

	31 December 2017	31 December 2016
Accounts payable	0	578,655

### (10) Other payables

	31 December 2017	31 December 2016
Accounts payable to subsidiaries (a)	820,809	0
Agency fee	6,738	0
Borrowing	0	501,666
Construction payment	0	298,616
Collateral	0	47,215
Internal receivables and payables	0	23,385
Investment	0	8,118
Trade receivables and payables	0	6,802
Deposit	0	5,368
Receivables and payables on behalf of other companies	0	4,443
Production reward fund	0	200
Equipment procurement	0	60
Land compensation	0	20
Others	0	5,825
	827,547	901,718

#### (a) Payables to subsidiaries

	31 December 2017	31 December 2016
Saurer Intelligent Machinery Co., Ltd	704,469	0
Saurer Xinjiang Intelligent Machinery Co., Ltd	110,000	0
Saurer (Jiangsu) Textile Machinery Co., Ltd	5,140	0
Saurer (Shanghai) Textile Machinery Technology Co., Ltd	1,200	0
	820,809	0

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (11) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits payable (a)	308	11,903
Termination benefits	0	560
Other benefits within one year	0	178
	308	12,641

Short-term employee benefits

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Payroll	11,288	45,957	-56,937	308
Social security contributions	0	4,101	-4,101	0
Including: Medical insurance	0	3,425	-3,425	0
Work injury insurance	0	404	-404	0
Maternity insurance	0	272	-272	0
Housing funds	1	4,096	-4,097	0
Labour union funds and employee education funds	614	1,479	-2,093	0
Other short-term employee benefits	0	104	-104	0
	11,903	55,737	-67,332	308

### (12) Revenue and cost of sales

	2017	2016
Main operating income	832,918	2,873,630
Other operating income	20,357	26,946
	853,275	2,900,577

	2017	2016
Main operating cost	789,872	2,736,483
Other operating cost	11,173	17,202
	801,045	2,753,685

(a) Revenue from main operations and cost of main operations

	2017		2016	
	Main operating income	Main operating cost	Main operating income	Main operating cost
Engineering Construction	831,640	788,960	2,771,342	2,658,074
House Sales	348	84	94,116	71,712
Construction Materials	930	828	8,172	6,697
	832,918	789,872	2,873,630	2,736,483

Note: In 2017, the operation revenue of the Company was the revenue from January to August 2017. Upon completion of the major asset restructuring in August 2017, the business of engineering construction, house sales and construction materials was exchanged out.

## SECTION 9.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### (13) Financial income - net

	2017	2016
Interest income	-45,214	-54,102
Interest expenses	158,567	207,405
Commission	1,369	431
Others	115	373
Net book value	114,837	154,107

### (14) Supplementary information to the cash flow statement

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

	2017	2016
Net (loss)/profit	487,418	-462,322
Add/(less):		
Impairment of assets	54,173	453,147
Depreciation of fixed assets (Note 15 (6))	18,891	24,417
Amortisation of intangible assets (Note 15 (7))	602	512
Amortisation of long-term prepaid expenses (Note 15 (8))	119	124
Disposal loss on fixed assets, intangible assets and other non-current assets	-278	90
Financial income - net	158,682	207,579
Investment losses	-770,591	-6,314
Increase in inventories	-64,982	-109,459
Decrease/(increase) in operating receivables	808,132	512,720
Increase in operating payables	-532,217	-804,739
Deferred tax	-29,218	-111,188
Net cash flows from operating activities	130,731	-295,433

(b) In 2017, the activities that do not involve cash receipts and payments included parts of transactions of the Company refer to Note 1.

In 2016, the Company had no significant investment and financing activities that do not involve cash receipts and payments.

(c) Net increase/(decrease) in cash and cash equivalents

	2017	2016
Cash and cash equivalents at the end of the year	1,572	660,224
Less: Cash and cash equivalents at the beginning of the year	-660,224	-1,208,013
Net decrease in cash and cash equivalents	-658,652	-547,789

(d) Cash and cash equivalents

	2017	2016
Cash at bank and on hand	1,572	693,119
Less: Restricted cash at bank	0	-32,895
Cash and cash equivalents at the end of the year	1,572	660,224

# SECTION 9.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### 16 SUPPLEMENTARY INFORMATION FROM THE MANAGEMENT

#### (1) Detailed list of non-recurring gain and loss

Amounts (RMB'000)	2017	2016
(Loss)/income from disposal of non-current assets	-1,318	1,282
Governmental subsidy included in the current profits and losses	2,511	31,816
Paid or received payment for use of state funds recorded in current profits and losses	23,775	71,851
Estimated expenses of employee dismission caused by the overseas plant shutdown and others	-8,539	0
Income of currency swap and interest rate swap	0	9,588
Income of subsidiary disposal	12,082	0
Net value of other non-operating income and expense	-21,068	58,622
<b>Subtotal</b>	<b>7,443</b>	<b>173,159</b>
Less: Impact of income tax	1,930	-30,502
Less: Extraordinary profit and loss attributable to minority shareholders	-92	-132
Extraordinary profit and loss attributable to parent company shareholders	9,281	142,525

Compiling foundation of extraordinary profit and loss detailed statements

According to the regulations of "Standards For Content And Format Of Information Disclosure Of Companies Issuing Securities Publicly No.1 – Extraordinary profit and loss [2008]" promulgated by CSRC, extraordinary profit and loss arises in various trading and issues that have no direct relation with the normal operations of a company, or that are related with normal operations but affect the users of the statement to make reasonable judgment of the company's operation performance and profitability due to the special and occasional nature of such trading and issues.

#### 2 Net assets income and earnings per share

	Weighted average net assets income rate (%)	
	2017	2016
Net profits attributable to shareholders of the parent company	23.67%	20.95%
Net profits attributable to parent company shareholders excluded extraordinary profit and loss	23.33%	14.66%

	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	2017	2016	2017	2016
Net profits attributable to shareholders of the parent company	0.4556	0.3894	0.4556	0.3894
Net profits attributable to parent company shareholders excluded extraordinary profit and loss	0.4492	0.2725	0.4492	0.2725

## SECTION 10.

# CATALOGUE OF DOCUMENTS AVAILABLE FOR INSPECTION

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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.

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Approval and submission date of the Board of Directors:

Chairman: Pan Xueping  
20 April 2018



# DISCLAIMER

Parts of the Saurer Annual Report 2017 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.

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