

SAURER.



2021

Annual report

Letter from the Chairman and CEO

Pan Xueping
Chairman

Dr Uwe Rondé
CEO



For another year, the Covid-19 pandemic and the global geopolitical developments continued to affect supply chains and markets worldwide. While Saurer was also impacted, 2021 was not just characterised by negatives – there were also some positive developments for the group.

After an unprecedented year of severe economic decline around the globe, conditions in 2021 began to ease somewhat.

Highs and lows

The combination of the negative effects of the pandemic and the impact of the tariff and trade wars resulted in protective shield proceedings for two of the Saurer Group's German subsidiaries. During this time, we made sure to keep our customers on top of any developments. Through the dedicated efforts of our sales team, we retained our customers' trust during this challenging period. We strive for customer closeness at all times, but it is particularly important in tough situations. We are happy to say that these proceedings were finalised in the shortest possible time and as a result we were able to return to normal swiftly. While a difficult step to take, these proceedings were ultimately in the group's best interest.

As markets began to emerge from the pandemic-induced downturn, the textile industry also showed signs of recovery. As a result of our commitment to our customers, we saw a surge of orders, increasing 59 % YoY compared with 2020. Among other products, customers have shown immense interest in the automatic rotor-spinning machine Autocoro.

One of the first live events since the start of the pandemic was ITMA Asia 2021, held in June. This successful exhibition drew a large number of visitors and our team appreciated being able to interact with customers and partners in person once more.

Looking forward

2022 has seen the return of international exhibitions and the group is keen to share its innovations with visitors across the globe. With regard to growth, the healthy state of the group's order book causes us to be cautiously optimistic. However, future outcomes will be dependent on global geopolitical developments and the course of the pandemic, two factors which may affect the supply chain.

Financials 2021

The pandemic continued to have an impact on many industries, with the textile sector not being spared. Saurer achieved revenues for the full year 2021 of RMB 5.47 billion, a year-on-year (YoY) increase of 12.8 % (2020: RMB 4.85 billion). The Spinning Segment recorded an operating revenue of RMB 4.2 billion (8.8 % YoY). Revenue for the Technologies Segment was RMB 1.3 billion (27.5 % YoY). With regard to the regions, revenue in India grew 119.4 % YoY. This trend was also seen in Turkey, other Asian regions (excluding China) and the Americas, which all experienced growth of over 40 %.

Acknowledgements

As we look back on a challenging year, we would like to sincerely thank all those who have contributed to the further development of the Saurer Group. On behalf of the Board of Directors and the Group Management, we would specifically like to address customers, suppliers and business partners – without you, our company would not be where it is today. Lastly, we express our heartfelt gratitude to our shareholders: we deeply appreciate that you've put your trust in our company. Thank you for your invaluable contributions.

Shanghai/Arbon, 30 June 2022



Pan Xueping
Chairman



Dr Uwe Rondé
CEO



The fully automatic rotor-spinning machine Autocoro is an asset to customers who want to produce sustainable yarns from recycled products.

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We deliver on our promise.

Introduction

On 1 January 2022, Dr Uwe Rondé took over as CEO of the Saurer Group. Drawing on more than 30 years of experience in the machine tool business and in the manufacturing industry, he will consistently drive forward Saurer's strategy for the future. We talk to him about how he assesses the state of technological innovation at Saurer, the competitiveness of its products, and what has made Saurer stand out, particularly in the past year.

In conversation with Dr Uwe Rondé

Uwe Rondé, looking at Saurer, what do you see?

UR: I see a globally-positioned heritage company which, with its high-tech products, is the world market leader in most product lines. In a truly competitive environment, too. I see a strong team that, despite two difficult years, actively cultivates a deeply rooted sense of community. That communicates openly, achieves goals together and is highly committed to our customers, our products, and our services. I see a promise that is kept every day: We deliver.

From your point of view, what was Saurer's biggest challenge last year?

UR: Our biggest challenge certainly arose from the pandemic. The consequences for the globally-organised, internal and external supply chains were massive. This lasting disruption resulted in an unforeseeable crisis, which led to preliminary insolvency proceedings at two of Saurer's German entities, Saurer Spinning Solutions GmbH Co. & KG and Saurer Technologies GmbH Co & KG. Even before the actual liquidation and realisation of the assets, both proceedings were completed in record time and to 100 % satisfaction of all creditors.





"Accepting entrepreneurial responsibility ultimately comes down to being there for each other and taking action when it matters."

Saurer CEO Dr Uwe Rondé poses with the carding machine Autocard at ITM 2022 in Istanbul.





"I trust in our team and our innovative strength."

What qualities in particular contributed to resolving the situation?

UR: First and foremost, I see human qualities: the commitment of our employees, who did everything they could to minimise the impact of the situation on our customers despite the additional workload. Also, the trust our customers placed in us, in our expertise and in our products. It was precisely these long-standing, valuable relationships with our customers that carried us through this difficult period – and ultimately, even while still under protection from creditors, led to us securing orders in record numbers.

Is it these very qualities that make Saurer stand out?

UR: Our sales team has done an incredible job in these past months. They had set themselves ambitious goals and have even exceeded them with an order backlog in excess of one billion euros. This is a direct result of knowing our customers so well. Especially in recent months, it has paid off to focus on long-term partnerships and build solid relationships that have spanned many years. This bond enables us to anticipate,

meet and exceed our customers' needs and expectations. We're delivering products and solutions that are at the very forefront of the market, be it our machines for recycled yarn in view of the EU Green Deal, or our digital remote services that keep us close to our customers in every situation.

Where do you see the potential for Saurer – now and for the future?

UR: I trust in our fantastic, committed employees. And I rely on our innovative strength. Saurer lives a culture of constant learning and improvement, with a courageous and daring approach to new ideas. Even during the pandemic, we never allowed ourselves to stand still, constantly evolving. To always strive for the highest quality, to recognise the needs of our customers and to create real added value – these are our driving forces. This is where our potential for tomorrow is fulfilled: by optimising our machines and applications in a continuous process. Our success confirms that we are on the right track.

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 warrant that the contents of this Annual Report are true, accurate and complete, and are free from any false representations, misleading statements or material omissions. The aforementioned parties are individually and collectively responsible for the information contained herein.**
2. **All members of the Board of Directors attended the board meeting to review this Annual Report.**
3. **BDO China Shu Lun Pan Certified Public Accountants LLP presented the Company with a standard, unqualified Auditor's Report.**
4. **Pan Xueping, the Chairman of the Board of Directors, and Lu Yimin, Chief Financial Officer and accountant in charge, confirm the truthfulness, accuracy and completeness of the financial statements in this Annual Report.**

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

According to the Articles of Association and the relevant laws and regulations, and in consideration of the Company's financing needs for the development of its business and other factors, the Board of Directors has reviewed and approved the following profit distribution plan for 2021:

The audit performed by BDO China Shu Lun Pan Certified Public Accountants LLP confirmed that the Company's 2021 consolidated statement showed a net loss of RMB 548 082 000. Article 155 of the Articles of Association stipulates that "the Company may not distribute cash dividends under any of the following circumstances: 1. The consolidated statements or parent company's statements show that no profits were generated for the year".

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

6. Disclaimer with respect to forward-looking statements

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

7. Material risk warnings

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

1. Definitions

1 Definitions

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

Definitions of regularly used terms

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

2. Company profile and financial summary

1 Company information

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

2 Contact person and contact information

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

3 Basic profile

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

4 Information disclosure and place of collection

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

5 Information on the Company's shares

Shares of the Company

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

6 Other relevant information

Accounting firm (Mainland China) engaged by the Company	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Office address	4/F, 61 East Nanjing Road, Huangpu District, Shanghai
	Signing accountants	Wang Bin, Yan Shenghui

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

(1) Major accounting data

Major accounting data	2021	2020	Change YoY (%)	2019
Revenue	5 470 199	4 849 549	12.8	8 575 309
Operating revenue minus unrelated business income and other income of a non-commercial nature	5 467 776	4 846 970	2.8	–
Net profit attributable to shareholders of the Listed Company	–465 092	–561 458	N/A	608 934
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	–778 268	–491 218	N/A	649 356
Net cash flow from operating activities	85 912	–1 092 621	N/A	–252 733
	Year-end 2021	Year-end 2020	Change YoY (%)	Year-end 2019
Net assets attributable to shareholders of the Listed Company	3 294 859	3 934 982	–16.3	4 942 804
Total assets	12 127 896	12 846 342	–5.6	13 203 971

Unit: thousand RMB

(2) Major financial indicators

Major financial indicators	2021	2020	Change YoY (%)	2019
Basic earnings per share (RMB/share)	–0.2601	–0.3043	N/A	0.3218
Diluted earnings per share (RMB/share)	–0.2601	–0.3043	N/A	0.3218
Basic earnings per share after deducting non-recurring gains and losses (RMB/share)	–0.4353	–0.2662	N/A	0.3432
Weighted average return on equity (%)	–12.87	–12.49	N/A	12.69
Weighted average return on equity after deducting non-recurring gains and losses (%)	–21.53	–10.93	N/A	13.53

Unit: thousand RMB

8 Major financial data for each quarter in 2021

	Q1 (Jan. – Mar.)	Q2 (Apr. – Jun.)	Q3 (Jul. – Sep.)	Q4 (Oct. – Dec.)
Revenue	1 242 008	1 254 610	1 591 828	1 381 753
Net profit attributable to shareholders of the Listed Company	17 249	–69 554	–220 011	–192 776
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	17 739	–71 300	–149 518	–575 189
Net cash flow from operating activities	529 124	–125 700	–654 765	337 253

Unit: thousand RMB

9 Items and amounts of non-recurring gains and losses

Non-recurring gains and losses	2021	Note (if applicable)	2020	2019
Income and losses arising from the disposal of non-current assets	–850		–2 693	138
Government subsidies included in the profit and loss for the reporting period, except those that are closely related to normal operating activities and continuously received based on a certain quota or in a certain quantity as stipulated under national policies	25 410		3 246	27 519
Capital occupancy fees charged to non-financial enterprises and included in the profit and loss for the reporting period	–		–	11 325
Expected employee severance expenses and other costs resulting from the restructuring of operations outside China	66 587	Employee severance expenses arising from the consolidation of business outside China	–117 840	–115 480
Other non-operating income and expenditures other than the above	3 074		–3 664	1 031
Other items that meet the definition of non-recurring gains and losses	450 772		0	0
Including: Investment proceeds from disposal of business	652 602		–	–
Expenses related to protective shield of factories outside China	–201 830		–	–
Less: Income tax effects	156 990		–33 854	–25 360
Effect on minority shareholders' equity (after tax)	74 827		–16 857	–9 685
	313 176		–70 240	–40 422

Unit: thousand RMB

10 Items using fair value measurement

Item	Opening balance	Closing balance	Change in 2021	Amount affecting balance in 2021
Financial assets held for trading	14 008	130	–13 878	0
Financial liabilities held for trading	11 132	0	–11 132	0
Receivables financing	159 055	244 133	85 078	0
	184 195	244 263	60 068	0

Unit: thousand RMB

3. Business overview

1 Main business, operating model and core competencies

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

(1) Main business

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

(a) Spinning Solutions

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

(b) Technologies

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

(c) Strategic business development initiative:

Data and Services

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

- (i) Closed loop for optimising the operation of machines and equipment. This loop uses the real-time perception of machine operation data, and production link data and edge computing to dynamically optimise and adjust machinery and equipment, thereby building intelligent machinery and flexible production lines;
- (ii) Closed loop for optimising production and operations. This loop uses the integrated processing of product quality data, manufacturing execution system data, control system data and big data modelling and analysis to dynamically optimise and adjust production, operations and management, thereby creating intelligent production models for different scenarios;
- (iii) Closed loop for optimising enterprise collaboration, user interaction, and products and services. This loop uses the comprehensive integration and analysis of supply chain data, user demand data, and product and service data to achieve innovation in terms of the organisation of enterprise resources and business activities, thereby creating networked collaboration, personalised customisation, service-oriented expansion and other new models.

(2) Business model

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

(a) R&D model

Saurer has a specialised product R&D department that undertakes both standard and customised projects and has set up R&D centres in China, Germany and Switzerland. Saurer's R&D follows a specific workflow, adhering to its "E³ + I" concept, which focuses on improving product performance in terms of Energy, Economy, and Ergonomics, plus Intelligence. First, product management together with the sales and after-sales service departments gather and sort information on customer needs. Product management then defines the product requirements according to the customer's needs. Interdisciplinary development teams, led by professional project managers, are responsible for setting up product development projects. A prototype for the new product is created, taking into account technical requirements and E³ + I parameters as well as the required customer features. Once the technology has taken shape, the product enters several production and market testing stages. The entire product development process is a closed-loop, iterative process aimed at continuous improvement.

(b) Production and procurement model

Saurer implements order-based (make to order) production. The offering is designed according to customer-specific requirements.

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

(c) Assembly and integration model

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

(d) Sales

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

2 Core competencies

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

(1) Unique "E³ + I" philosophy

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

(2) Competing through technological innovation

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

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

(3) Competing on the strength of the Saurer brand

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

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

(4) Competing through combined local know-how and global reach

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

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

4. Discussion and analysis of operations

1 Overview of operations

(1) Economic and industry conditions

The global economy showed a moderate recovery trend in 2021, despite a new surge of the Covid-19 pandemic. In the first half of the year, the major developed economies maintained their loose monetary policies. The US, Europe and other developed economies benefitted from the rapid distribution of vaccinations and the gradual lifting of lockdowns, and economic growth in developed countries subsequently accelerated.

The resurgence of the Delta variant in the third quarter, in particular the severe rebound of the epidemic in Europe in October, coupled with supply chain disruptions and rising inflation pressures to cause economic activity in the US and the Eurozone to show signs of slowing again. The level of inflationary pressures continued to rise and the PMI (Purchasing Managers Index) fell after rising. In the second half of November, the re-opening of global borders was slower than the market initially expected, due to the new and mutating Omicron variant. While the operational quality of all textile enterprises has shown improvement since the beginning of the year, their operations remain under a great deal of pressure.

Overall, the market for textile machinery began to recover in 2021. Adhering to its concept of customer first, Saurer seized market opportunities and promoted sales growth by adopting a number of measures focused on product optimisation and vigorous market expansion. The Company also achieved a record high in sales orders in 2021, with an increase of 59 % YoY.

According to a survey by the China Textile Machinery Association, almost 90 % of the textile machinery enterprises surveyed reported an increase in revenue in 2021 compared with the previous year and more than 80 % received more orders than in the previous year. The major challenges that surfaced in 2021 were the enormous cost pressure due to rising inflation, low demand for textile machinery both in China and overseas, and difficulty recruiting workers. Still, 35 % of the enterprises surveyed were optimistic about 2022 and more than half believed that orders will again increase.

Against the backdrop of the recurrent epidemic outbreaks, competition in the textile machinery industry is still fierce. The complicated Chinese and international development environment continues to be affected by factors such as the global economic situation, continuing trade friction and increasing investment uncertainties.

Both Saurer's Chinese and overseas factories were under pressure from the rapidly rising prices of raw materials and logistics. Product profits temporarily declined, since certain products require several months for delivery and the increase in costs could not fully be passed through to the downstream sales side. Additionally, due to shortages of logistics resources some order deliveries were delayed during the reporting period, and order conversions fell short of expectations. The combination of these factors led to a loss in 2021; however, the situation improved YoY. In 2021, Saurer's operating revenue was RMB 5.47 billion, an increase of 12.8 % YoY. The Company recorded a net loss attributable to shareholders of the Listed Company of RMB 465 million, a decrease of 17.2 % YoY.

(2) Strategic and organisational change

A second year dealing with the Covid-19 pandemic and its effects on the workforce and supply chain – and the ongoing challenges in the industry – called for adjustments. Saurer optimised its business structure as well as its product structure, and took measures to resume production. Building on its traditional strengths, Saurer also continued to drive technological innovation.

(a) Business structure optimised to improve the overall profit margin level

As a part of Saurer's strategic transformation, the Board of Directors and Board of Supervisors approved on 13 August 2021 plans to sell three businesses to Rieter Holding AG (Switzerland). The Autoconer winder, Temco (bearing solutions for filament machines) and Accotex (elastomer components for spinning machines) plus related operations, assets and technologies were sold for EUR 300 million (approximately RMB 2.34 billion, at the exchange rate of EUR/RMB = 7.8/1). The underlying assets contributed 22.2 % and 24.8 % of Saurer's sales revenue in 2019 and 2020, respectively; and contributed 2.1 % of the profit in 2019 and 32.9 % of the losses in 2020 to the Company's EBIT, respectively. The deal was completed on 1 April 2022 and helps Saurer replenish its working capital, improve its asset and liability structure and reduce operating costs.

The ongoing downturn in the market demand for embroidery machinery has resulted in long-term losses for the Company's embroidery business. This legacy operation functioned independently from the Company's core business, the production of natural fibre spinning machinery. Following approval from the Board of Directors and Board of Supervisors on 3 December 2021, Saurer decided to sell the assets of its embroidery business. The sale to Swiss Embroidery Solutions AG, a wholly-owned subsidiary of Lässer Holding AG (Switzerland), was completed on 3 March 2022, for CHF 9.98 million (approximately RMB 68 322 100 at an exchange rate of CHF/RMB = 6.8459/1). The Company's overall operating profit will increase following the disposal of these assets.

(b) Multi-level prevention and control to actively promote the resumption of work and production

Saurer adopted rigorous prevention and control measures against the Covid-19 epidemic in 2021. With the progress in epidemic prevention and control in China, the Chinese economy gradually recovered in the second half of the year. This had a knock-on effect on the textile machinery industry, where production and operation have recovered steadily and the overall market showed a relatively strong demand. The sales volume of all products in China increased compared to the previous year. For Saurer, basic management and process training facilitated steady improvement in both product quality and output.

(c) Changes in management and organisational structure

Saurer made changes to its organisational structure and personnel management in 2021. The Company successfully held re-elections of its Board of Directors and the Board of Supervisors, and engaged Dr Uwe Rondé to serve as CEO of the Company, thereby further strengthening its management team.

2 Results of main operations during the reporting period

In 2021 Saurer recorded operating revenue in the amount of RMB 5.47 billion, representing an increase of 12.8 % YoY. Net loss attributable to shareholders of the Listed Company amounted to RMB 465 million, representing a decrease of 17.2 % YoY. Net cash flow from operating activities was RMB 86 million, thereby reversing the net outflow from operating activities in 2020. As of 31 December 2021, the total assets of the Company amounted to RMB 12.12 billion, and net assets attributable to shareholders of the Listed Company were RMB 3.29 billion.

(1) Analysis of main business

(a) Changes in income and cash flow

Item	2021	2020	Change YoY (%)
Revenue	5 470 199	4 849 549	12.8
Cost of sales	4 818 389	3 869 130	24.5
Sales costs	290 513	326 579	-11.0
General and administrative expenses	330 577	438 510	-24.6
Financial costs	170 726	252 241	-32.3
R&D costs	361 909	401 297	-9.8
Net cash flow from operating activities	85 912	-1 092 621	N/A
Net cash flow from investing activities	2 021 649	-330 393	N/A
Net cash flow from financing activities	-1 477 883	-452 021	N/A

Unit: thousand RMB

(b) Revenue and expenses

During the reporting period, due to the effects of the textile machinery industry's recovery, the Company realised an operating revenue of RMB 5.47 billion, an increase of 12.8 % YoY; operating costs amounted to RMB 4.82 billion, representing an increase of 24.5 % YoY. In addition, the gross profit margin decreased slightly in the reporting period due to significant increases in the price of raw materials, rising logistics costs and other factors. The decrease in general and administrative costs in 2021 was mainly due to the large one-off bonus expense incurred in the previous year; the slight decrease in R&D costs is attributable to the sale of certain business segments (see section 1 (2) (a)) and the related decrease in R&D personnel costs.

(i) Operating activities by industry, segment and region

Primary business by industry

Industry	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue YoY (%)	Change in operating expenses YoY (%)	Change in gross margin YoY (%)
Textile machinery	5 470 199	4 818 389	11.9	12.8	24.5	-8.3 pts

Unit: thousand RMB

Primary business by segment

Segment	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue YoY (%)	Change in operating expenses YoY (%)	Change in gross margin YoY (%)
Spinning Solutions	4 196 548	3 772 388	10.1	8.8	22.8	-10.2 pts
Technologies	1 298 469	1 046 001	19.4	27.5	31.1	-2.2 pts

Unit: thousand RMB

In terms of sales by different segments, Saurer's Spinning Solutions recorded a revenue of RMB 4.2 billion, representing an increase of 8.8 % YoY. The Technologies recorded a revenue of RMB 1.3 billion, representing an increase of 27.5 % YoY. Gross profit margin edged down in 2021, affected by the price hike of raw materials, rise in logistic costs and other factors. Saurer's third segment, Data and Services, was still in development in the reporting period; its relatively small volume has been incorporated into the financial accounts of Technologies for accounting purposes.

Revenue by region	2021	2020	Change YoY (%)
China	1 801 043	2 378 204	-24.3
India	615 203	280 461	119.4
Turkey	909 709	631 656	44.0
Other Asian regions	1 067 708	702 989	51.9
Americas	673 112	456 678	47.4
Europe, Africa and others	403 424	399 561	1.0
	5 470 199	4 849 549	12.8

Unit: thousand RMB

China recorded a 24.3 % decline in revenue YoY, as the investment pace of some strategic customers in China slowed down due to China-US trade friction. However, revenue in other regions recovered and showed some growth compared with the previous year. India saw a revenue increase of 119.4 % YoY, while revenue grew nearly 50 % in Turkey, other Asian regions and the Americas.

(c) Expenses

Item	2021	2020	Change YoY (%)
Cost of sales	290 513	326 579	-11.0
Administrative expenses	330 577	438 510	-24.6
R&D expenses	361 909	401 297	-9.8
Financial expenses	170 726	252 241	-32.3

Unit: thousand RMB

Expenses decreased in the reporting period for a variety of reasons. Cost of sales was down due to the effect of cost controls and a slight decline in exhibition, office and other expenses. Financial costs were lower due to exchange rate fluctuations. The decrease in general and administrative costs in 2021 was mainly due to the large one-off bonus expense incurred in the previous year; the slight decrease in R&D costs is attributable to the sale of certain business segments (see Overview of operations 2(a)) and the related decrease in R&D personnel costs.

(d) Expenditures on R&D

Expenditures on R&D	361 909
Capitalisation of R&D expenditures	55 580
Total R&D expenditures	417 489
Total R&D expenditures as % of operating revenue	7.6
Number of R&D employees	342
R&D employees as % of total employees	10.4
Capitalisation of R&D expenditures (%)	13.3

Unit: thousand RMB

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

(e) Cash flow

Item	2021	2020	Change YoY (%)
Net cash flow from operating activities	85 912	-1092 621	N/A
Net cash flow from investing activities	2 021 649	-330 393	N/A
Net cash flow from financing activities	-1477 883	-452 021	N/A

Unit: thousand RMB

The cash flow generated from operating activities during the reporting period grew by RMB 1.18 billion over the previous year, primarily for the following reasons:

- Net loss in 2021 was RMB 550 million (2020: net loss of RMB 670 million), resulting in an increase of RMB 120 million YoY;
- Inventory in 2021 declined by RMB 120 million (2020: increased by RMB 370 million), resulting in an increase of RMB 490 million YoY;
- Operating receivables in 2021 rose by RMB 20 million (2020: declined by RMB 390 million), resulting in an increase of RMB 370 million YoY;
- Operating payables in 2021 rose by RMB 280 million (2020: declined by RMB 140 million), resulting in an increase of RMB 420 million YoY.

Cash flow from investing activities during the reporting period increased by RMB 2.35 billion over the previous year, primarily for the following reasons:

- The Company received a one-time consideration totalling RMB 2.13 billion from the disposal of business segments in 2021;
- Cash outflow from the acquisition of fixed assets, intangible assets and other long-term assets was RMB 120 million in 2021 (2020: cash outflow of RMB 330 million), representing an increase of RMB 210 million YoY.

Cash flow from financing activities during the reporting period decreased by RMB 1.03 billion over the previous year, primarily for the following reasons:

- Net cash outflow due to the receipt and repayment of bank borrowings in 2021 was RMB 1.42 billion (2020: net cash inflow of RMB 680 million), representing a decline of RMB 2.1 billion YoY;
- Other cash flows from financing activities in 2021 included a net cash inflow of RMB 370 million received from the recovery and deposit of restricted funds in 2021 (2020: net cash outflow of RMB 570 million), representing an increase of RMB 940 million YoY;
- Other cash flows from financing activities in 2021 included a net cash outflow of RMB 140 million from the repayment of third-party borrowings (2020: net cash inflow of RMB 160 million), representing a decline of RMB 300 million YoY;
- Cash flows from financing activities in 2021 did not include any net cash outflow for share repurchases (2020: net cash outflow of RMB 490 million), representing an increase of RMB 490 million YoY.

(2) Gains and losses from non-operating business

Item	2021	2020	Change YoY (%)	Note
Asset impairment loss	230 941	88 257	161.7	Mainly due to the Company's intention to sell its embroidery segment and the accrual of impairment provisions based on the fair value for the assets held for sale in 2021.
Credit impairment loss	298 104	110 233	170.4	Mainly due to the Company's increase in its bad debt provisions after fully assessing the expected credit loss rates of customers.
Investment gains	652 602	0	N/A	Mainly due to the sale of business segments in 2021.
Asset disposal gains	-850	-2 693	N/A	Mainly due to the decrease in asset disposals.
Non-operating revenue	93 899	6 897	1261.4	Mainly due to the increase in Chinese government subsidies and the adjustment of restructuring expenses for the factories outside China.
Non-operating expenditures	202 741	125 155	62.0	Mainly due to the one-off expenses incurred for the restructuring protection for the German subsidiary.
Income tax expenses	53 058	-91 666	N/A	Mainly due to the increase in the income tax expenses corresponding to the investment income from the sale of certain business segments.

Unit: thousand RMB

(3) Assets and liabilities**(a) Assets and liabilities**

Item	31 December 2021	As % of total assets	31 December 2020	As % of total assets	Change YoY (%)	Note
Cash and cash equivalents	1 079 170	8.9	525 988	4.1	105.2	Mainly due to the consideration from the sale of certain business segments.
Financial assets held for trading	130	0.0	14 008	0.1	-99.1	Mainly due to the decrease in outstanding forward foreign exchange contracts.
Financing receivables	244 133	2.0	159 055	1.2	53.5	Mainly due to the increase in undue notes receivable.
Other receivables	92 054	0.8	39 889	0.3	130.8	Mainly due to the increase in subsidies receivable, as well as the increase in compensation receivable from the defined welfare plan in relation to the sale of certain business segments.
Assets held for sale	1 013 208	8.4	0	0.0	N/A	Assets relating to the business segments that were sold, but not yet delivered.
Non-current assets due within one year	186 441	1.5	117 067	0.9	59.3	Mainly due to the increase in long-term receivables due within one year.
Right-of-use assets	132 870	1.1	0	0.0	N/A	Right-of-use assets related to the leasing of housing and buildings, following implementation of new leasing standards in 2021.
Intangible assets	756 749	6.2	1 246 875	9.7	-39.3	Mainly due to the intangible assets related to the sold business segments, presented as assets held for sale.
Development expenditures	191 962	1.6	316 102	2.5	-39.3	Mainly due to R&D expenditures relating the sold business segments, presented as assets held for sale.
Goodwill	445 402	3.7	638 867	5.0	-31.2	Mainly due to the goodwill relating to the sold business segments, presented as assets held for sale.
Deferred income tax assets	334 814	2.8	234 383	1.8	42.8	Mainly due to the increase in deductible losses of certain subsidiaries.
Other non-current assets	330 259	2.7	801 717	6.2	-58.8	Mainly due to the decrease in pledged deposits corresponding to long-term borrowings.
Short-term borrowings	1 372 938	11.3	1 980 668	15.4	-30.7	Mainly due to the Company's repayment of certain borrowings.
Financial liabilities held for trading	0	0.0	11 132	0.1	-100.0	Mainly due to the decrease in the outstanding forward foreign exchange contracts.
Notes payable	50 000	0.4	489 000	3.8	-89.8	Mainly due to the decrease in notes financing of the Company in 2021.
Tax payable	266 091	2.2	49 910	0.4	433.1	Mainly due to the increase in corporate income tax payable on the investment income from the sale of certain business segments.
Liabilities held for sale	407 836	3.4	0	0.0	N/A	Mainly due to the liabilities relating to the business segments that were sold, but not yet delivered.
Non-current liabilities due within one year	1 190 666	9.8	625 374	4.9	90.4	Mainly due to the increase in the long-term borrowings due within one year.
Other current liabilities	1 490 768	12.3	38 029	0.3	3,820.1	Mainly due to the advance receipt of the consideration related to the sold business segments.
Long-term borrowings	284 000	2.4	1 315 750	10.2	-78.4	Mainly due to the reclassification of certain borrowings as current liabilities due within one year.
Lease liabilities	98 384	0.8	0	0.0	N/A	Mainly the lease liabilities relating to the leasing of housing and buildings, following implementation of the new leasing standards in 2021.
Long-term salaries payable	215 506	1.8	440 179	3.4	-51.0	Mainly due to delivery of the staff pension liabilities related to the sold business segments.
Estimated liabilities	57	0.0	4 749	0.0	-98.8	Mainly due to the decrease in the balance of quality guarantees for more than one year.
Deferred income	1 910	0.0	7 070	0.1	-73.0	Mainly due to the amortisation of government grants related to assets.
Deferred income tax liabilities	51 258	0.4	106 425	0.8	-51.8	Mainly due to the decrease in temporary differences in the relevant intangible assets and development expenditures due to the sale of business segments.
Other comprehensive income	-126.485	-1.0	48 546	0.4	-360.5	Mainly due to fluctuations in exchange rates.

Unit: thousand RMB

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

Item	Carrying value at year-end	Reason for restriction
Cash and cash equivalents	350 719	Bank borrowings, bank acceptance bills and security deposits for letters of guarantee
Receivables	154 144	Pledges for bank borrowings
Financing receivables	178 876	The conditions for derecognition have not been met
Fixed assets	675 190	Collateral for bank borrowings
Construction in progress	159 580	Collateral for bank borrowings
Intangible assets	96 387	Collateral for bank borrowings
Other non-current assets	300 000	Collateral for bank borrowings
	1 914 896	

Unit: thousand RMB

(c) Financial assets at fair value

Item	Opening balance	Closing balance	Change in 2021	Impact on current profit
Financial assets held for trading	14 008	130	-13 878	0
Financing receivables	159 055	244 133	85 078	0

Unit: thousand RMB

(4) Major controlling subsidiaries and shareholding companies

- Saurer Germany

As of the end of 2021, Saurer owned 80.65 % of its equity. Its registered capital is EUR 40 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery and special components. As of the end of 2021, its total assets were EUR 652.7 million, and its net assets were EUR 70.5 million. For 2021, its operating revenue was EUR 400.9 million, with an operating loss of EUR 44.3 million, and net loss of EUR 55.2 million.
- Saurer Technologies

As of the end of 2021, Saurer owned 80.65 % of its equity. Its registered capital is EUR 10 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery and special components. As of the end of 2021, its total assets were EUR 141.5 million, and its net assets were EUR 78.5 million. For 2021, its operating revenue was EUR 141.2 million, with an operating loss of EUR 8.6 million, and net loss of EUR 46.1 million.
- Saurer Switzerland

As of the end of 2021, Saurer owned 80.65 % of its equity. Its registered capital is CHF 1 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2021, its total assets were CHF 341.7 million, and its net assets were CHF 193.3 million. For 2021, its operating revenue was CHF 85.2 million, with an operating profit of CHF 0.5 million, and net profit of CHF 3.3 million.
- Saurer Jiangsu

As of the end of 2021, Saurer owned 80.65 % of its equity. Its registered capital of USD is 50 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2021, its total assets were RMB 4.3 billion, and its net assets were RMB 1.67 billion. For 2021, its revenue was RMB 1.34 billion, with an operating loss of RMB 8.3 million, and net loss of RMB 4.1 million.

- Saurer Changzhou
As of the end of 2021, Saurer owned 80.65 % of its equity. Its registered capital is USD 22.5 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2021, its total assets were RMB 1.42 billion, and its net assets were RMB 403.7 million. For 2021, its revenue was RMB 492.2 million, with an operating profit of RMB 32.7 million, and net profit of RMB 30.3 million.
- Saurer Xinjiang
As of the end of 2021, Saurer owned 80.65 % of its equity. Its registered capital is RMB 270 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2021, its total assets were RMB 3.59 billion, and its net assets were RMB 224.3 million. For 2021, its revenue was RMB 243.5 million, with an operating loss of RMB 147.4 million, and net loss of RMB 133.1 million.

4 The Company's future development

(1) Competitive landscape and outlook

In 2021, the recovering global demand for textiles and apparel trickled down to the textile machinery market both within China and globally. As the Covid-19 pandemic gradually receded, textile orders in China stimulated the demand for new textile machinery equipment. Most textile machinery enterprises are expected to experience order growth. The textile machinery industry as a whole is benefitting from scientific and technological innovation and the continuous advancement of intelligent manufacturing.

In 2022, the international economic situation will become even more complicated, with enormous geopolitical changes caused by the Russia-Ukraine conflict and the uncertainty derived from the Covid-19 pandemic negatively affecting global economic recovery. International trade will face an increasingly severe climate due to international capital market fluctuations, high commodity prices, and other hurdles to international commerce, trade and logistics. Tight global supply chains are likely to persist.

The contraction of aggregate demand, unstable market expectations, and the weakening momentum of consumption and investment growth in the Chinese market will pose huge challenges for the stable growth of many industries. The Chinese economy will face greater downward pressure. However, many adverse factors that affected the economic operation of the textile machinery industry in the previous year, including the tight supply of coal and electric power, the state's approach to curtailing power and production, and skyrocketing international shipping fees may be improved or alleviated in 2022.

As a leading firm in the global textile industry, Saurer is confident of its ability to seize opportunities amid challenges by implementing development strategies such as making adjustments to its sales structure, engaging in global procurement activities, focusing on key accounts, building data platforms, encouraging internal innovation, and expanding in relevant markets. While consolidating its own competitive advantages, the Company will compete in new markets and continuously improve its core competencies and its ability to withstand cyclical risks in the industry.

(2) Strategy

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

(3) Operating plan

(a) Customer-first service criteria

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

(b) Innovative product development

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

(c) Stable growth of market share

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

(d) Systematic and effective cost control

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

(e) Corporate social responsibility

Saurer will actively practice its corporate social responsibility in several ways. It will continue to promote the concept of E³ + I value for its products, improving product performance indicators in terms of energy savings, economic benefits, ergonomics and intelligence. With respect to social issues, the Company will actively take up and implement the Chinese government's strategic policies on poverty alleviation. As for employee benefits, the Company will implement workplace safety policies to provide employees with a healthy working environment, and offer relevant training to improve their personal skills.

(4) Potential risks

(a) Economic risks

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

(b) Risks to competitive advantage

The pace of product updates and technological upgrades in the intelligent textile equipment industry is accelerating constantly. If Saurer cannot maintain its leading scientific research and design capabilities, improve its level of technology, protect intellectual property rights, attract excellent talents, 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 may not be able to maintain its leading competitive edge in the industry, which would adversely affect its business.

(c) Business risks outside China

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

(d) Production safety risks

Saurer's main products include full sets of intelligent textile equipment and core 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, it is impossible to preclude personal injury or even death and property damage due to operational errors or accidents in the course of production activities. Such events can result in the suspension of business and also in the Company being subject to penalties that affect its daily operations and safety.

(e) Foreign exchange fluctuation risks

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

5. Significant events

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

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

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

(b) Profit distribution plan for 2021

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

2 The establishment and implementation of appraisal and incentive mechanisms for Senior Executives during the reporting period

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

3 Development and implementation of internal control system during the reporting period

Saurer in 2021 established internal controls over all the businesses and affairs covered by the assessment, and effectively implemented these controls. The financial report is authentic and reliable, business operations are legitimate and compliant, and meet internal control objectives. In 2022, the Company will continue to refine and standardise the implementation of its internal control system, and reinforce its supervision over and inspections of internal controls. This will serve as a basis for optimising internal control processes and improving the standard of internal control management, so as to effectively prevent various risks and promote the healthy and sustainable development of the Company.

For details, please refer to the Saurer Internal Control Evaluation Report 2021 disclosed by the Company on the Shanghai Stock Exchange, and in Securities Times, Securities Daily and Shanghai Securities News on 30 April 2022.

4 Explanation of the auditor's report for internal control

Saurer in 2021 established internal controls over all the businesses and affairs covered by the assessment, and effectively implemented these controls. The financial report is authentic and reliable, business operations are legitimate and compliant, and meet internal control objectives. In 2022, the Company will continue to refine and standardise the implementation of its internal control system, and reinforce its supervision over and inspections of internal controls. This will serve as a basis for optimising internal control processes and improving the standard of internal control management, so as to effectively prevent various risks and promote the healthy and sustainable development of the Company.

2 Fulfilment of commitments

(1) Commitments made by the actual controllers, shareholders, affiliates, purchaser and/or related parties in the reporting period or renewal period

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

Commitment date and period	Fulfilment period	Was the commitment fulfilled in a timely manner?	If not fulfilled in a timely manner, state the specific reasons for non-fulfilment	If not fulfilled in a timely manner, state the next applicable plan
Long-term	No	Yes	N/A	N/A

Commitment background	Commitment type	Committing parties	Commitment details
Commitments related to the restructuring of major assets	Settlement of related party transactions	Jinsheng Industrial, Pan Xueping	1. The Committing Parties will make all efforts to reduce related-party transactions between the Committing Parties/Other Enterprises Controlled by Committing Parties and the Listed Company. Related-party transactions that are unavoidable or are truly necessary shall be subject to trading conditions determined in accordance with fair, reasonable and market-oriented principles. For related-party transactions, the Listed Company will strictly carry out the decision-making procedures and fulfil information disclosure obligations in a timely manner and in accordance with the applicable laws and regulations, the Articles of Association of the Listed Company, and the management rules for related-party transactions. 2. The Committing Parties/Other Enterprises Controlled by Committing Parties shall not misappropriate the funds and assets of the Listed Company in any way. No assets of the Listed Company shall be used as guarantees against violations by Committing Parties/Other Enterprises Controlled by Committing Parties. 3. The Committing Parties will exercise their rights and fulfil their obligations in accordance with the applicable laws and regulations and the Articles of Association of the Listed Company, and will not use their control and influence over the Listed Company to impair the legitimate rights and interests of the Listed Company and other shareholders by means of related-party transactions. If the Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.
	Other	Jinsheng Industrial, Pan Xueping	After the completion of the restructuring, the Committing Parties will strictly comply with the provisions of the "Circular on Several Issues Concerning the Regulating of Fund Transactions between Listed Companies and Related Parties and the External Guarantees of Listed Companies" and the "Circular on Regulating the External Guarantees of Listed Companies", and will neither misappropriate the funds of the Listed Company and its holding subsidiaries, nor regulate the external guarantees thereof. If the Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.
	Other	Jinsheng Industrial, Pan Xueping	1. After the completion of the transaction, the Committing Parties will not interfere in the operational and management activities of the Company by exceeding their authority, nor will they encroach upon the interests of the Company. 2. The Committing Parties are aware of the possible legal consequences that may arise from the aforementioned commitments, and that the Company will assume individual, joint and several liability for any breach of the said commitments.
	Settlement of industrial competition	Jinsheng Industrial, Pan Xueping	1. As of the date of this letter of undertaking, the Committing Parties have not invested in any companies, enterprises or other operating entities engaging in business activities that are identical or similar to those of Saurer Intelligent Machinery. The Committing Parties/Other Enterprises Controlled by Committing Parties will not operate for themselves or on behalf of others business activities that are identical or similar to those of Saurer Intelligent Machinery, or engage in activities that constitute acts of industrial competition against Saurer Intelligent Machinery. 2. After the completion of the restructuring, the Committing Parties will not, in any form, engage in any business that constitutes competition against the current or future business activities of the Listed Company during the Committing Parties' tenure as the controlling shareholders/actual controllers of the Listed Company. 3. If, after the completion of the restructuring and during the Committing Parties' tenure as the controlling shareholders/actual controllers of the Listed Company, any Other Enterprises Controlled by Committing Parties intend to engage in business that is competitive against the Listed Company, the Committing Parties will exercise their veto power so as to ensure that they are not engaged in any direct or indirect acts of industrial competition against the Listed Company. If any commercial opportunities arise in relation to the activities in the business scope of the Listed Company, the Committing Parties will assign or introduce such opportunities to the Listed Company on a priority basis. 4. If, after the completion of the restructuring and during the Committing Parties' tenure as the controlling shareholders/actual controllers of the Listed Company, the Listed Company changes its business scope such that its business activities constitute competition against the Committing Parties and the Other Enterprises Controlled by Committing Parties, the Committing Parties will (and will ensure that the other enterprises under their control will) take the following measures to eliminate any industrial competition: cease operations of any business that is competitive against the Listed Company; transfer the competitive business to the Listed Company; or transfer the competitive business to unrelated third parties. 5. The Committing Parties will not use their control and influence over the Listed Company to provide confidential information relating to the business operations of the Listed Company to any third parties, or assist third parties in engaging in competitive business against the Listed Company. 6. If the Committing Parties are in breach of the said commitments, they shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses so incurred in accordance with law.

Commitment date and period	Fulfilment period	Was the commitment fulfilled in a timely manner?	If not fulfilled in a timely manner, state the specific reasons for non-fulfilment	If not fulfilled in a timely manner, state the next applicable plan
Long-term	No	Yes	N/A	N/A
Long-term	No	Yes	N/A	N/A
Long-term	No	Yes	N/A	N/A
Long-term	No	Yes	N/A	N/A

(2) Completion of performance commitments and the impact on the goodwill impairment testing

Saurer Intelligent Machinery Co. Ltd's performance commitments were completed between 2017 and 2019. Following an impairment test, it was concluded that the underlying asset is not impaired.

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

In 2018, the Chinese Ministry of Finance amended the Accounting Standards for Business Enterprises No.21 - Leases. The Company opted to reconcile the retained earnings at the beginning of the year in which the new Lease Standards were first implemented and the amounts of other relevant items in the financial statements based on the cumulative effects from the initial implementation of the Standards, and not reconcile the information in the comparative period.

Saurer implemented the new Lease Standards on 1 January 2021. On the starting date of a contract, the Company will assess whether the contract constitutes a lease or contains a lease. If one party to the contract transfers the right to control the use of one or more identified assets for certain period in exchange for a consideration, the contract will constitute or contain a lease. In the case of a contract that had already existed before the date of the initial implementation, the Company will opt not to reassess whether such contract constitutes or contains a lease on the date of initial implementation.

Under the new Lease Standards, the Company will, as the lessee, recognise the "right-of-use assets" and "lease liabilities" for leases other than short-term leases and leases of low-value assets on the commencement date of the lease term. As the lessor, the Company will classify leases into operating leases and financial leases on the lease commencement date. When acting as the lessor of a sublease, the Company will classify the sublease based on the right-of-use assets derived from the original lease.

3 Appointment and dismissal of accounting firms

Current appointment	
Name of domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic accounting firm	512
Auditing years of domestic accounting firm	2 years

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

Unit: 10 thousand RMB

The Proposal on the Re-appointment of the Financial Audit Firm and Internal Control Audit Firm was reviewed and approved at the 29th meeting of the ninth session of the Board of Directors and the 2020 AGM, which agreed to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the financial auditor and internal control auditor of the Company for 2021 for a term of one year.

The management of the Company was authorised to determine the specific remuneration based on market conditions and as negotiated between the parties. The relevant representatives of the Company were authorised to sign relevant contracts and documents.

4 Matters related to reorganisation

On 23 June 2021, the Company disclosed the Announcement on the Application for Protective Shield for Two German Subsidiaries (Extraordinary 2021-023) at Shanghai Stock Exchange (www.sse.com.cn).

Certain managing directors of the Company's two controlled subsidiaries in Germany, namely Saurer Spinning Solutions GmbH & Co. KG (hereinafter Saurer Germany) and Saurer Spinning Solutions Management GmbH (hereinafter Saurer Germany Management) applied for a protective shield with a local court. The application was accepted by the local court, and the above two subsidiaries entered protective shield proceedings on 16 June 2021.

On 13 August 2021, the Company's subsidiary Saurer Netherlands Machinery Company B.V. (hereinafter Saurer Netherlands) and Rieter Holding AG (hereinafter Rieter Holding) signed an agreement in relation to the sale of assets including the Autoconer Machine, Temco and Accotex, as well as the related businesses, assets and technologies. Under the agreement, Rieter Holding was to pay an advance consideration in the amount of EUR 300 million (roughly RMB 2.34 billion) to Saurer Netherlands for the acquisition, of which EUR 245 million (roughly RMB 1.911 billion) would be used to repay its bank loan of roughly EUR 30 million, either in the form of a capital increase in Saurer Germany and Saurer Germany Management, or shareholder loans. The remainder of the above amount would be used to repay accounts payable, supplement its working capital, and ensure its normal production and operation.

The products and operations of the Company are relatively independent, and the sale of the above underlying assets has no material adverse impact on the development, production or operations of the Company's other businesses. The underlying business incurred a loss of RMB 165 million (before interest and taxes) in 2020, and RMB 30.42 million (before interest and taxes) between January and May 2021. By selling the above underlying assets, the Company could obtain investment income that would increase its net profit during the reporting period after the transaction is completed. Moreover, the sale of the underlying assets would be conducive to the development of the Company's traditional and emerging business operations, as well as to its strategic transformation. For details, please see Saurer's Announcement on the Proposed Sale of Subsidiaries' Assets (Extraordinary 2021-032).

Once the main risk for which the protective shield was filed is eliminated, the managing directors of the Company must withdraw the protective shield application, according to German law. Since the managing directors of the two German subsidiaries who originally applied for the protective shield resigned on 16 August 2021, the current managing director, Mr Zeng Zhengping, applied to the German local court on behalf of the two German subsidiaries on 17 August 2021 to withdraw the protective shield application on the grounds that the Company had signed the asset sales agreement with Rieter Holding, and that abundant funds to repay the bank loans of Saurer Germany and Saurer Germany Management would be received from the subsequent transaction, thereby ensuring their normal production and operations. On the evening of 17 August 2021, the Company received the ruling handed down by the local German court, terminating the protective shield proceedings of Saurer Germany and Saurer Germany Management. For details, please see the Announcement on the Termination of the Protective Shield Proceedings for Two German Subsidiaries, disclosed by the Company on 19 August 2021 (Extraordinary 2021-035).

5 Material litigation and arbitration

The Company had no material litigation or arbitration during the year.

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

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

7 Significant related-party transactions

(1) Issues not disclosed in ad hoc announcements

Related parties	Affiliation	Type of related-party transaction	Content of related-party transaction	Pricing principles of related-party transaction	Price of related-party transaction	Contract amount of related-party transaction	Proportion of similar transactions (%)	Mode of settlement of related-party transaction	Market price	Reason for larger difference between the transaction price and the market reference price
Xinjiang Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	-	121 613	2.22	According to the agreement	-	-
Kuitun Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	-	6 161	0.11	According to the agreement	-	-
LT Textile International	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	-	44 452	0.81	According to the agreement	-	-
Maigaiti Litai Silk Road Textile Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	-	26 950	0.49	According to the agreement	-	-
Alaer Litai Silk Road Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	-	2 568	0.05	According to the agreement	-	-
Urumqi Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Cost plus	-	6 003	0.11	According to the agreement	-	-
				-	-	207 747	3.79	-	-	-

Details of large amounts of sales returns: None

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

Unit: thousand RMB

8 Significant contracts and their implementation

(1) Guarantees

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

Guarantor	Relationship between the guarantor and the Listed Company	Guaranteed party	Amount of guarantee	Signing date of guarantee	Guarantee start date	Guarantee end date	Type of guarantee	Completion of guarantee	Overdue guarantee	Overdue amount of guarantee	Counter-guarantee	Related-party guarantee	Related party relationship
None													
Total amount of guarantees incurred in the reporting period (excluding guarantees to subsidiaries)													0
Total balance of guarantees at the end of the reporting period (A) (excluding guarantees to subsidiaries)													0

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

Total amount of guarantees provided to subsidiaries in the reporting period	1 930 333 114
Total balance of guarantees provided to subsidiaries at the end of the reporting period (B)	2 807 056 447

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

Total amount of guarantees provided (A + B)	2 807 056 447
Percentage of total amount of guarantees against the net assets of the Company (%)	85.20
Including:	
Amount of guarantees provided to shareholders, actual controllers and their related parties (C)	0
Direct or indirect debt guarantees provided for guaranteed parties whose asset/liability ratio exceeds 70 % (D)	962 881 000
Amount of the total guarantees exceeding 50 % of net assets (E)	1 159 626 947
Total amount of guarantees (C + D + E)	2 122 507 947
Instructions on possible joint and several clearance liabilities for undue guarantees	None

Instructions on guarantees

For details, please refer to
ad hoc announcement 2021-033

Unit: RMB

9 Environmental and social responsibility

(1) Environmental information

Neither Saurer nor its major subsidiaries were listed as major pollutant-discharging entities by China's environmental protection department. The Company is principally engaged in the R&D, and the production and sale of complete sets of intelligent textile equipment and key components, and is not in an industry that is responsible for heavy pollution. The major pollutants discharged by the Company include wastewater, waste gas, waste residue and a certain amount of noise generated from its production processes. The Company strictly adheres to laws and regulations relating to environmental protection, and its major subsidiaries are ISO14001:2004 certified. The Company's product R&D is guided by the E³ + I concept, which aims to reduce overall energy consumption by providing customers with products that consume less energy and materials, have lower resource expenses and higher production efficiency.

(2) Social responsibility activities

By focusing on protecting the environment and advocating the concept of environmental protection, the Company has adopted the E³ + I concept as the guiding ideology in its product R&D. This approach improves product performance indicators in terms of Energy, Economics, Ergonomics plus Intelligence. In turn, this lowers energy consumption, reduces resource costs, improves production efficiency and lowers the demand for labour. Saurer also promotes the paperless office, encourages its employees to sort their garbage, and actively assists in the recycling and reusing of resources.

6. Changes in common shares and shareholders

1 Changes in common share capital

(1) Statement of changes in shares

(a) The total shares and share capital structure of the Company remained unchanged during the reporting period.

2 Shareholders and actual controllers

(1) Total shareholders

Total number of common shareholders at the end of the reporting period (persons)	64 223
Total number of common shareholders at the end of the last trading month before the disclosure date of the Annual Report (persons)	62 296
Total number of preferred shareholders with restored voting rights at the end of the reporting period (persons)	0
Total number of preferred shareholders with restored voting rights at the end of the last trading month before the disclosure date of the Annual Report (persons)	0

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

(a) Top 10 shareholders

Name of shareholder	Increase/ decrease in the reporting period	Shares held as at the end of the reporting period	Percent- age (%)	Share subject to a trading moratorium	Pledged, marked or frozen		Nature of shareholder
					Share status	Quantity	
					Pledged	799 273 511	
					Frozen	90 486 166	
Jiangsu Jinsheng Industrial Co. Ltd	0	889 759 677	46.94	0	Marked	416 000 000	Domestic non- state-owned legal person
Saurer Intelligent Technology Co. Ltd's special securities account for repurchases	0	107 500 773	5.67	0	None	0	Other
China Development Bank Capital Co. Ltd	0	61 778 441	3.26	0	None	0	State-owned legal person
Jiangsu Huatai Strategic Emerging Industry Investment Fund (L.P.)	0	49 688 858	2.62	0	None	0	Other
Changzhou Hehe Investment Partnership (L.P.)	0	38 513 087	2.03	0	Pledged	38 510 000	Other
Urumqi State-Owned Assets Management (Group) Co. Ltd	0	30 072 467	1.59	0	None	0	State-owned legal person
Shenzhen Longding Shuming Equity Investment Partnership (L.P.)	0	18 103 647	0.96	0	None	0	Other
Huashan Investment Co. Ltd	0	16 612 641	0.88	0	None	0	Domestic non- state-owned legal person
Shanghai Yongjun Equity Investment Partnership (L.P.)	0	16 611 641	0.88	0	None	0	Other
Changzhou Hezhong Investment Partnership (L.P.)	0	11 324 837	0.60	0	Pledged	11 324 837	Other

Unit: share

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

Name of shareholder	Number of tradable shares not subject to trading restrictions	Type and number of shares	
		Type	Quantity
Jiangsu Jinsheng Industrial Co. Ltd.	889 759 677	RMB-denominated common shares	889 759 677
Saurer Intelligent Technology Co. Ltd.'s special securities account for repurchases	107 500 773	RMB-denominated common shares	107 500 773
China Development Bank Capital Co. Ltd.	61 778 441	RMB-denominated common shares	61 778 441
Jiangsu Huatai Strategic Emerging Industry Investment Fund (L.P.)	107 500 773	RMB-denominated common shares	107 500 773
Changzhou Hehe Investment Partnership (L.P.)	61 778 441	RMB-denominated common shares	61 778 441
Urumqi State-Owned Assets Management (Group) Co. Ltd.	49 688 858	RMB-denominated common shares	49 688 858
Shenzhen Longding Shuming Equity Investment Partnership (L.P.)	38 513 087	RMB-denominated common shares	38 513 087
Huashan Investment Co. Ltd.	30 072 467	RMB-denominated common shares	30 072 467
Shanghai Yongjun Equity Investment Partnership (L.P.)	16 611 641	RMB-denominated common shares	16 611 641
Changzhou Hezhong Investment Partnership (L.P.)	11 324 837	RMB-denominated common shares	11 324 837

Note regarding dedicated repurchase accounts of
top ten shareholders

As at 31 December 2021, Saurer had repurchased 107 500 773 shares
of the Company through its dedicated repurchase account,
representing 5.67 % of the total share capital. No changes, pledges,
marking or freezes occurred during the reporting period.

Description of whether the above shareholders have entrusted,
accepted the entrustment of, or waived voting rights

N/A

Description of the aforementioned shareholders'
affiliated relationship or concerted action

Of the top 10 shareholders not subject to trading restrictions,
it is unknown whether there is an affiliated relationship among the
shareholders or whether they are parties acting in concert.

Preferred shareholders with restored voting rights
and their shareholdings

N/A

Unit: share

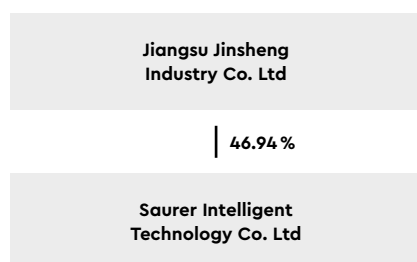
3 Controlling shareholder and actual controller

(1) Controlling shareholder

(a) Legal person

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

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



(2) Actual controller

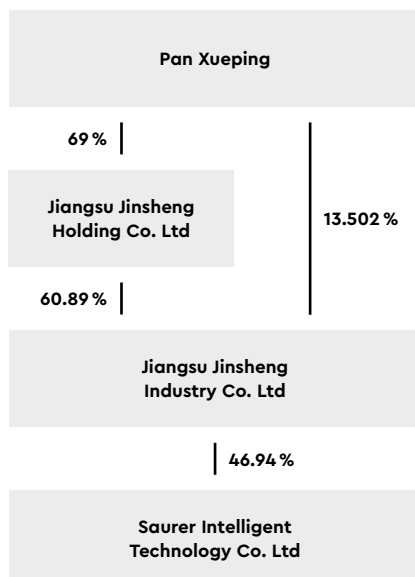
(a) Legal person

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

(b) Natural person

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

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



7. Directors, Supervisors, Senior Executives and Employees

1 Shareholding changes and remuneration

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

Name	Position (note)	Gender	Age	Start of tenure	End of tenure
Pan Xueping	Chairman	Male	58	11.09.2017	-
	CEO (resigned)			28.04.2021	31.12.2021
Dr Uwe Rondé	Vice Chairman	Male	58	28.09.2021	-
	CEO			01.01.2022	-
Ding Yuan	Director	Male	51	21.05.2018	-
Claus Mai	Director	Male	57	28.09.2021	-
Chen Jieping	Independent Director	Male	68	11.09.2017	-
Wang Shutian	Independent Director	Male	65	05.02.2021	-
Xie Manlin	Independent Director	Male	58	11.09.2017	-
Stefan Kross	Vice Chairman (resigned)	Male	66	20.04.2018	27.09.2021
	Director (resigned)			11.09.2017	
Carsten Voigtländer	Vice Chairman (resigned)	Male	58	25.04.2019	27.09.2021
	Director (resigned)			16.01.2019	
Yeung Kwok On Authur	Director (resigned)	Male	52	21.05.2018	27.09.2021
Guan Ye	Director (resigned)	Male	51	21.05.2018	24.08.2021
	Chief Operating Officer (resigned)			11.09.2017	29.01.2021
Dominique Turpin	Independent Director (resigned)	Male	64	21.05.2018	27.09.2021
Zhang Yueping	Chairman of the Supervisory Board	Male	51	11.09.2017	-
Pei Guoqing	Employee representative supervisor	Male	54	11.09.2017	-
Yu Fang	Supervisor	Male	40	28.09.2021	-
Jin Hao	Employee representative supervisor (resigned)	Male	46	11.09.2017	27.09.2021
Sheng Yiping	General Manager (resigned)	Male	45	01.04.2020	27.04.2021
Zeng Zhengping	Secretary to the Board of Directors	Male	59	11.09.2017	-
Lu Yimin	Chief Financial Officer	Female	48	29.11.2017	-
Dong Zhanlue	Chief Human Resources Officer	Male	47	29.01.2021	-
Cheng Rong	Chief Human Resources Officer (resigned)	Female	52	29.04.2019	28.01.2021

Unit: share

Shares held at beginning of the year	Shares held at end of the year	Increase/decrease during the year	Reason for change	Total remuneration before tax received from the Company during the reporting period (thousand RMB)	Was remuneration received from related parties of the Company?
0	0	0	–	64.81	Yes
0	0	0	–	27.63	No
0	0	0	–	82.44	No
0	0	0	–	22.47	No
0	0	0	–	84.80	No
0	0	0	–	69.43	No
0	0	0	–	82.80	No
0	0	0	–	68.77	No
0	0	0	–	56.70	No
0	0	0	–	62.33	No
0	0	0	–	422.03	No
0	0	0	–	62.33	No
0	0	0	–	57.99	Yes
0	0	0	–	170.85	No
0	0	0	–	12.92	Yes
0	0	0	–	35.69	Yes
163 400	163 400	0	–	108.35	No
0	0	0	–	417.53	No
0	0	0	–	504.83	No
0	0	0	–	276.15	No
0	0	0	–	0	No
163 400	163 400	0		2 690.85	

Name	Main work experience
Pan Xueping	Chairman and former CEO of the Company, and Chairman of Jinsheng Industry. Mr Pan also serves as Vice President of the China Textile Machinery Association, China Textile Engineering Society, China Textile Enterprise Association (China Textile Entrepreneurs Federation), and the Changzhou Federation of Industry and Commerce. Prior to the founding of Jinsheng Industry, Mr Pan served as the General Manager of Steel Manufacturing Co. Ltd and the Pacific Group's Shanghai Textile Machinery Plant; Director and Secretary of the Party Committee of Jintan Textile Machinery Plant and Jintan Huajin Machinery Plant; and CEO of the pre-spinning segment of the Switzerland-based Saurer Textile Machinery Group.
Dr Uwe Rondé	Vice Chairman and CEO of the Company. A citizen of Germany, Mr Rondé graduated with a Master's and PhD in Engineering from the Hochschule Darmstadt (University of Applied Science) in Germany. Currently, Mr Rondé serves as the General Manager of Franz Kessler GmbH and the head of its Advisory Committee. Mr Rondé was the CEO of Intercontec Pfeiffer GmbH from January 2014 to March 2015. From April 2015 to September 2020, he was the Director of the standard modular product line at EMAG Holding GmbH. From July 2015 to December 2020, he served as the CEO of EMAG (China) Machinery Co. Ltd, as well as the Chief Product Officer and General Manager (Chief Marketing Officer) of EMAG Group from November 2017 to December 2020.
Ding Yuan	Director. Mr Ding is also Vice President and Dean, Cathay Capital Chair Professor of Accounting at China Europe International Business School (CEIBS); Independent Non-executive Director, Chairman of the Compensation Committee, member of the Nominating Committee and Audit Committee of Man Wah Holdings Limited. He is a former Independent Non-executive Director of Red Star Macalline Group Co. Ltd and the former Chairman of its Audit Committee; a former Independent Non-executive Director of Landsea Real Estate, and former Chairman of its Audit Committee and member of its Nominating Committee and Compensation Committee. Mr Ding was previously a tenured faculty member at HEC School of Management, Paris (France); a former Independent Director and Chairman of the Audit Committee of Anhui Gujing Distillery; a former Independent Director and Chairman of the Audit Committee of TCL Corporation; and a former Director and Chairman of the Audit Committee of Mag Industries Corp.
Claus Mai	Director. Mr Mai, a citizen of Germany, has served as a Director of Koepfer Group since 2020, and has acted as an angel investor for several start-ups. Mr Mai was the Chief Financial Officer of Dematic Group from January 2009 to December 2011, and the Chief Financial Officer of EMAG Group from January 2012 to December 2019. He has strong managerial expertise in global technology businesses (Europe, Asia and the US), restructuring, profit development, business growth, process management and financing, and is capable of communicating and coordinating between different business cultures (Germany and China).
Chen Jieping	Independent Director. Mr Chen is a Professor Emeritus of accounting at China Europe International Business School (CEIBS) and currently serves as an Independent Non-executive Director of Huafa Property Services Group Co. Ltd. Previously, Mr Chen was the Vice Dean of CEIBS and served as the Dean of its EMBA programme. Prior to joining CEIBS, Mr Chen served for 13 years as a tenured faculty member and Dean of the Accounting Department at the City University of Hong Kong.
Wang Shutian	Independent Director. Mr Wang holds a Bachelor's degree in Industrial Economics and Management from Renmin University of China. He was previously an Honorary President of the China Textile Machinery Association; and as a Cadre, Division Head, Secretary General, Council President and Secretary General, and President of China Textile Machinery Industry Corporation, Technical Equipment Department of the Ministry of Textile Industry, Technical Equipment Department of the China National Textile and Apparel Council, the China Textile Machinery Industry Association and the China Textile Machinery Association.
Xie Manlin	Independent Director. Mr Xie is the Director of Jiangsu Xie Manlin Law Firm, and serves as a Director of Xinyuan Asset Management Co. Ltd; Independent Director of Nanjing Putian Telecommunications Co. Ltd; Legal Adviser to the Jiangsu Provincial People's Government and the Nanjing Municipal People's Government; and Supervisor of the Nanjing Bar Association. He was previously employed as an attorney at Nanjing Second Law Firm, an attorney at Nanjing Jinling Law Firm, and served as an Independent Director of the Bank of Nanjing Bank Co. Ltd.
Zhang Yueping	Chairman of the Supervisory Board, and Co-CEO and president of Jinsheng Industrial. Mr Zhang previously served as General Manager and Executive Deputy General Manager of Jinsheng Industrial; Executive Deputy General Manager of Saurer (Jintan) Co. Ltd; and Technical Director and Executive Deputy Director of Jintan Textile Machinery Plant. Prior to joining Jinsheng Industry, Mr Zhang worked at Changchai Group's Jintan Diesel Engine Factory, where he engaged in the design of processes and special process equipment, plant technical upgrading and technical management.
Yu Fang	Supervisor and Chief Tax Officer of Saurer. Mr Yu previously served as advisor, manager and senior manager of the International Tax Business Team of the Tax Consulting Department at the Shanghai Branch of PwC (Shenzhen) Co. Ltd, as the senior manager of PwC (Germany) and as a member of the Europe-China Business Team.
Pei Guoqing	Supervisor. Mr Pei is the General Manager of Saurer (Changzhou) Textile Machinery Co. Ltd and General Manager of Saurer Xinjiang Intelligent Machinery Co. Ltd. He previously worked at Jiangsu Jintan Textile Machinery Plant and Jinsheng Industrial.
Zeng Zhengping	Secretary to the Board of Directors. Mr Zeng previously served as CFO of ZF (China) Investment Co. Ltd.
Lu Yimin	CFO. Ms Lu previously served as Vice President of Jinsheng Industrial and CFO of its Overseas Segment. She also served as M&A Consulting Director, Senior Manager and Manager at PricewaterhouseCoopers (PwC) China and PwC US.
Dong Zhanlue	CHRO. Mr Dong was previously HR Director at Zhejiang Hengdian Holdings Co. Ltd and CHRO at Zhejiang Supor Co. Ltd from 2003 to 2015. He joined Jiangsu Jinsheng Industry Company Ltd. in 2015, where he served as Vice President and CHRO from 2015 to January 2021.

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

(1) Positions held in the shareholding company

Name	Name of shareholding company	Position held	Start of tenure	End of tenure
Pan Xueping	Jiangsu Jinsheng Industry Co. Ltd	Chairman	12. 2000	-
Pan Xueping	Jiangsu Jinsheng Industry Co. Ltd	General Manager	12. 2000	03. 2021
Zhang Yueping	Jiangsu Jinsheng Industry Co. Ltd	Director and Deputy General Manager	12. 2000	03. 2021
Zhang Yueping	Jiangsu Jinsheng Industry Co. Ltd	Director and General Manager	03. 2021	-
Jin Hao	Jiangsu Jinsheng Industry Co. Ltd	Supervisor, Vice President and CLO	03. 2013	09. 2021
Pei Guoqing	Jiangsu Jinsheng Industry Co. Ltd	Supervisor	12. 2000	-
Dong Zhanlue	Jiangsu Jinsheng Industry Co. Ltd	Vice President and CHRO	05. 2015	01. 2021
Yu Fang	Jiangsu Jinsheng Industry Co. Ltd	Vice President of Taxation	08. 2015	12. 2021

Note: Mr Jin Hao was no longer a supervisor of the Company on 27.09.2021.

(2) Positions held at other entities

Name	Name of other entity	Position held	Start of tenure	End of tenure
Pan Xueping	Jiangsu Jinsheng Holdings Co. Ltd	Chairman	07. 2017	-
Pan Xueping	Maigaiti Litai Silk Road Textile Co. Ltd	Executive Director	08. 2018	-
Pan Xueping	Maigaiti Litai Silk Road Textile Co. Ltd	General Manager	08. 2018	03. 2021
Pan Xueping	Jiangsu Changjin Investment Co. Ltd	Executive Director	10. 2009	-
Pan Xueping	Jiangsu Jinsheng Assets Management Co. Ltd	Executive Director	10. 2015	-
Pan Xueping	Kuitun Litai Silk Road Investment Co. Ltd	Chairman	05. 2015	-
Pan Xueping	Shanghai Shenglun Enterprise Management Co. Ltd	Executive Director	02. 2018	-
Pan Xueping	Taicang Litai Textile Mill Co. Ltd	Chairman	06. 2008	-
Pan Xueping	Alaer Litai Silk Road Investment Co. Ltd	Chairman	05. 2018	-
Pan Xueping	Xinjiang Litai Silk Road Investment Co. Ltd	Chairman	04. 2015	-
Pan Xueping	Litai Xingshi (Taicang) Holdings Co. Ltd	Chairman	03. 2015	-
Pan Xueping	Litai Silk Road Holdings Co. Ltd	Chairman	03. 2015	-
Pan Xueping	Urumqi Litai Silk Road Investment Co. Ltd	Chairman	12. 2020	-
Pan Xueping	KOEPPER (Changzhou) Transmission Technology Co. Ltd	Chairman	11. 2013	-
Pan Xueping	EMAG China Machinery Co. Ltd	Chairman	11. 2010	11. 2021
Pan Xueping	Xinjiang Jinsheng Enterprise Management Co. Ltd	Executive Director	04. 2017	-
Pan Xueping	Heberlein Ceramic Technology Co. Ltd	Executive Director	01. 2015	-
Dr Uwe Rondé	Dr. Rondé Consultants	Chairman	12. 2020	-
Zhang Yueping	Jiangsu Jinsheng Holdings Co. Ltd	Director	11. 2017	-
Zhang Yueping	Taicang Litai Textile Technology Co. Ltd	Executive Director	05. 2014	-
Zhang Yueping	Jiangsu Wellbiotech Co. Ltd	Chairman	09. 2010	-
Zhang Yueping	Jiangsu Jinsheng International Industries Co. Ltd	Executive Director	06. 2017	-
Zhang Yueping	Maigaiti Litai Silk Road Textile Co. Ltd	Supervisor	08. 2018	-
Zhang Yueping	Kuitun Litai Silk Road Investment Co. Ltd	Director	05. 2015	-
Zhang Yueping	Taicang Litai Textile MILL Co. Ltd	Vice Chairman	06. 2008	-
Zhang Yueping	Alaer Litai Silk Road Investment Co. Ltd	Director	05. 2018	-
Zhang Yueping	Xinjiang Litai Silk Road Investment Co. Ltd	Director	04. 2015	-
Zhang Yueping	Litai Xingshi (Taicang) Holdings Co. Ltd	Director	03. 2015	-
Zhang Yueping	Litai Silk Road Holdings Co. Ltd	Director	03. 2015	-
Zhang Yueping	Urumqi Litai Silk Road Investment Co. Ltd	Director	12. 2020	-
Zhang Yueping	KOEPPER (Changzhou) Transmission Technology Co. Ltd	Director	11. 2013	-

Name	Name of other entity	Position held	Start of tenure	End of tenure
Zhang Yueping	Changzhou Litai Textile Co. Ltd	General Manager	08. 2019	–
Zhang Yueping	EMAG China Machinery Co. Ltd	Director	11. 2010	–
Zhang Yueping	Xinjiang Jinsheng Enterprise Management Co. Ltd	General Manager	04. 2017	–
Jin Hao	Jiangsu Changjin Investment Co. Ltd	Supervisor	01. 2009	09. 2021
Jin Hao	Jiangsu Jinsheng Assets Management Co. Ltd	Supervisor	10. 2015	09. 2021
Jin Hao	Kuitun Litai Silk Road Investment Co. Ltd	Supervisor	05. 2015	09. 2021
Jin Hao	Alaer Litai Silk Road Investment Co. Ltd	Supervisor	05. 2018	09. 2021
Jin Hao	Xinjiang Litai Silk Road Investment Co. Ltd	Supervisor	04. 2015	09. 2021
Jin Hao	Litai Xingshi (Taicang) Holdings Co. Ltd	Supervisor	03. 2015	09. 2021
Jin Hao	Litai Silk Road Holdings Co. Ltd	Supervisor	03. 2015	09. 2021
Jin Hao	Urumqi Litai Silk Road Investment Co. Ltd	Supervisor	12. 2020	09. 2021
Jin Hao	Changzhou Litai Textile Co. Ltd	Supervisor	08. 2019	09. 2021
Jin Hao	Xinjiang Jinsheng Enterprise Management Co. Ltd	Supervisor	04. 2017	09. 2021
Jin Hao	Jiangsu Jinsheng International Industries Co. Ltd	Supervisor	06. 2017	09. 2021
Jin Hao	Heberlein Ceramic Technology Co. Ltd	Supervisor	01. 2015	09. 2021
Ding Yuan	Man Wah Holdings Limited	Independent Non-executive Director	12. 2016	–
Ding Yuan	Jaccar Holdings	Director	–	–
Ding Yuan	CEIBS	Vice President and Academic Dean	09. 2006	–
Ding Yuan	Bluestar Adisseo Company	Independent Director	10. 2018	–
Ding Yuan	Shanghai Lujie Kunchi Group Co. Ltd	Independent Director	12. 2020	–
Yeung Kwok On Arthur	SITC International Holdings Company Limited	Independent Non-executive Director	09. 2010	–
Yeung Kwok On Arthur	Tencent Group	Senior Management Advisor	–	–
Yeung Kwok On Arthur	CEIBS	Visiting Professor of Management	–	–
Guido Spix	MULTIVAC Sepp Haggenmuller SE & Co. KG	President, Group CTO and COO	–	–
Dominique Turpin	Waseda Business School	Member of the Advisory Committee	–	–
Dominique Turpin	International Institute of Sports Science and Technology, Lausanne	Member of the Advisory Committee	–	–
Dominique Turpin	Ecole cantonale d'art de Lausanne	Member of the Advisory Committee	–	–
Dominique Turpin	Editorial Consultant at Singapore Management Review	Editorial Advisor	–	–
Chen Jieping	Huafa Property Service Group Co. Ltd	Independent Non-executive Director	28. 05. 2021	–
Chen Jieping	Milkyway Chemical Supply Chain Service Co. Ltd	Independent Director	24. 09. 2021	–
Xie Manlin	Director of Jiangsu Xie Manlin Law Firm	Director of law office	12. 1994	–
Xie Manlin	Nanjing Putian Telecommunications Co. Ltd	Independent Director	23. 08. 2017	–
Xie Manlin	Xinyuan Asset Management Co. Ltd	Independent Director	08. 2019	–
Wang Shutian	China Textile Machinery Association	Honorary Chairman	03. 04. 2019	–

3 Remuneration of Directors, Supervisors and Senior Executives

Decision-making procedure for the remuneration of Directors, Supervisors and Senior Executives	The remuneration payable to Directors, Supervisors and Senior Executives is proposed by the Compensation and Nominating Committee and submitted to the Board of Directors for approval. If it is within the scope of the AGM, said remuneration shall be subject to review and approved by the AGM.
Basis for determining the remuneration of Directors, Supervisors and Senior Executives	Members of the 9th and the 10th Board of Directors of the Company receive a Director's allowance. However, if a Non-independent Director holds a position in the Company, he/she will receive remuneration commensurate to his/her post in the Company without any additional allowance. Members of the 9th and the 10th Board of Supervisors receive a Supervisor's allowance. However, if a Supervisor holds a position in the Company, he/she shall receive remuneration commensurate to his/her post in the Company without any additional allowance; Senior Executives of the Company receive remuneration according to the relevant personnel regulations for their posts, and the remuneration is comprised of the base salary plus performance bonuses.
Actual remuneration payable to Directors, Supervisors and Senior Executives	For details, see "Shareholding changes and remuneration of incumbent and outgoing Directors, Supervisors, Senior Executives during the reporting period".
Total remuneration actually received by all Directors, Supervisors and Senior Executives as at the end of the reporting period	RMB 26 908 500 (before tax)

4 Changes in Directors, Supervisors and Senior Executives

Name	Position	Change	Reason for change
Dr Uwe Rondé	Vice Chairman	Election	Elected by AGM
	CEO	Appointment	Engaged by Board of Directors
Claus Mai	Director	Election	Elected by AGM
Pei Guoqing	Employee supervisor	Election	Democratic election by staff representatives
Yu Fang	Supervisor	Election	Elected by AGM
Dong Oliver	Chief Human Resources Officer	Appointment	Engaged by Board of Directors
Stefan Kross	Vice Chairman	Resignation	Expiration of contract
Carsten Voigtländer	Vice Chairman	Resignation	Expiration of contract
Yeung Kwok On Arthur	Director	Resignation	Expiration of contract
Guan Ye	Director	Resignation	Resigned
Jin Hao	Employee supervisor	Resignation	Expiration of term
Sheng Yiping	General Manager	Resignation	Required for the needs of the Company's operations
Pan Xueping	CEO	Resignation	Resigned
Cheng Rong	Former Chief Human Resources Officer	Resignation	Resigned

5 Profile of employees of the parent company and main subsidiaries

(1) Employees

Number of employees in service in parent company	20
Number of employees in service in main subsidiaries	3 259
Total number of employees in service	3 279
Number of retired employees to be covered by the parent company and main subsidiaries	25

(a) Professional composition

Category of professional composition	Number of professionals
Production personnel	1 893
Sales personnel	724
Technical personnel	342
Finance personnel	116
Management and administrative personnel	204
	3 279

(b) Educational background

Highest qualification received	Number of people
Master's degree or above	326
Undergraduate	724
Qualifications below university level	2 229
	3 279

(2) Compensation policy

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

(3) Training scheme

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

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

(4) Labour outsourcing

Total working hours of outsourced labour force	192 585
Total remuneration paid for outsourced labour force	RMB 17 525 420

8. Corporate governance report

1 Corporate governance

(1) Corporate governance

During the reporting period, Saurer maintained its sound corporate governance structure, revised and improved relevant systems, and standardised its operations in strict accordance with the requirements under the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Listing Rules of the Shanghai Stock Exchange, and the relevant regulations of the CSRC and the Shanghai Stock Exchange, taking into account the current situation of the Company. The AGM, the Board of Directors, the Supervisory Board, the special committees of the Board of Directors and the management of the Company have effectively safeguarded the interests of all investors and the Company by performing their respective duties in accordance with the law.

(a) Shareholders and Shareholders' General Meetings

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

(b) Controlling shareholders and the Listed Company

During the reporting period, the controlling shareholders of the Company conscientiously performed their fiduciary duties, conducted themselves in a legal and compliant manner, exercised their rights as shareholders at shareholders' meetings and refrained from directly or indirectly interfering with the Company's business activities or decision-making procedures beyond the AGM or the Board of Directors.

(c) Directors and the Board of Directors

During the reporting period, the directors of the Company were elected in strict accordance with the requirements of all applicable laws and regulations, as well as the Articles of Association. The Board of Directors carried out its duties in strict compliance with the applicable laws and regulations, the Articles of Association, the Rules of Procedure for the Board, the Working System for Independent Directors and the Implementation Rules for the Special Committees of the Board of Directors. All Directors performed their duties diligently and in good faith, and received the relevant training. Independent directors performed their duties independently to safeguard the overall interests of the Company and its shareholders, and issued independent opinions on important and material matters.

The Strategic, Audit and Compensation and Nominating Committees under the Board of Directors fulfilled their functions, and provided adequate protection for the decision-making of the Board of Directors, thereby reducing risks.

(d) Supervisors and the Supervisory Board

During the reporting period, the supervisors of the Company were elected in strict accordance with the requirements of all applicable laws and regulations, as well as the Articles of Association. The Supervisory Board performed its duties in strict compliance with applicable laws and regulations, the Articles of Association and the Rules of Procedure for the Supervisory Board. It effectively supervised the Company's financial operations and ensured that Directors and Senior Executives performed their duties in a lawful and compliant manner, thereby actively safeguarding the legitimate interests of the Company and its shareholders.

(e) Information disclosure management and investor relations management

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

(f) Insider information registration management

During the reporting period, the Company was in strict compliance with the applicable laws and regulations governing insider information and the Insider Registration Management System. Saurer registered and recorded the relevant personnel involved in insider information in the course of its regular reports, material asset restructurings and other relevant issues. During the reporting period, there were no incidents in which insider information was used to buy or sell company shares prior to the disclosure of material and sensitive information that might have affected the share price.

(d) Supervisors and the Supervisory Board

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

(2) Measures taken by Saurer's controlling shareholder and actual controller to ensure the independence of the Company's assets, personnel, financial affairs, organisation and business, and the adoption of solutions, work schedules and subsequent work plans that affect the Company's independence

Saurer operates in strict compliance with the Company Law, the Articles of Association and other applicable laws, regulations, ordinances and policies. The Company is independent from the controlling shareholder, actual controller and other related parties in terms of its business, personnel, assets, organisation, financial and other affairs, and has a complete business system and the ability to operate independently in the market. The Company has fully independent and autonomous operations, and assumes responsibilities and risks independently. Specifically:

(a) Independence in business

Saurer has a complete business system, an independent production, supply, sales and marketing system, and independent research and development capabilities. There is no horizontal competition with its controlling shareholder, actual controller or other enterprises controlled thereby in terms of business, and it has the capacity to operate independently in the market.

(b) Independence in personnel

In the management and use of personnel, Saurer is completely independent from its controlling shareholder, actual controller or other enterprises under their control, and completely separated from its controlling shareholder, actual controller or other enterprises under their control. The Company has independent labour, human resources and payroll management systems, and elects its Directors and Supervisors in accordance with the relevant provisions of the Company Law and the Articles of Association. Senior Executives are hired by the Board of Directors, and no decisions on the appointment and dismissal of personnel are made in contravention of the powers and authorities of the AGM or the Board of Directors.

(c) Independence in assets

Saurer has the independent technical R&D, procurement, production and marketing systems necessary for independent production and operations. It has independent ownership of and the right-of-use to the land, factories, mechanical equipment, patents, trademarks and other fixed and intangible assets required for its production and operations, and has clear ownership over its various assets. The Company does not use its assets and equities to provide guarantees for its controlling shareholder, actual controller or other enterprises controlled thereby; nor are any of its assets or funds illegally appropriated by the controlling shareholder, actual controller and other enterprises under their control and thereby prejudicing the interests of the Company.

(d) Independence in organisation

Saurer has established a corporate governance organisation commensurate with its business characteristics, with a sound organisational structure that maintains normal and orderly operations. The business operations and office organisation of the Company are separate from the controlling shareholder, actual controller or other enterprises controlled thereby. There are no mixed operations or joint offices on the same premises, and there is no interference in the organisational structure of the Company by shareholders or other affiliated entities or individuals.

(e) Independence in finance

Saurer has established an independent financial department with full-time financial accountants, built an independent and complete accounting system, and formulated an independent financial management system. The Company has opened independent bank accounts and does not share any bank accounts with its controlling shareholder, actual controller or other enterprises controlled thereby. The Company has an independent uniform social credit code, and files tax returns and fulfils its tax obligations in accordance with law. The Company makes financial decisions at its sole discretion and enters into the related contracts with third parties independently.

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

Session	Date	Reference website	Date of disclosure
First Extraordinary General Meeting of Shareholders (EGM) in 2021	05.02.2021	SSE (www.sse.com.cn) Ann. No.: 2021-008	06.02.2021
Annual General Meeting (AGM) for 2020	30.06.2021	SSE (www.sse.com.cn) Ann. No.: 2021-026	01.07.2021
Second EGM in 2021	28.09.2021	SSE (www.sse.com.cn) Ann. No.: 2021-046	29.09.2021
Third EGM in 2021	20.12.2021	SSE (www.sse.com.cn) Ann. No.: 2021-057	21.12.2021

3 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	9	0	9	0	0	No	4
Dr Uwe Rondé	No	3	0	3	0	0	No	0
Ding Yuan	No	9	0	9	0	0	No	0
Claus Mai	No	3	0	3	0	0	No	0
Chen Jieping	Yes	9	0	9	0	0	No	1
Wang Shutian	Yes	7	0	7	0	0	No	0
Xie Manlin	Yes	9	0	9	0	0	No	0
Stefan Kross	No	6	0	6	0	0	No	0
Carsten Voigtländer	No	6	0	6	0	0	No	0
Yang Guo'an	No	6	0	6	0	0	No	0
Guan Ye	No	5	0	4	0	1	No	0
Dominique Turpin	Yes	6	0	6	0	0	No	0
Guido Spix	Yes	2	0	2	0	0	No	0

Number of board meetings held in 2021	9
Including: number of on-site meetings	0
Number of meetings by correspondence	9
Number of meetings on-site combined with meetings by correspondence	0

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

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

5 Disclosure of internal control self-assessment report

During the reporting period, the Company established and implemented internal controls over all the businesses and affairs covered by the assessment. In 2022, the Company will continue to refine and standardise its internal control system in order to effectively prevent various risks and promote the Company's healthy and sustainable development.

For details, please refer to the Saurer Internal Control Evaluation Report 2021 disclosed by the Company through the Shanghai Stock Exchange, Securities Times, Securities Daily and Shanghai Securities News on 30 April 2022.

6 Audit report for the Company's internal control

Saurer engaged BDO China Shu Lun Pan Certified Public Accountants LLP to audit and issue the Internal Control Audit Report. For details, please see the Internal Control Audit Report 2021 published on the website of the Shanghai Stock Exchange on 30 April 2022.

9. Financial statements and auditor's report

for the year ended 31 December 2021

Important notes

English translation of the financial statements

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

Financial figures/amounts

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

Auditor's report

To the shareholders of Saurer Intelligent Technology Co. Ltd:

Opinion

We have audited the accompanying financial statements of Saurer Intelligent Group Co. Ltd ("Saurer Intelligent"), which comprise the consolidated and company's balance sheets as at 31 December 31 2021, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for the year then ended, and the notes to the financial statements.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole. We do not express our opinion on these matters separately.

We identified the following key audit matters in our audit:

Key audit matter**How our audit addressed the matter**

(A) Impairment risk of goodwill and intangible assets with no fixed useful life

See notes 2 (14), 2 (21) and 2 (43) to the financial statements.

Saurer Intelligent's goodwill and intangible assets with no fixed useful life (namely, the trademarks) are mainly derived from the acquisition of the natural fibre textile machinery business and textile machinery components business of Oerlikon Group in 2013. As at 31 December 2021 the book value of goodwill was RMB 445 million, representing 3.67 % of total assets and 10.63 % of net assets; the book value of trademarks was RMB 534 million, accounting for 4.41 % of total assets and 12.75 % of net assets.

Saurer Intelligence performs impairment testing on goodwill and trademark using a model of the present value of expected future cash flows ("cash flow model") to determine the recoverable amounts of goodwill and trademarks based on the present value of its expected future cash flows, respectively. In performing these impairment tests, Saurer Intelligence takes each relevant business unit as an asset group and calculates whether its recoverable amount is less than its book value, of which the key estimates and assumptions involved include sales growth rate, brand commission rate, gross profit margin and discount rate.

Sinec the amounts of goodwill and trademarks are significant amounts and the management has used key estimates and assumptions in determining their recoverable amounts, we have identified them as key audit matters.

For the impairment tests on goodwill and trademark, we performed the following procedures:

- understood, evaluated and tested internal processes and key controls implemented by Saurer Intelligent's management for the impairment testing of goodwill and trademarks;
- compared the actual profit for the current year with the profit budget used in the prior year's impairment test to evaluate the reasonableness of the management's budget;
- evaluated the appropriateness of the management's approach to identifying asset groups;
- obtained the cash flow model prepared by the management, understood and evaluated the appropriateness of the evaluation method adopted by the management;
- obtained key assumptions and estimates used by the management, including sales growth rates, brand commission rates, gross profit margins and discount rates. For the earnings budget used in the model, we compared it with Saurer Intelligent's 2021 actual earnings, industry practices, industry data and other information. For sales growth rate and brand commission rate, we compared them with historical sales growth or industry data; For the predicted gross profit margin, we compared it with the previous actual gross profit margin and considered market trends. For the discount rate, we made an independent interval estimate and compared it with the discount rate in the cash flow model. In addition, we performed a sensitivity analysis to consider the potential effects of reasonable fluctuations in the key assumptions adopted by the management in the impairment assessment;
- tested the data calculation accuracy of the cash flow model, and
- invited a team of internal assessment experts to assist in the review of the models, methodologies and significant assumptions relating to goodwill and trademark impairment.

(B) Accounting for disposals of disposal groups that constitute a business

See notes 2 (7) (c), 2 (27), 2 (30) and 2 (48) to the financial statements.

In 2021, Saurer Intelligent sold three products, namely automatic winders, Temco special bearings, and Accotex rubber parts, and related businesses, assets and technologies ("underlying assets") to Rieter Holding AG at a consideration of EUR 300 million.

Both parties to the transaction completed the delivery of the entire business of Temco engineered bearings and Accotex rubber parts, and part of the business of automatic winders in 2021 and recognised an investment income of RMB 653 million. The part of uncompleted delivery was classified as held for sale, and the business corresponding to the underlying assets was classified as discontinued operation.

As the above-mentioned investment income and the classification as held for sale have significant impact on the consolidated financial statements and involve significant management judgment, including pricing of the to-be-sold underlying assets and the judgment, estimation and accounting for the sale completion time and control, we have identified them as key audit matters.

In the audit of the accounting for disposals of disposal groups that constitute a business, we performed the following procedures:

- understood and evaluated the relevant processes for and management's internal control over the business sale of Saurer Intelligent;
- held discussions with the management to understand the specific transactions of the business sales, including relevant approval procedures, specific plans and implementation. At the same time, we reviewed relevant resolutions and proposals of the Board of Directors and general meeting involved in the business sale;
- verified the specifics by examining the agreements, contracts and documents relating to the transaction. Tested the consideration received from the business sale by examining the relevant bank statements;
- obtained an understanding, through conversations with management, of the process of completing the handover of the disposed entity;
- recalculated the investment income from relevant business sales and checked it with the management's calculations;
- checked the date of classification as held for sale; evaluated the management's judgment on disposals expected to be completed within one year; evaluated the management's judgment on the determination of termination of operation;
- examined the accounting treatment relating to the held for sale category and evaluated whether the disclosure of this transaction in the financial statements meets the requirements of the Accounting Standards for Business Enterprises; and
- referred to the relevant contents in the public information of the counterparty and compared the relevant information.

Key audit matter**How our audit addressed the matter****(C) Impairment of accounts receivable**

See notes 4 (3) and 4 (10) and notes 5 (3) and 5 (11) to the financial statements.

As at 31 December 2021, the original value of accounts receivable and long-term receivables in the consolidated financial statements of Saurer Intelligent amounted to RMB 4,633 million, and the bad debt reserve amounted to RMB 452 million.

Saurer Intelligent calculates its expected credit loss on ("ECL") for accounts receivable from the exposure to default and ECL, and determines the ECL based on the probability of default and the loss given default. In determining the ECL, Saurer Intelligent uses data such as internal historical credit loss experience, and adjusts the historical data in combination with current conditions and forward-looking information. Factors considered in assessing the forward-looking information include macroeconomic indicators, economic policies, industry risks and changes in customer conditions.

As the determination of ECLs involves the management's use of significant accounting estimates and judgments, we have identified the recoverability and impairment assessment of accounts receivable as key audit matters.

We performed the following audit procedures for the impairment of accounts receivable of Saurer Intelligent in 2021:

- understood, evaluated and tested the management's key internal control tests related to the impairment of accounts receivable, including identification of objective evidence of impairment of accounts receivable, maintenance and analysis of accounts receivable aging and collection status, estimation of expected credit loss rate including the use of forward-looking information in expected credit loss model, and provision and review of credit impairment loss allowance for accounts receivable;
- for individually significant receivables with objective evidence indicating impairment, we interviewed the management to understand its approach and basis for assessing the customers' financial performance; spot checked the supporting evidence for the management's assessment on the customers' financial performance, including accounts receivable confirmations, post-maturity receipts, customers' credit history, operating performance and repayment ability;
- for accounts receivable for which ECLs are calculated based on the portfolio of credit risk characteristics, we reviewed the reasonableness of the management's ECL rates for different portfolios based on the portfolio classification, historical credit loss experience and current conditions, and future economic forecasts including changes in macroeconomic indicators, economic policies, industry risks and customer conditions; we assessed the reasonableness of the expected loss rates and selected samples to test the accuracy of the portfolio classification and aging classification of accounts receivable; and recalculated the accuracy of the ECL amount accrued;

Other information

The management of Saurer Intelligent ("management") is responsible for other information. The other information comprises all of the information included in the 2021 annual report of Saurer Intelligent, but excludes the financial statements and our auditor's report.

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

The management of Saurer Intelligent Group is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as the 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 the financial statements, the management is responsible for assessing Saurer Intelligent's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Saurer Intelligent or to cease operations, or has no realistic alternative but to do so.

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

Our responsibilities for the audit of the financial statements

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

During the process of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout. We also:

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

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 year 2021 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.

BDO China Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China
(Engagement partner)

Certified Public Accountant of China

Shanghai, China, 28 April 2022

Financial statements

Consolidated and Company balance sheets as at 31 December 2021

Assets

		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current assets	Note	Consolidated	Consolidated	Company	Company
Cash at bank and on hand	4 (1)	1 079 170	525 988	4 828	118 960
Financial assets held for trading	4 (2)	130	14 008	-	-
Accounts receivable	4 (3)	3 536 461	4 291 528	-	-
Receivables financing	4 (4)	244 133	159 055	-	-
Advances to suppliers	4 (5)	269 001	237 489	378	12 898
Other receivables	4 (6), 14 (1)	92 054	39 889	10	432 823
Inventories	4 (7)	1 531 251	1 984 364	-	-
Assets held for sale	4 (7) (c)	1 013 208	-	-	-
Current portion of non-current assets	4 (8)	186 441	117 067	-	-
Other current assets	4 (9)	96 862	130 807	1 171	2 214
Total current assets		8 048 711	7 500 195	6 387	566 895
Non-current assets					
Long-term receivables	4 (10)	419 606	408 545	-	-
Long-term equity investments	14 (2)	-	-	10 452 842	10 452 842
Fixed assets	4 (11)	1 287 841	1 497 510	-	-
Construction in progress	4 (12)	178 171	200 225	-	-
Right-of-use assets	4 (13)	132 870	-	-	-
Intangible assets	4 (14)	756 749	1 246 875	-	-
Development costs	4 (14) (b)	191 962	316 102	-	-
Goodwill	4 (15)	445 402	638 867	-	-
Long-term deferred expenses	4 (16)	1 511	1 923	-	-
Deferred tax assets	4 (17)	334 814	234 383	-	-
Other non-current assets	4 (18)	330 259	801 717	-	-
Total non-current assets		4 079 185	5 346 147	10 452 842	10 452 842
Total assets		12 127 896	12 846 342	10 459 229	11 019 737

Liabilities and owners' equity

		31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Note	Consolidated	Consolidated	Company	Company
Current liabilities					
Short-term borrowings	4 (19)	1 372 938	1 980 668	945 501	780 064
Financial liabilities held for trading	4 (2)	–	11 132	–	–
Notes payables	4 (21)	50 000	489 000	–	366 000
Accounts payables	4 (22)	844 505	992 716	–	–
Contract liabilities	4 (23)	856 627	744 849	–	–
Employee benefits payable	4 (24)	277 601	339 163	6 234	1 729
Taxes payable	4 (25)	266 091	49 910	–	–
Other payables	4 (26)	530 142	611 883	1 260 494	1 505 541
Liabilities held for sale	4 (27)	407 836	–	–	–
Current portion of non-current liabilities	4 (28)	1 190 666	625 374	–	–
Other current liabilities	4 (29)	1 490 768	38 029	–	–
Total current liabilities		7 287 174	5 882 724	2 212 229	2 653 334
Non-current liabilities					
Long-term borrowings	4 (30)	284 000	1 315 750	–	–
Lease liabilities	4 (31)	98 384	–	–	–
Long-term employee benefits payable	4 (32)	215 506	440 179	–	–
Provisions	4 (33)	57	4 749	–	–
Deferred revenue	4 (34)	1 910	7 070	–	120
Deferred tax liabilities	4 (17)	51 258	106 245	–	–
Total non-current liabilities		651 115	1 873 993	–	120
Total liabilities		7 938 289	7 756 717	2 212 229	2 653 454
Owners' equity					
Paid-in capital	4 (35)	1 895 413	1 895 413	1 895 413	1 895 413
Capital surplus	4 (36)	1 579 834	1 579 834	6 857 481	6 857 481
Less: treasury shares	4 (37)	600 010	600 010	600 010	600 010
Other comprehensive income	4 (38)	–126 485	48 546	1 534	1 534
Special reserves	4 (39)	–	–	1 447	1 447
Surplus reserves	4 (40)	48 742	48 742	205 662	205 662
Retained earnings		497 365	962 457	–114 527	4 756
Total equity attributable to equity holders of the any		3 294 859	3 934 982	8 366 283	8 366 283
Non-controlling interests		894 748	1 154 643	–	–
Total owners' equity		4 189 607	5 089 625	8 247 000	8 366 283
Total liabilities and owners' equity		12 127 896	12 846 342	10 459 229	11 019 737

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

Consolidated and Company income statements
for the year ended 31 December 2021

	Note	31 December 2021 Consolidated	31 December 2020 Consolidated	31 December 2021 Company	31 December 2020 Company
1. Revenue	4 (41)	5 470 199	4 849 549	-	-
Total operating costs		-5 985 403	-5 305 441	-	-
Less: cost of sales	4 (41)	-4 818 389	-3 869 130	-	-
- Taxes and surcharges	4 (42)	-13 289	-17 684	-56	-48
- Selling and distribution expenses	4 (43)	-290 513	-326 579	-602	-590
- General and administrative expenses	4 (44)	-330 577	-438 510	-79 863	-57 679
- Research and development expenses	4 (45)	-361 909	-401 297	-	-
- Financial expenses – net	4 (46)	-170 726	-252 241	-38 949	-44 510
- Interest expenses		-197 916	-153 443	-53 085	-36 021
- Interest income		48 381	25 491	1 682	181
Add: other income	4 (47)	6 315	12 125	122	5
- Investment income	4 (48)	652 602	-	-	-
- Including: income from investment in associates and joint ventures		-	-	-	-
- Income from derecognition of financial assets measured at amortised cost		-	-	-	-
- Credit impairment loss	4 (49)	-298 104	-110 233	-	-
- Asset impairment loss	4 (50)	-230 941	-88 257	-	-
- Income from asset disposal	4 (51)	-850	-2 693	-	-
2. Operating profit		-386 182	-644 950	-119 348	-102 822
Add: non-operating income	4 (52)	93 899	6 897	65	10
Less: non-operating expenses	4 (53)	-202 741	-125 155	-	-
3. Profit/(losses) before tax		-495 024	-763 208	-119 283	-102 812
Less: income tax expenses	4 (54)	-53 058	-91 666	-	-
4. Net profit/(losses)		-548 082	-671 542	-119 283	-102 812
Classification by business continuity					
- Net income from continuing operations		-706 224	-671 542	-119 283	-102 812
- Net income from discontinuing operations		158 142	-	-	-
Classification by ownership					
- Attributable to equity holders of the Company		-465 092	-561 458	-	-
- Non-controlling interests		-82 990	-110 084	-	-
5. Other comprehensive income, net of tax	4 (38)	-216 936	55 447	-	-
Other comprehensive income attributable to equity holders of the Company, net of tax		-175 031	44 715	-	-
Other comprehensive income that will not be reclassified to profit or loss		73 983	-12 707	-	-
- Changes in measurement of the defined benefit plans assets/liabilities		73 983	-12 707	-	-
Other comprehensive income items, which will be reclassified to profit or loss		-249 014	57 422	-	-
- Effective part of cash flow hedging reserve		-867	391	-	-
- Foreign currency translation difference		-248 147	57 031	-	-
Other comprehensive income attributable to non-controlling interests, net of tax		-41 905	10 732	-	-
6. Total comprehensive income		-765 018	-616 095	-119 283	-102 812
Attributable to equity holders of the Company		-640 123	-516 743	-	-
Attributable to non-controlling interests		-124 895	-99 352	-	-
7. Earnings per share					
Basic earnings per share in Yuan	4 (55)	-0.26	-0.30	-	-
Diluted earnings per share in Yuan	4 (55)	-0.26	-0.30	-	-

Consolidated and Company cash flow statement
for the year ended 31 December 2021

		31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Note	Consolidated	Consolidated	Company	Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		7 256 272	5 583 738	–	–
Cash received from other operating activities	4 (57) (a)	40 994	23 250	1 749	414
Subtotal of cash inflows		7 297 266	5 606 988	1 749	414
Cash paid for goods and services		–4 911 365	–4 441 080	–	–
Cash paid to and on behalf of employees		–1 699 459	–1 610 900	–4 457	–9 654
Payment of taxes and surcharges		–53 091	–223 728	–	–48
Cash paid related to other operating activities	4 (57) (b)	–547 439	–423 901	–50 235	–47 740
Subtotal of cash outflows		–7 211 354	–6 699 609	–54 692	–57 442
Net cash flows from/used in operating activities		85 912	–1 092 621	–52 943	–57 028
2. Cash flows from investing activities					
Cash received from disinvestment		867 049	–	–	–
Investment profits received		–	–	–	–
Cash received from disposal of fixed assets, intangible assets and other long-term assets		16 696	5 168	–	–
Cash received related to other investing activities	4 (57) (c)	1 258 827	–	–9 654	–9 654
Subtotal of cash inflows		2 142 572	5 168	–	–
Cash paid to acquire fixed assets, intangible assets and other long-term assets		–120 123	–328 517	–9 654	–9 654
Cash paid for other investing activities	4 (57) (d)	–800	–7 044	–48	–48
Subtotal of cash outflows		–120 923	–335 561	–	–
Net cash flows from/used in investing activities		2 021 649	–330 393	–	–
3. Cash flows from financing activities					
Cash received from bank borrowings		1 629 740	3 341 852	595 977	778 323
Cash received from other financing activities	4 (57) (e)	1 377 253	697 620	10	207 846
Subtotal of cash inflows		3 006 993	4 039 472	595 987	986 169
Cash repayments of bank borrowings		–3 045 489	–2 663 346	–479 162	–741 734
Dividend distributed and/or payment of interest		–206 130	–223 882	–48 116	–34 280
Including: dividends distributed to non-controlling interests of subsidiaries		–32 000	–67 500	–	–
Cash paid for other financing activities	4 (57) (f)	–1 233 257	–1 604 265	–13 478	–597 745
Subtotal of cash outflows from financing activities		–4 484 876	–4 491 493	–540 756	–1 373 759
Net cash flows from/used in financing activities		–1 477 883	–452 021	55 231	–387 590
4. Effect of foreign exchange fluctuation on cash and cash equivalents					
		–22 362	22 829	–	–
5. Net decrease/increase in cash and cash equivalents					
		607 316	–1 852 206	2 288	–444 618
Add: cash and cash equivalents at the beginning of the year		121 135	1 973 341	2 274	446 892
6. Cash and cash equivalents at the end of the year		728 451	121 135	4 562	2 274

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

Consolidated statement of changes in owners' equity

for the year ended 31 December 2021

	Equity attributable to the parent company						Non-controlling interests	Total owners' equity
	Paid-in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits		
Balance at 1 January 2021	1 895 413	1 579 834	-600 010	48 546	48 742	962 457	1 154 643	5 089 625
Movements for the year ended 31 December 2021								
Net loss	-	-	-	-	-	-465 092	-124 895	-765 018
Other comprehensive income	-	-	-	-175 031	-	-	-	-
Total comprehensive income	-	-	-	-175 031	-	-465 092	-124 895	-765 018
Profit distribution								
- Dividend payment	-	-	-	-	-	-	-135 000	-135 000
Balance at 31 December 2021	1 895 413	1 579 834	-600 010	-126 485	48 742	497 365	894 748	4 189 607

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

Company statement of changes in owners' equity
for the year ended 31 December 2021

	Equity attributable to the parent company						Non-controlling interests	Total owners' equity
	Paid-in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits		
Balance at 1 January 2021	1 895 413	6 857 481	-600 010	1 534	1 447	205 662	4 756	8 366 283
Movements for the year ended 31 December 2021								
Net loss	-	-	-	-	-	-	-119 283	-119 283
Profit distribution								
- Dividend payment	-	-	-	-	-	-	-	-
Balance at 31 December 2021	1 895 413	6 857 481	600 010	1 534	1 447	205 662	-114 527	8 247 000

	Equity attributable to the parent company						Non-controlling interests	Total owners' equity
	Paid-in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits		
Balance at 1 January 2020	1 895 413	6 857 481	108 931	1 534	1 447	205 662	107 568	8 960 174
Movements for the year ended 31 December 2020								
Net loss	-	-	-	-	-	-	-102 812	-102 812
Repurchase of treasury shares	-	-	-491 079	-	-	-	-	-491 079
Profit distribution								
- Dividend payment	-	-	-	-	-	-	-135 000	-135 000
Balance at 31 December 2020	1 895 413	6 857 481	-600 010	1 534	1 447	205 662	4 756	8 366 283

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

Notes to the financial statements

For the year ended 31 December 2021

1 General information

Saurer Intelligent Technology Co. Ltd (formerly known as "Xinjiang Urban Construction (Group) Co. Ltd", hereinafter "the Company") is a company limited by shares incorporated in Room 1505, Weitai Tower, No.1 Weitai South Road, Urumqi Economic and Technological Development Zone, Xinjiang Uygur Autonomous Region, People's Republic of China.

With the approval from the Xinjiang Uygur Autonomous Region Economic System Reform Commission regarding the "Request for the Establishment of Urumqi Urban Construction and Development Co. Ltd (XTG [1992] No. 58)", the Company was set up by six entities including the Urumqi Water Supply Company, Urumqi Municipal Engineering Company, Urumqi Municipal Engineering Construction Office, Urumqi Municipal Water Conservation Office, Urumqi Municipal Engineering Maintenance Management Office and Urumqi Suburban Highway Maintenance Management Office, with targeted placement to other legal persons and internal employees. The Company was registered with the Urumqi Administration for Industry and Commerce on 25 February 1993 and obtained the Business License for Corporate Legal Persons No. 650001000005. The total registered capital of the Company was RMB 7500 000 at the time of establishment. After five share issues and two capital increases, the Company's total paid-in capital increased to RMB 100 541 029 as of 29 August 2000.

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

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

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

In 2008 the third EGM resolved to issue non-public shares to specific investors. The plan was approved by the CSRC with the "Reply to Approving the Non-public Issue of Shares by Xinjiang Urban Construction (Group) Co. Ltd (CSRC [2008] No. 1450)." With the private issuing of 84 150 000 common shares, the total share capital increased to RMB 450 523 852.

According to the resolution made at the 2008 AGM, the Company increased 5 shares for each 10 shares with capital reserves. Total share capital increased to RMB 675 785 778.

The Company's 17th EGM on 28 December 2016 and the first EGM of 2017 on 23 January 2017 deliberated and adopted the "Proposal for Significant Asset Replacement, Asset Purchase by Issuing Shares and Related Transactions", the "Draft Report on the Company's Significant Asset Replacement, Asset Purchase by Issuing Shares and Related Transactions and its Abstracts", the "Proposal on Approval of Jiangsu Jinsheng Industry Co. Ltd to Be Exempted from Increasing its Shareholding in the Company via the Tender Offer" and other proposals relevant to this reorganisation. The Company then carried out a series of major asset restructurings, based on the specific plan as follows:

(1) Significant asset replacement

In August 2017, the Company replaced all assets and liabilities (the "Disposed Assets") as at 31 August 2016 (the assessment base date), excluding cash of RMB 185 million, with the equivalent part of 95 % of equity (the "Purchased Assets") of Saurer Intelligent Machinery Co. Ltd (hereinafter referred to as "Saurer Intelligent Machinery") held by 17 shareholders, excluding Shanghai Yongyun Huachuang Equity Investment Partnership (hereinafter referred to as "Shanghai Yongyun"). In this transaction, the assets disposed of were valued at RMB 2 212 400 000 and the assets acquired were valued at RMB 9 737 500 000.

The above-mentioned cash of RMB 185 000 000 retained by the Company had been distributed as cash dividend to all original shareholders before the Company issued shares and purchased the assets.

(2) Undertaking of the asset disposal and share transfer

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

(3) Purchase of assets by issuing shares

In August 2017, regarding the difference of RMB 7 525 100 000 arising from the significant asset replacement mentioned above, the Company issued 1 219 627 217 common shares to 17 shareholders of Saurer Intelligent Machinery, excluding Shanghai Yongyun, at the par value of RMB 1 per share, based on the share issuing price of RMB 6.17 per share. The difference between the face value and the issuing price, amounting to RMB 6 305 472 712, was recognised as capital reserves, and the total share capital increased to 1 895 412 995 shares.

Delivery and exchange of assets in this significant reorganization was fully completed on 25 August 2017.

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

Pricewaterhouse Coopers Zhong Tian Certified Public Accountants LLP verified the additional registered capital and paid-in share capital of the Company arising from the deals mentioned above, and issued the capital verification report (PwC [2017] No. 801).

The business scope of the Company and its subsidiaries after the significant asset restructuring covers: production, R&D and sales of complete intelligent textile equipment; production, R&D and sales of robots, robot systems, robot application technologies and software products; design, production, R&D and sales of intelligent automation equipment; production, R&D and sales of intelligent packaging machinery; design, manufacturing and sales of intelligent electromechanical and information products; providing related technical consultation and technical services; import and export of goods and technologies as an independent operator or agent.

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

After the completion of the above-mentioned transaction, Jinsheng Industrial and other shareholders held 45.93 % and 54.07 % of the Company's equity, respectively.

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

On 1 September 2019 and 18 September 2019, the proposal on repurchasing company shares via centralised bidding was passed by the Company's ninth board meeting and the third EGM in 2019. The Company was allowed to repurchase company shares via centralized bidding with its own capital or with self-raised funds not less than RMB 600 000 000 and not more than RMB 1 200 000 000. The shares to be repurchased within 12 months from the general meeting were intended to be used for equity incentive and employee stock ownership plans. Up to 17 September 2020, the Company accumulatively repurchased 107 500 773 shares through a dedicated securities repurchase account by way of centralized bidding, paying RMB 600 010 274.40 in total. After the repurchase, Jinsheng Industrial and other shareholders held 46.94 % and 53.06 % of the Company's equity, respectively.

As at 31 December 2021, the Company has issued a total of 1895412995 shares with a registered capital of RMB 1895412995. Registered place: Room 1505 Weitai Building, No.1 Weitai South Road, Urumqi Economic and Technological Development Zone, Xinjiang. The Company's unified social credit code is 91650000MA77T382X9. The Company's main business activities are: production, R&D and sales of intelligent textile equipment; production, R&D and sales of robots, robot systems, robot application technologies and software products; design, production, R&D and sales of intelligent automation equipment; production, R&D and sales of intelligent packaging machinery; design, manufacturing and sales of intelligent electromechanical and information products; provision of relevant technical consultation and technical services; import and export of goods and technologies as an independent operator or agent.

The Company's parent company is Jiangsu Jinsheng Industry Co. Ltd (Jinsheng Industrial) and the Company's majority shareholder is Pan Xueping.

The financial statements were authorised for publication by the Company's Board of Directors on 28 April 2022.

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

2 Summary of significant accounting policies and accounting estimates

The specific accounting policies and accounting estimates are determined based on the Company's production and operation. For details, see note 2 (9) Financial instruments, note 2 (11) Inventories, note 2 (15) Fixed assets, note 2 (18) Amortisation of intangible assets, Judgments criteria for capitalisation of development expenses, and Goodwill and intangible assets with indefinite useful lives, and note 2 (25) Revenue.

(1) Basis of preparation

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

The financial statements are prepared based on a going concern basis.

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

The financial statements of the Company for the year ended 31 December 2021 meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated and the parent company's financial position as at 31 December 2021, and the consolidated and the parent company's operating results and cash flows for the year 31 December 2021.

(3) Accounting period

The Company's accounting year is from 1 January to 31 December. The Company has a 12-month operating cycle.

(4) Functional currency

The functional currency of the Company and its Chinese subsidiaries is the Renminbi (RMB). Overseas subsidiaries, joint ventures and associates of the Company determine the functional currency based on the main economic environment in their place of business. These currencies are translated into RMB when preparing financial statements. The financial statements herein are presented in RMB.

(5) Accounting treatment methods for business combinations under common control and not under common control

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

Expenses incurred directly relating to the business combination are included in the current profit or loss. Transaction expenses incurred in issuing equity or debt securities for the business combination are included in the initial recognition amount of the equity or debt securities.

(6) Preparation of the consolidated financial statements

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

(a) Procedures of consolidation

The Company treats the enterprise group as a whole accounting entity, and prepares the consolidated financial statements with uniform accounting policies that reflect the overall financial position, operating results and cash flows of the enterprise group. Effects of internal transactions between the Company and its subsidiaries or among subsidiaries shall be offset. If any internal transaction indicates that relevant assets have been impaired, the impairment loss shall be recognised in full. If the accounting policy or accounting period of any subsidiary is different from that of the Company, the consolidated financial statements of the subsidiary, upon preparation, are adjusted according to the accounting policy and accounting period of the Company.

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

(i) Acquisition of company shares or assets

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

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

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

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

(ii) Disposal of subsidiaries

General treatment methods

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal will be re-measured by the Company at its fair value on the date of the loss of control. The difference between the sum of the equity disposal consideration plus the fair value of the remaining equity and the sum of the share calculated at the original shareholding ratio in net assets enjoyed in the original subsidiary and continuously calculated from the acquisition date or combination date and the goodwill is to be included in the investment income for the period where the control is lost. Other comprehensive income reclassified into profit or loss later and other changes in owners' equity calculated by the equity method, associated with the equity investments of original subsidiaries, are transferred into the investment income for the period where the control is lost.

Disposal of subsidiaries by stages

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

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

Where these transactions belong to a package deal, they are accounted for as a transaction of disposing of the subsidiary and losing control; however, the difference between each disposal price and the share in net assets in the subsidiaries corresponding to each investment disposal before loss of control is recognised as other comprehensive income in the consolidated financial statements, and is transferred into the profit or loss for the period where the control is lost.

Where multiple transactions do not belong to a package deal, before the loss of control, accounting treatment should be made via the partial disposal of equity investments in the subsidiary without losing control; at the loss of control, accounting treatment will be made by the general treatment method for the disposal of subsidiaries.

(iii) Acquisition of non-controlling interests of subsidiaries

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

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

The share premium of capital reserves in the consolidated balance sheet will be adjusted based on difference between the disposal price and the share which should be enjoyed for the disposal of long-term equity investments in the net assets the subsidiary continuously calculates from the acquisition date or the combination date; if the share premium is insufficient to offset, retained earnings will be adjusted.

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

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

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

The Company recognizes the following items related to its share of benefits in the joint operation:

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

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

(7) Cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into RMB at the spot exchange rate prevailing on the transaction date.

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

(b) Translation of foreign currency financial statements

Assets and liabilities in the balance sheet for operations outside China are translated at the spot exchange rates on balance sheet date. Among the shareholders' equity items, all except for "undistributed profits" are translated at the spot exchange rates of the transaction dates. Revenue and expenses presented in the income statements of operations outside China are translated at the spot rate prevailing on the transaction date. Differences arising from these conversions are included in other comprehensive income. Items in the statement of cash flows of operations outside China are translated at the spot exchange rates prevailing on the dates when cash flows occur. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

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

(9) Financial instruments

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

(a) Financial assets

(i) Classification and measurement

The Company divides financial assets into: (1) financial assets measured at amortisation cost; (2) financial assets measured at fair value through the other comprehensive income (FVOCI); (3) financial assets measured at fair value through the current profit or loss (FVPL).

- Financial assets measured at amortisation cost
Assets held for the purpose of collecting contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. Those financial assets include cash and cash equivalents, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables. Acquisition debt investment due within one year is classified as other current assets.
- Financial assets measured at fair value through other comprehensive income (FVOCI)
Assets that are held for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in profit or loss using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss. Such financial assets including receivables financing and other debt investment. Other acquisition debt investment due within one year is classified as other current assets.

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

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

Equity instruments

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

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

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through the current profit or loss and financial liabilities measured at the amortised cost.

(ii) Impairment

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

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

On each balance sheet date, the Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument has not increased significantly since the initial recognition, it is in stage I, and the Company will measure the loss provision based on the expected credit loss for the next 12 months. If the credit risk of a financial instrument has increased significantly since its initial recognition but no credit impairment has occurred, it is in stage II, and the Company will measure the loss provision based on the lifetime expected credit loss of the financial instrument. If a financial instrument has had credit impairment since its initial recognition, it is in stage III, and the Company will measure the loss provision based on the lifetime expected credit loss of the financial instrument.

For financial instruments with relatively low credit risk on the balance sheet date, the Company assumes that the credit risk has not increased significantly since its initial recognition, and measures the loss provision based on the expected credit loss in the next 12 months.

For financial instruments in stage I or stage II, or those with relatively low credit risk, the Company calculates the interest income based on the book balance without deducting the impairment provision at the current interest rate. For financial instruments in the third stage, the interest income is calculated based on the amortised cost (balance of the book balance less the provision for impairment made) of the financial instrument, at the current interest rate.

For receivables and contract assets arising from transactions specified in the "Accounting Standards for Business Enterprises No. 14 – Revenue (2017)", whether or not they contain significant financing components, the Company always makes the provision for credit loss at the amount equivalent to the expected credit loss over the whole duration.

When the expected credit loss information on individual financial assets cannot be obtained at a reasonable cost, the Company will divide receivables into several portfolios based on credit risk characteristics, and calculates the expected credit loss on a portfolio basis. The basis for portfolio determination and provision method are as follows:

Accounts receivable	
Portfolio 1	aging portfolio
Portfolio 2	special risk customers
Other receivables	
Portfolio 3	loans from and to related parties
Portfolio 4	receivables except for the above portfolios
Accounts receivables financing	
Portfolio of bank acceptance bills	banks with low credit risk

For accounts receivable classified into portfolios, and the notes receivable and accounts receivable arising from routine operating activities such as sales of goods or rendering of services, the Company may use historical experience in credit loss, and in combination with the current situation and the forecast of future economic conditions, may prepare a comparison table of the overdue days and lifetime expected credit loss rate of accounts receivable in order to calculate the expected credit loss. For notes receivable, receivables financing and other receivables classified into portfolios, the Company may use historical experience in credit loss, and in combination with the current situation and the forecast of future economic conditions, may calculate the expected credit loss through the default risk exposure and the 12-month or lifetime expected credit loss ratios.

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

(iii) Derecognition of financial assets

A financial asset is derecognised when any of the following criteria is met:

- the contractual right of collecting cash flows of financial assets is terminated;
- the financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- the financial assets have been transferred and the Company does not retain the control over the financial assets, though it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

When financial assets are transferred, but nearly all of the risks and rewards related to the ownership of the financial assets have been retained, such financial assets should not be derecognised. In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.

(b) Financial liabilities

At initial recognition, financial liabilities may be designated as financial liabilities measured at fair value through the current profit or loss.

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

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

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

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

(c) **Determination of fair value of financial assets and financial liabilities**

The fair value of a financial instrument traded in an active market is determined by the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using valuation techniques. At the time of valuation, the Company adopts the valuation technique that is applicable to the current circumstance and is supported by sufficient available data and other information, and selects the input values consistent with the asset or liability characteristics that would be taken into account by market participants in transactions of comparable assets and liabilities. Unobservable input values may be used only when relevant observable input values cannot be obtained.

(10) Hedging instruments

Hedging instruments refer to the financial instruments designated by the Company for hedging whose changes in fair value or cash flow are expected to offset the changes in fair value or cash flows of the hedged item. The Company's hedging is divided into fair value hedging and cash flow hedging. When hedging instruments meet the following criteria, the Company applies the accounting method for hedging:

- (i) the hedging relationship is only composed of qualified hedging instruments and hedged items;
- (ii) at the beginning of hedging, the Company formally designates the hedging instruments and hedged items, and prepares written documents on the hedging relationship, risk management strategies and objectives for hedging. These documents should specify the nature of hedging instruments, hedged items and hedged risks as well as the method for hedging effectiveness assessment (including the analysis on reasons for invalid hedging and the method for determining the hedging ratio);
- (iii) the hedging relationship meets the hedging effectiveness requirements.

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

- (i) there is an economic relationship between the hedged item and the hedging instrument, which causes the value of the hedging instrument and the hedged item to change in opposite directions due to the same exposure to the hedged risk;
- (ii) in the value change from the economic relationship between the hedged item and the hedging instrument, the credit risk impact is not dominant;
- (iii) the hedging ratio of a hedging relationship refers to the proportion of the quantity of hedged items under the Company's actual hedging business in the actual quantity of the corresponding hedging instruments, and it does not reflect an imbalance in the relative weights of the hedged items and hedging instruments.

If the fair value hedging meets the above conditions, gains or losses from hedging instruments shall be included in the current profit or loss. If a hedging instrument is a hedge for non-tradeable equity instrument investments (or other component) chosen to be measured at fair value through other comprehensive income, the gains or losses from such hedging instrument shall be included in other comprehensive income.

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

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

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

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

(11) Inventories**(a) Classification and cost of inventories**

Inventories are classified into raw materials, goods in process, finished goods, stock commodities and spare parts.

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

(b) Measurement method for inventories dispatched

The inventories are measured by the weighted average method when dispatched.

(c) Basis for determining the net realisable values of inventories

On the balance sheet date, inventories shall be valued at the cost or the net realisable value, whichever is lower. Where the inventory cost is higher than its realisable value, the provision for inventory depreciation reserves shall be made. During routine activities, net realisable values of inventories refer to the amounts of the estimated selling prices of inventories minus the estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

Net realisable values of merchandise inventories held for direct sale, including finished goods, stock commodities and materials for sale, are measured at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges in the normal production process. Net realisable values of material inventories which still require processing are measured at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges in the normal production process. Net realisable values of inventories held for the purpose of fulfilment of sales contracts or service contracts are calculated on the basis of the contract price. If the quantity of inventories held by the Company is more than that ordered in sales contract, the net realisable value of the excess inventories will be calculated based on general selling price.

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

(d) The Company adopts the perpetual inventory system.**(e) Low-cost consumables and packaging materials are amortised under the lump-sum amortisation method.****(12) Contract assets****(a) Recognition method and criteria for contract assets**

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfilment obligations and customer payments. The right of the Company to the charge of consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) is presented as contract asset. Contract assets and contract liabilities under the same contract should be presented at net amount. The unconditional (only depending on the time lapses) right to the charge of consideration from the customer, possessed by the Company, is presented as receivables.

(b) Determination method and accounting treatment for the expected credit loss of contract assets

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

(13) Assets held for sale

Where the Company recovers the book value of any non-current asset or disposed asset portfolio mainly through selling (including the exchange of non-monetary assets with commercial essence) but not continuously using the same, such non-current asset or disposed asset portfolio shall be divided into assets held for sale.

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

(a) According to the general practice for selling such types of assets or disposed asset portfolios in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;**(b) The sale of the asset or portfolio is very likely to happen, which means that the Company has resolved a plan for its sale and has acquired the purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.**

Regarding the non-current assets or disposal groups held for sale (excluding financial assets, deferred income tax assets, investment properties subsequently measured by adopting the fair value model and the assets arising from employee compensation), if its book value is higher than the net amount of its fair value less the selling expense, the book value shall be written down to the net amount of the fair value less the selling expense, and the amount written down shall be recognised as the losses from asset impairment and included in the current profit or loss, while the provision for impairment of assets held for sale is made.

(14) Long-term equity investments

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

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

(a) Recognition of initial investment costs

(i) Long-term equity investments acquired through business combination

For long-term equity investments in subsidiaries acquired from business combinations under joint control, the initial cost of the investment shall be recognised at the share of book value of the owner's equity of the combinee in the consolidated financial statements of the ultimate controller on the acquisition date. The difference between the initial investment cost of long-term equity investments and the book value of consideration paid is used to adjust the stock premium in capital reserves; and if the stock premium in capital reserves is insufficient to be offset, retained earnings will be adjusted. If control can be exercised over the investee under common control as a result of additional investment and other reasons, the difference between the initial investment cost of long-term equity investments and the sum of the book value of long-term equity investments before the combination and the book value of consideration paid for further obtaining shares on the combination date, recognised in the above-mentioned principle, will be used to adjust the stock premium. If the stock premium is insufficient to be offset, retained earnings will be offset accordingly.

For long-term equity investments in subsidiaries generating from business combinations not under joint control, the initial investment cost is recognised at the combination cost determined on the acquisition date. If the control can be exercised over the investee not under the common control as a result of additional investment and other reasons, the sum of the book value of the equity investment previously held and the newly increased investment costs will be recognised as the initial investment cost.

(ii) Long-term equity investments acquired by means other than business combination

For long-term equity investments acquired through cash payments, the initial investment cost is the actually paid purchase cost.

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

(b) Subsequent measurement and recognition of profit or loss

(i) Long-term equity investments accounted for under the cost method

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

(ii) Long-term equity investment accounted for under the equity method

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

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

The Company should, based on the fair value of net identifiable assets of the investee when the investment is made, recognise its attributable share of the net profits or losses, other comprehensive income and other changes in owners' equity of the investee after the adjustment made to the net profit and other comprehensive income of the investee according to the accounting policies and accounting period adopted by the Company.

The Company calculates its attributable but not realised profit or loss from internal transactions between the Company and its associates or joint ventures based on its attributable percentage and offset such profit or loss, and recognises the investment income on that basis; however, businesses formed by assets invested or sold are excluded. Unrealised losses from internal transactions between the Company and any investee should be recognised in full if they belong to the losses from asset impairment.

For net losses on joint ventures or associates, apart from the obligation of assuming the extra loss, the Company should write down such losses with the book value of long-term equity investments and the long-term equity where net investments in joint ventures or associates have been formed substantially; and the maximum of such losses should be the sum of the book value and long-term equity mentioned above. Where any joint venture or associate realise net profit in the future, the Company should recognise the income sharing amount when the unrecognised loss sharing amount is offset with the income sharing amount.

(c) Disposal of long-term equity investments

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

For long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognised originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity shall be carried forward to the current profit or loss in proportion.

Where the Company loses the common control over or significant influence on the investee on account of the disposal of equity investment or for any other reason, when the accounting by the equity method is terminated, other comprehensive income recognised upon the accounting by the equity method from the original equity investment should be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity should be transferred to the current profit or loss in full.

Where the Company loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting should be made by the equity method, and an adjustment should be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognised before the control over the investee is obtained should be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity recognised on account of the accounting by the equity method should be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets should be recognised, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same should be included in the current profit or loss, and other comprehensive income and other changes in owners' equity which have been recognised before the control over the investee is obtained should be carried forward in full.

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

(15) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets are recognised when it is probable that the related economic benefits will flow into the Company and the costs of the fixed assets can be measured reliably.

The initial measurement of fixed assets is made at cost, with the consideration of expected disposal costs.

Subsequent expenditures for fixed assets are included in the cost of the fixed assets when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; as for the part replaced, the book value thereof is derecognised; all other subsequent expenses are included in the current profit or loss when they occur.

(b) Depreciation method

Fixed assets are depreciated using the straight line method. The depreciation rates are determined according to the category, estimated useful lives and estimated net residual value rate of fixed assets. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the book value of the fixed assets where the provision for impairment has been deducted, based on the remaining useful life. Where the fixed assets have the components with different useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately make the provision for depreciation.

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are as follows:

	Depreciation method	Depreciation life (Year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and constructions	Straight-line method	20–60 years	0–5	5–1.58
Machinery equipment and others	Straight-line depreciation	3–20 years	0–10	33.33–4.5
Land ownership (outside China)	–	Non-fixed term	–	–

The estimated use life, estimated net residual value and depreciation method of fixed assets are reviewed at the end of each year with proper adjustments made.

The Company's land ownership in Switzerland, Germany, India and the US is held by non-Chinese subsidiaries. As the land ownership has no fixed terms of use, this no depreciation is recognised.

(c) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting their book value and related taxes is included into the current profit or loss.

(16) Construction in progress

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

(17) Borrowing costs

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

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

(a) Capitalisation period for borrowing costs

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

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

- (i) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalisation, have already been incurred;
- (ii) Borrowing costs have already been incurred; and
- (iii) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

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

(b) Period of suspension for capitalisation

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

(c) Calculation method of capitalisation rate and capitalised amount of borrowing costs

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

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

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

(18) Intangible assets

(a) Measurement method for intangible assets

- (i) The Company initially measures intangible assets at cost on acquisition

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended uses.

(ii) Subsequent measurement

The useful lives of the intangible assets are analysed and determined on acquisition. For intangible assets with limited useful life, the straight-line amortisation method is adopted in the period when the intangible assets generate economic benefit for the Company; if the period when the intangible assets generate economic benefit for the Company cannot be forecast, the intangible assets will be taken as intangible assets with indefinite useful lives and not be amortised.

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

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

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

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

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

(d) Research and development

The Company's expenditures for its internal research and development projects are classified into research expenditures and development expenditures.

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

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

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

- it is technically feasible to finish the intangible asset for use or sale;
- management intends to complete and use or sell the intangible asset;
- 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 it is able to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

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

(19) Impairment of long-term assets

If there are indications of impairment on long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with definite useful lives, oil and gas assets and other long-term assets on the balance sheet date, the impairment test should be made. If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, a provision for impairment is made based on the differences and included in impairment loss. The recoverable amount of the asset is the higher of the net amount of its fair value less disposal expenses or the present value of its estimated future cash flows. Provision for asset impairment is made on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the Company will estimate the recoverable amount of the asset portfolio where the individual asset belongs. The asset portfolio is the smallest one that can generate independent cash inflows.

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

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

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

(20) Long-term deferred expenses

Long-term deferred expenses include all kinds of expenses for improvement of operational leased fixed assets and those accrued and amortised over a period of more than one year. Long-term deferred expenses are amortised on a straight-line basis over the expected benefit period and presented as the net value of actual expenditures less the accumulated amortisations.

(21) Contract liabilities

The Company presents contractual assets or contractual liabilities in the balance sheet based on the relationship between its performance of fulfilment obligations and customer payments. The Company's obligations in transferring goods or rendering services to customers on the ground that it has received or will receive relevant considerations from these customers are presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented at net amount.

(22) Employee benefits**(a) Accounting treatment of short-term remuneration**

During the accounting period of an employee providing services, the Company recognises the short-term compensation actually incurred as liabilities and includes them in the current profit or loss or the related asset costs.

The social insurance premiums and housing funds paid by the Company for its employees, as well as trade union funds and employee education funds, are used to calculate and determine the corresponding amount of employee compensation, based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

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

(b) Accounting treatment of post-employment benefits

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

Defined contribution plans are pension plans for which the Company has no further payment obligations once the fixed contributions have been paid to independent funds. The amounts in the defined contribution plan are recognised as liabilities in the accounting period in which the service has been rendered by the employees, and included in current profit or loss or related asset costs. Defined benefit plans are post- benefit plans other than defined contribution plans.

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

(c) Basic endowment insurance and unemployment insurance

The employees of the Company's subsidiaries in China participate in the social basic endowment insurance and unemployment insurance organized and implemented by local labour and social security departments. The Company pays the basic endowment insurance and unemployment insurance to the local social insurance agency monthly in accordance with the local payment base and proportion of social basic endowment insurance and unemployment insurance. After retirement, the local labour and social security departments have the responsibility to pay basic pensions to the retired employees. During the accounting period when employees provide services, the amount due to pay calculated according to the above regulations on social insurance is recognised as liabilities and included in current profit or loss or related asset costs.

(d) Termination benefits

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

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

(23) Dividend distribution and treasury stocks

Cash dividends are currently recognised as liabilities when they are approved by the AGM.

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

(24) Provisions

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

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

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

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

(25) Revenue recognition**(a) Accounting policies for revenue recognition and measurement**

The Company recognises revenue when its performance obligations as stipulated in the contract are fulfilled, that is, when the customer obtained control of the related goods or services. Obtaining control of related goods or services refers to being able to dominate the use of the goods or the services and obtain almost all economic benefits from them.

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

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

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

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

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

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

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

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

(26) Contract costs

The contract costs are divided into contract performance costs and contract acquisition costs.

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

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

If the incremental cost incurred by the Company for obtaining the contract is expected to be recovered, the contract acquisition cost is recognised as an asset.

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

If the carrying amount of the assets related to contract costs is higher than the difference between the following two items, the Company will make provision for impairment for the excess part and recognise it as loss from asset impairment:

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

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

(27) Government grants

Government grants are monetary assets and non-monetary assets freely obtained by the Company from the government. Government grants are classified into assets-related government grants and income-related government grants.

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

Government grants shall be recognised only if the Company is able to comply with the conditions for the government grants, and is likely to receive the government grants.

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

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

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

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

(28) Deferred tax assets and deferred tax liabilities

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

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

A deferred tax asset is recognised for deductible temporary differences that can be carried forward to subsequent years for the deduction of taxable profit in accordance with the tax laws. 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).

Taxable temporary differences related to investments in subsidiaries, associates and joint ventures are recognised as deferred tax liabilities; unless the Company is able to control the time for reversing such temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future. For the deductible temporary differences related to investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognised when the temporary differences may be reversed in the foreseeable future and they are likely to be obtained to offset the taxable income of deductible temporary differences in the future.

At the balance sheet date, the Company reviews the book value of deferred income tax assets. If it is unlikely to obtain sufficient taxable income in the future to offset against the benefit of deferred income tax assets, the book value of deferred income tax assets will be written down. If it is likely to obtain sufficient taxable income, the book value of deferred tax assets written down will be recovered.

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

On the balance sheet date, when the following conditions are met, the deferred tax assets and deferred tax liabilities are presented by net amount after offset:

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

(29) Leases

Accounting policies applicable as of 1 January 2021

Lease refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period in exchange for payment. When any contract is agreed upon, the Company evaluates whether the contract is concluded for lease or involved with lease. If any party to a contract has exchanged the right to control the use of one or more identified assets within a certain period for consideration, the contract is considered to be for lease or involved with lease.

If the contract contains multiple individual leases, the Company will split the contract and treat each lease individually for accounting purposes. If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts.

For rent concessions that are directly triggered by the Covid-19 epidemic, such as rent reductions and deferred payments agreed upon for existing lease contracts, and also meet the following conditions, the Company does not assess whether a lease change has occurred or reassess the lease classification using the simplified method for all lease options:

(a) The Company as the lessee

(i) Right-of-use assets

On the commencement date of the lease term, the Company may recognise leases other than short-term lease and low-value asset lease as the right-of-use assets. Right-of-use assets are initially measured at cost, including:

- amount of lease liabilities initially measured;
- lease payment amount on or before the commencement date of the lease term, or the balance of such amount less the amount relevant to the lease incentive, if any;
- direct expense incurred initially by the Company;
- expected cost to the Company for the purpose of disassembling and removing the leased assets, restoring the location of the leased assets or restoring the leased assets to the status specified in the lease clauses, excluding the cost on producing inventories.

The Company makes provisions for depreciation of right-of-use assets using the straight-line method. If the Company can reasonably confirm that the ownership of the leased assets can be obtained at the expiration of the lease term, the provision for depreciation of right-of-use assets should be made over the remaining useful life for the leased assets. Otherwise, provisions should be made over the lease term or the remaining useful life for the leased assets, whichever is shorter.

The Company confirms whether the right-of-use assets have been impaired according to the principles specified in note 2 (19) Impairment of long-term assets and treats the recognised impairment losses accordingly.

(ii) Lease liabilities

On the commencement date of the lease term, the Company may recognise leases other than short-term lease and low-value asset lease as lease liabilities. Lease liabilities are initially measured at the present value of unpaid lease payment, including:

- fixed payment, or the balance of such payment less the amount relevant to lease incentive, if any;
- variable lease payment, based on a defined index or ratio;
- payment based on the residual value of the guarantee provided by the Company;
- execution price for buying the option, provided that the Company is reasonably certain that it will execute the option;
- amount to be paid to exercise the lease termination option, provided the Company will exercise the lease termination option during the lease period.

The Company takes the interest rate implicit in lease as the discount rate, or takes the interest rate for incremental borrowings of the Company as the discount rate if the interest rate implicit in the lease cannot be determined reasonably.

The Company calculates interest expenses for lease liabilities over all periods within the lease term based on the fixed and periodic interest rate, and includes the same in the current profit or loss or the asset-related cost.

Variable lease payment not included in the lease liabilities for measurement is included in the current profit or loss or the asset-related cost when it is incurred.

In certain situations, the Company will remeasure the lease liabilities and adjust the corresponding right-of-use assets after the commencement date of the lease term. If the book value of right-of-use assets has been reduced to zero but the lease liabilities still need to be reduced, the Company will include the difference in the current profit or loss. The situations are:

- if the Company's assessment of call option, renewal option or lease termination option changes, or the actual execution situation of the aforesaid option is inconsistent with the original assessment result, the Company will remeasure the lease liabilities at the present value based on the lease payment after the change at the revised discount rate;
- if there are changes in the actual fixed payment, the amount expected to be payable of the residual value of the guarantee, or the index or ratio used to determine the lease payment, the Company will remeasure the lease liabilities at the present value calculated based on the lease payment after the change at the original discount rate. However, if the change in lease payment is caused by a change in the floating rate, the present value will be calculated at the revised discount rate.

(iii) Short-term lease and lease of low-value assets

The Company does not recognise the short-term lease and low-value asset lease in the same way as the right-of-use assets and lease liabilities, and includes relevant lease payments in the current profit or loss or asset-related cost by the straight-line method over all periods within the lease term. Short-term lease refers to a lease whose term does not exceed 12 months as of commencement date and which does not include the call option. Low-value asset lease refers to a lease where the price is low if the leased asset is brand new. When the Company subleases or is expected to sublease the leased assets, the original lease will no longer be a low-value asset lease.

(iv) Lease changes

Where any lease has changed and also meets the following conditions, the Company shall treat the lease as an individual lease for accounting purposes:

- the scope of the lease has been expanded by adding one or more rights to the use of leased assets;
- the additional payment is equal to the amount of adjustment made to the separate price for the expanded part of the lease, based on the contract.

If the lease change is taken as an individual lease for accounting treatment, on the effective date of lease change, the Company re-amortises the contract consideration after change, re-determines the lease term, and remeasures the lease liabilities based on the changed lease payment at the revised discount rate.

If the lease scope or term is reduced due to the lease change, the Company will reduce the book value of right-of-use assets accordingly and include relevant gains or losses from the partial or whole termination of the lease in the current profit or loss. If other lease change causes the remeasurement of lease liabilities, the Company will adjust the book value of right-of-use assets accordingly.

(v) Rent concessions related to the Covid-19 epidemic

In adopting simplified methods of rent concession related to the Covid-19 epidemic, the Company will not consider that a lease change has occurred. It will continue to calculate the interest expense of lease liabilities according to the same discount rate as before the concession and include it in the current profit or loss, and continue to accrue the depreciation for the right-to-use assets according to the same method as before the concession. In the event of rent reduction or exemption, the Company will treat the reduced rent as variable lease payments. If the original rent payment obligation is relieved by reaching a concession agreement, the undiscounted amount or the discounted amount at the discount rate before the concession will be used to offset the cost or expenses of related assets, and the lease liabilities will be adjusted accordingly. If the rent payment is delayed, the Company will offset the lease liabilities recognised in the previous period at the time of actual payment.

For short-term lease and low-value asset leases, the Company continues to include the originally specified rent in the costs or expenses of related assets, according to the method before concession. In case of any rent reduction or exemption, the Company will treat the reduced rent as variable lease payments to offset the costs or expenses of related assets during the reduction or exemption period; In case of any deferred payment of rent, the Company will recognise the payable rent as payables during the original payment period, and offset the payables recognised in the previous period at the time of actual payment.

(b) The Company as the lessor

On the lease commencement date, the Company divides leases into finance leases and operating leases. The finance lease refers to a lease where all risks and rewards related to the ownership of leased assets have been transferred, regardless of whether ownership has been transferred. The operating lease refers to leases other than the finance lease. The Company, as the sublessor, classifies subleases based on the right-of-use assets generating from the original leases.

(i) Accounting treatment of operating leases

The proceeds received from an operating lease are recognised as rent revenue by the straight-line method during each period within the lease term. The Company capitalises the incurred initial direct expense relevant to the operating lease, and amortises this on the same basis as for rent revenue recognition during the lease term, including it in the current profit or loss. Variable lease payment not included in the lease receipt is included in the current profit or loss when it is actually incurred. In case of any change in operating lease, the Company will make accounting treatment for the changed operating lease by considering it a new lease from the change commencement date. The amount receivable of the new lease will be recognised as the lease payment to be received, or receivable which is relevant to the lease before the change.

(ii) Accounting treatment of finance lease

On the lease commencement date, the Company recognises finance lease receivables finance leases, and derecognises assets under the finance lease. At the initial measurement of finance lease receivables, the Company takes the net lease investment as the entry value. The net lease investment refers to the sum of the unguaranteed residual value and the present value calculated via discount based on the lease receipt which has not been received on the commencement date of lease term at the interest rate implicit in lease.

The Company determines via calculation the interest income over all periods within the lease term based on the fixed and periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with note 2 (9) Financial instruments.

Variable lease payment not included in the net lease investment for measurement is included in the current profit or loss when it is actually incurred.

If a finance lease has been changed, the Company shall consider a lease as an individual lease for accounting treatment if it also meets the following conditions:

- the scope of the lease has been expanded by adding the right to use one or more leased assets;
- the additional payment is equal to the amount of adjustment made based on the contract to the separate price for the expended part of the lease.

If the changed finance lease is not taken as an individual lease for accounting treatment, the Company will treat the lease as specified below:

- if the change takes effect at the commencement of the lease, the lease will be classified as an operating lease,. The Company will treat it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the leased assets;
- if the change comes into effect on the commencement date of the lease, the lease will be classified as a finance lease. The Company will carry out accounting treatment according to the policy in note 2 (9) Financial instruments on modifying or renegotiating the contract.

(iii) Rent concessions related to the Covid-19 epidemic

For toperating leases that adopt the simplified method of rent concession related to the Covid-19 epidemic, the Company continues to recognise the rent in the original contract as lease income according to the method consistent with that before concession. In the case of any rent reduction or exemption, the Company will treat the reduced rent as variable lease payments to offset rental income during the reduction or exemption period. In the case of any deferred collection of rent, the Company will recognise the rent that shall be collected during the original collection period as receivables to offset the receivables recognised in the previous period at the time of actual collection.

For finance leases that adopt the simplified method of rent concession related to the Covid-19 epidemic, the Company continues to calculate interest according to the same discount rate consistent with that before concession and recognise it as rental income. In the case of rent relief, the Company shall take the rent as a variable lease payment, and offset the originally recognised lease revenue at an amount undiscounted or discounted at the discount rate before the rent concession, if the original rent collection right is waived by reaching an rent concession agreement. The portion insufficient for offset shall be included in investment income and the Company shall adjust the finance lease receivables accordingly. In the case of deferred rent collection, the Company shall offset the originally recognised finance lease receivables at the actual payment.

(c) Sale-and-leaseback deals

The Company determines via assessment whether the assets transfer under leaseback belongs to sales according to the principle specified in note 2 (25) Revenue recognition.

(i) As the lessee

If the asset transfer in the sale-leaseback transaction belongs to sales, the Company as the lessee measures the right-of-use asset formed by the sale-leaseback according to the part related to the usage right obtained from the leaseback in the original book value of assets, and recognises the relevant gains and losses only for the rights transferred to the lessor. If the asset transfer in the sale-leaseback transaction does not belong to sales, the Company as the lessee continues to confirm the transferred assets, and confirms a financial liability equivalent to the transfer income. See note 2 (9) Financial instruments for the accounting treatment for financial liabilities.

(ii) As the lessor

If the asset transfer in the sale-leaseback transaction belongs to sales, the Company as the lessee treats the purchase of assets and accounts for the lease of assets. If the asset transfer in the sale-and-leaseback transaction does not belong to the sale, the Company as the lessor will not confirm the transferred assets, but recognises a financial asset equivalent to the transfer income. See note 2 (9) Financial instruments for the accounting treatment of financial assets.

Accounting policies applied before 1 January 2021

The Company divides leases into finance leases and operating leases. The finance lease refers to the lease where all risks and rewards related to the ownership of assets have been transferred. The operating lease refers to other leases than the finance lease.

If rent relief, deferred rent payment and other rent reductions directly caused by Covid-19 or agreed regarding the existing lease contract meet all of the following conditions, the Company will adopt a simplified method to measure all leases without the assessment on whether any lease has changed and the re-assessment for lease classification:

- the reduced lease consideration is less than or equal to the original lease consideration, in which the lease consideration is not discounted or is discounted at the discount rate applicable before the rent reduction;
- the reduction is only for lease payments due before 30 June 2021, and both the increase and the decrease in the lease payment payable after 30 June 2021 do not satisfy such conditions; and
- after a comprehensive consideration of qualitative and quantitative factors, other lease terms and conditions are determined to be unchanged.

(d) Accounting treatment of operating lease

- (i) Lease fees paid by the Company for leased assets shall be amortised using the straight-line method over the whole lease term (including rent-free period) and included in the period charges. Initial direct costs related to lease transactions paid by the Company are included in the period charges.

When the lessor bears the lease-related expenses which should be borne by the Company, the Company shall deduct such expenses from the total rents and amortise the rents over the lease term and include them in the period charges.

For the operating lease where the simplified method is adopted for the Covid-19 rent concession, the Company continues to include the rent under the original lease contract in assets-related cost or expense by the method applicable before the rent concession. In the case of any rent relief, the Company will recognise the contingent rent and include the same in the profit or loss during the period of rent relief. In the case of any deferred rent payment, the Company will recognise the rent payable as payables during the original payment period, and offset the payables recognised in the prior period when the rent is actually paid.

- (ii) Lease fees received by the Company from leasing assets shall be amortised using the straight-line method over the whole lease period (including rent-free period), and recognised as leases-related revenue. Initial direct cost related to any lease transaction paid by the Company is included in the period charges. Large amounts will be capitalised and included in current income by stages within the whole lease term, on same basis for recognition of lease-related revenue.

If the Company has borne costs related to the lease which should be borne by the lessee, the Company shall deduct the expenses from the total rents and amortise the rents after deduction over the lease term.

For the operating lease where the simplified method is adopted for the Covid-19 rent reduction, the Company continues to recognise the original contract rent as the lease revenue by the method applicable before the rent reduction. In the case of any rent reduction, the Company will recognise the contingent rent at the rent reduced and use the same to offset the lease revenue during the period for rent reduction. In the case of any deferred rent collection, the Company will recognise receivables as rent receivable during the original collection period and offset the receivables recognised in the prior period when the rent is actually received.

(e) Accounting treatment of finance leases

- (i) Assets acquired under financial leases: at the inception of the leases, the Company recognises the book-entry value of leased assets at the lower of their fair values or their present values of the minimum lease payments, recognises the book-entry value of long-term payables at the amounts of the minimum lease payments, and recognises the differences between the above two book-entry values as unrecognised financing charges.

Under the effective interest method, the Company amortises the unrecognised financing charges over the term of the lease and includes them in financial expenses. The Company records the initial direct expenses in the values of leased assets.

For finance leases where the simplified method for Covid-19 rent concession is adopted, the Company continues to recognise the unrecognised finance fees as the current finance fees at the discount rate consistent with that adopted before the rent concession, and to make the provision for depreciation of assets acquired under finance leases by the method consistent with that adopted before the rent concession. In the case of rent relief, the Company will take the rent relieved as contingent rent, include it in the current profit or loss when the original rent payment obligation is discharged, and adjust the long-term payables accordingly or discount the rent relieved at the discount rate adopted before the rent concession, include the discounted amount in the current profit or loss and adjust the unrecognised finance fees. In the case of deferred rent payment, the Company will offset the long-term payables recognised in prior period at the actual payment.

- (ii) Assets rented out under finance leases: on the lease commencement date, the Company recognises the difference between the sum of the finance lease payment receivable and unguaranteed residual value, and the present value of the assets, as unrealised financing income and as financing income in each period of future lease. The Company's initial direct expenses related to lease are included in the initial measurement of finance lease payment receivable, and the income recognised in lease term is decreased accordingly.

For finance leases where the simplified method for the Covid-19 rent concession is adopted, the Company continues to recognise the unrealised financing income as the lease revenue at the interest rate implicit in the lease which is consistent with that before the rent concession. In the case of rent relief, the Company shall take the rent relieved as the contingent rent, and offset the originally recognised lease revenue when the original rent collection right is waived by reaching a rent concession agreement, and the part insufficient for offset should be included in the investment income. The Company should also adjust long-term receivables accordingly, or discount the rent relieved at the discount rate adopted before the rent concession, included the discounted amount in the current profit or loss, and adjust the unrealised financing income. In the case of deferred rent collection, the Company shall offset the originally recognised long-term receivables at the actual payment.

(30) Discontinued operations

Discontinued operations refer to any component that can be separated and has been disposed of by the Company or classified as held for sale by the Company. To be considered a discontinued operation, the component must represent an independent major business or a sole major business area, be part of a plan for disposal of an independent major business or a separate major business area, or be a subsidiary acquired only for re-sale.

Profit or loss from continued operations and profit or loss from discontinued operations are presented in the income statement. Impairment losses from discontinued operations, reversed amount and other operation profit or loss and disposal profit or loss are presented as profit or loss from discontinued operations. For the discontinued operations reported in the current period, the information previously reported as profit or loss from continued operations are re-presented as the profit or loss from discontinued operations for the comparable accounting period in the current financial statements.

(31) Segment reporting

The Company determines operating segments based on the internal organisational 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 constituent part of the Company that satisfies all of the following conditions: (1) it can earn revenue and cause expenses in daily activities; (2) its operating results are reviewed regularly by the Company's management to evaluate its performance and determine resource allocation; (3) the information on its financial position, operating results and cash flows is available to the Company. If two or more operating segments have similar economic characteristics, and meet certain conditions, they can be combined into one operating segment.

(32) Critical accounting estimates and judgments

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

(a) Critical judgments

(i) Critical judgment of significant increase in credit risk

The Company's main criteria for judging the significant increase in credit risk are the significant changes in one or more of the following indicators: the debtor's operating environment, internal and external credit ratings, actual or expected operating results, and significant decrease in collateral value or guarantor's credit rating.

The Company's main criteria for judging that credit impairment has occurred are one or more of the following conditions: the debtor has major financial difficulties, undertakes other debt restructuring or is likely to go bankrupt.

(b) Critical accounting estimates and assumptions

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

(i) Measurement of expected credit loss

The Company calculates the expected credit loss based on the default risk exposures and the expected credit loss, and determines the expected credit loss rate based on the default probability and default loss rate. In determining the expected credit loss rate, the Company uses data such as internal historical credit loss experience and adjusts the historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Company include GDP, production price index, etc. The Company regularly monitors and reviews the assumptions related to the calculation of expected credit losses. The above estimation techniques and key assumptions have not changed significantly in 2021.

(ii) Estimated impairment of goodwill, fixed assets and intangible assets with infinite useful lives

The Company conducts impairment tests on goodwill and fixed assets and intangible assets with no fixed (infinite) useful lives every year. The recoverable amount of asset groups that include goodwill, fixed assets and intangible assets with indefinite useful lives is the net fair value of the asset (or asset group) less disposal costs and the present value of its expected future cash flows (whichever is higher). The calculation of the recoverable amounts requires the use of accounting estimates.

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

If the actual gross margin, sales growth rate, brand commission rate and pre-tax discount rates are higher or lower than the management's estimates, the Company may not reverse the originally accrued impairment loss from goodwill and fixed assets and intangible assets with no fixed service life.

(iii) Accounting estimates for inventory depreciation reserves

The Company regularly evaluates the net realisable value of inventories, and recognises the difference between the cost of inventories and the net realisable value as losses from inventory depreciation. When estimating the net realisable value of inventories, the Company considers the holding purpose of inventories and takes available information as the basis for estimates, including the estimated selling price of inventories. The net realisable value of inventories may vary with changes in market price or actual use of inventories. Therefore the amount of inventory depreciation reserves may change, thus affecting profit and loss.

(iv) Useful life and residual values of intangible assets (excluding trademarks)

The Company's management estimates the expected useful life of intangible assets with definite useful lives. These estimates are based on the past actual useful lives of intangible assets with similar properties and functions, and industry practices. The economic environment, technical environment and other environments may have a significant impact on the service life of intangible assets; any changes in the economic environment, technical environment and other environments may also lead to significant changes in the expected realisation of economic benefits related to intangible assets. Different estimates may affect the amortisation of intangible assets and the current profit or loss.

(v) Income tax and deferred income tax

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

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

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

(vi) Provisions

The product quality assurance of the Company may result in the outflow of economic benefits, and the amount is uncertain. The Company recognises provisions in accordance with the best estimate of the expenditures required to fulfil the relevant current obligations. The book value of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

(33) Significant changes in accounting policies and accounting estimates

(a) In 2018, the Ministry of Finance revised the "Accounting Standards for Business Enterprises No. 21 – Leases" (the "New Lease Standards"). These standards were implemented by the from 1 January 2021. According to the new lease standards, the Company chooses not to re-assess on the initial implementation day whether the contract existing on such day is a lease or includes a lease.

- The Company acted as the lessee:
The Company adjusted retained earnings at the beginning of the year when the new lease standards were implemented and the amounts of other relevant items in the financial statements based on the cumulatively affected amounts arising from the initial implementation of the new lease standards, without adjustment to the information in the comparable period.

For an operating lease that existed before the initial implementation day, the Company measured the lease liabilities on the initial implementation day at the present value discounted based on the remaining lease payment at the interest rate for incremental borrowings of the Company on the same day, and measured right-of-use assets by the following method based on each lease:

- Assuming that the book value under the new lease standards has been adopted since the lease commencement date, the discount rate should be the interest rate for incremental borrowings of the Company on the initial implementation day.
- For the amount equal to the lease liability, necessary adjustments will be made based on the prepaid rent.

The Company chose one or more simplified method(s) to deal with each operating lease existing before the initial implementation day, while adopting the above-mentioned methods:

- (i) Leases completed within 12 months after the initial implementation day were treated as short-term leases;
- (ii) Adopting the same discount rate for leases with similar characteristics at the measurement of lease liabilities;
- (iii) Excluding the initial direct expense at the measurement of right-of-use assets;
- (iv) In case the lease renewal option or lease termination option exist, determining the lease term based on the actual implementation of the option before the initial implementation day and other latest situations;

(v) As an alternative to the impairment test of the right-of-use asset/whether the contract including the lease is an onerous contract before the first implementation date will be evaluated and the right-of-use assets will be adjusted according to the amount of the loss allowance included in the balance sheet before the first implementation date;

(vi) No retroactive adjustment was made for lease changes that happened before the initial implementation day. The accounting treatment was made according to the new lease standards, based on the final arrangement for such lease change.

At the measurement of lease liabilities, the Company discounted the lease payment at the interest rate prevailing on 1 January 2021 (weighted average: overseas: 5.87%; domestic: 5.09%) for incremental borrowings of the lessee.

Minimum unpaid lease payment for the significant operating lease disclosed in the consolidated financial statements as at 31 December 2020	325 383
Present value discounted at the interest rate prevailing on 1 January 2021 for incremental borrowings of the Company	303 481
Lease liabilities under the new lease standards as at 1 January 2021	303 481
Difference between the present value discounted and the lease liabilities	–

For finance leases existing before the initial implementation day, the Company measures the right-of-use assets and lease liabilities at the original book values on the initial implementation day of the assets acquired under finance leases and the account payable for finance lease.

The Company as the lessor

The Company re-assessed the sublease that was divided into the operating lease before the initial implementation day and still existed on such day based on the remaining contract term and the contract clauses of the original lease and the sublease on the initial implementation day, and reclassified the same according to the new lease standards. If the sublease was reclassified as a finance lease, the Company treats it as a new finance lease for accounting purposes.

Other than subleases, the Company did not need to adjust leases where it acted as a lessor according to the new lease standards. From the initial implementation day, the Company makes accounting treatment according to the new lease standards.

Impacts of the implementation of the new lease standards on financial statements:

Content of and reason for changes in accounting policies	Procedures for examination and approval	Affected items	Amount of impact on the balance as at 1 January 2021	
			Consolidated	Parent company
As a lessee, the Company adjusts the operating lease existing before the first execution date	2020 General Meeting	Right-of-use assets	303 481	-
		Lease liabilities	236 754	-
		Non-current liabilities maturing within one year	66 727	-

(b) On 2 February 2021, the Ministry of Finance issued the "Interpretation No.14 to the Accounting Standards for Business Enterprises" (CS [2021] No.1, hereinafter "Interpretation No.14"), effective from the date of promulgation. The relevant business newly added from 1 January 2021 to the implementation date shall be adjusted according to Interpretation No.14.

(i) Contracts for public-private partnership (PPP) project
Interpretation No.14 applies to PPP project contracts with the "double characteristics" and "double control" specified therein; relevant PPP project contracts that have been implemented before 31 December 2020 but have not been completed by the implementation day should be subject to retroactive adjustment. If retroactive adjustment is not practicable, the retained earnings at the beginning of the year where Interpretation No.14 is implemented and other relevant items in the financial statements should be adjusted based on cumulatively effected amounts from the beginning of the earliest period for the retroactive adjustment, without adjustment to the information in the comparable period. The implementation of the standards did not have a significant impact on the financial position and operating results of the Company

(ii) Reform of benchmark interest rate

Interpretation No.14 specifies the simplified method for accounting treatment for changes caused by the reform of benchmark interest rate in the bases for determining cash flows relevant to contracts for financial instruments and leases.

According to the Interpretation, the business occurred before 31 December 2020 and relevant to the reform of benchmark interest rate should be subject to the retroactive adjustment, unless the retroactive adjustment is not practicable, without adjustment to the data in the comparative financial statements for the prior period. On the implementation day of the Interpretation, the difference between the original and new book values of financial assets or financial liabilities should be included in the retained earnings or other comprehensive income at the beginning of reporting period in the year where the Interpretation is implemented. The implementation of the Provisions does not have significant impact on the Company's financial position and operating results.

- (iii) On 19 June 2020, the Ministry of Finance issued the "Provisions on Accounting Treatment of Rent Concessions Related to Epidemic in Covid-19" (CK [2020] No.10). According to the provisions, the Company can choose simplified accounting methods for rent concessions such as rent reductions and deferred rent payments that directly triggered by Covid-19 .

On 26 May 2021, the Ministry of Finance issued the "Circular on Adjusting the Application Range of the Provision on the Accounting Treatment of Relevant Rent Reduction due to the Outbreak of Covid-19" (CK [2021] No. 9). The application range for relevant rent reduction due to the outbreak of Covid-19 by adopting simplified methods, specified in the "Provision on the Accounting Treatment of Relevant Rent Reduction due to the Outbreak of Covid-19" should be adjusted from "that the reduction should be only for the lease payment that is payable before 30 June 2021" to "that the reduction should be only for the lease payment that is payable before 30 June 2022". Other clauses therein should remain unchanged.

The implementation of the standards did not have a significant impact on the financial position and operating results of the Company

- (iv) The Ministry of Finance issued the "Interpretation No.15 of Accounting Standards for Business Enterprises" (CK [2021] No.35) (hereinafter "Interpretation No.15") on 30 December 2021. The content of "presentations relevant to the collective fund management" therein should be implemented as of date of promulgation, and the data in the financial statements for the comparable period should be adjusted accordingly.

The Interpretation No.15 specifies how balances involved in the centralized management of parent company funds and member units through internal clearing houses and finance companies should be presented and disclosed in the balance sheet. The implementation of the provisions does not have the significant impact on the Company's financial position and operating results.

(34) Significant changes in accounting estimates

There were no changes in significant accounting estimates in 2021.

(35) First implementation of new lease standards and impact on relevant items of the financial statements at the beginning of the current year**Consolidated Balance Sheet**

	Balance as at 31 December 2020	Balance as at 1 January 2021	Adjusted amount		Total
			Reclassification	Remeasurement	
Right-of-use assets	–	303 481	–	303 481	303 481
Lease liabilities	–	236 754	–	236 754	236 754
Non-current liabilities maturing within one year	–	66 727	–	66 727	66 727

3 Taxation

(1) Main categories and rates of taxes applicable to the Company for the year ended 31 December 2021:

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

(a) Corporate income tax

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

	Countries and regions	Tax rate for 2020
Saurer Intelligent Technology Co. Ltd	China	25.00 %
Saurer Intelligent Machinery Co. Ltd	China	25.00 %
Saurer Hong Kong Machinery Company Limited	Hong Kong	16.50 %
Saurer Asia Machinery Company Limited	Hong Kong	16.50 %
Saurer (Jiangsu) Textile Machinery Co. Ltd (Note 3 (2))	China	15.00 %
Saurer (Changzhou) Textile Machinery Co. Ltd (Note 3 (2))	China	15.00 %
Saurer (Changzhou) Texparts Component Co. Ltd	China	25.00 %
Saurer (Shanghai) Textile Machinery Technology Co. Ltd	China	25.00 %
Saurer Financial Leasing Co. Ltd	China	25.00 %
Changzhou Jintan Saurer Investment Co. Ltd	China	25.00 %
Saurer Xinjiang Intelligent Machinery Co. Ltd (Note 3 (2))	China	15.00 %
Saurer Intelligent Technology AG (Note 3 (2))	Switzerland	14.14 %
Saurer Têxtil Soluções Ltda.	Brazil	34.00 %
SAURER AG	Switzerland	14.14 %
Saurer Czech s.r.o.	Czech Republic	19.00 %
Saurer Technologies GmbH & Co KG	Germany	30.79 %
Saurer Spinning Solutions GmbH & Co. KG	Germany	32.24 %
Saurer Fibrevision Ltd	UK	19.00 %
Schlafhorst Machines LLP	India	33.38 %
Saurer Textile Solutions Pvt. Ltd	India	33.38 %
Zinser Textile Machines LLP*	India	Not applicable
Saurer México S.A. de C.V.	Mexico	30.00 %
Saurer Components Pte. Ltd	Singapore	17.00 %
Saurer Tekstil A.S.	Turkey	25.00 %
Saurer Inc.	USA	24.36 %
Saurer Technologies Management GmbH	Austria	30.80 %
Saurer Intelligent Machinery LLC	Uzbekistan	12.00 %

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

According to the "Circular on the corporate income tax policy concerning deductions for equipment and appliances" (CS [2018] No.54) issued by the Chinese State Administration of Taxation, the Company's subsidiaries in China can deduct the whole purchase cost for new equipment less than RMB 5 million between 1 January 2018 to 31 December 2020, taking the deduction when calculating taxable income in the month following when the assets were put into use. According to the announcement of the Ministry of Finance and the State Administration of Taxation ([2021] No. 6), the implementation period of the above preferential tax policies would be extended to 31 December 2023.

(b) Value-added tax (VAT)

The Company and Chinese domestic subsidiaries use the principle of "exemption, credit and refund" on goods exported. VAT input tax paid for the purchase of raw materials, fuel, power and certain fixed assets can be deducted from VAT output. Tax payable is calculated by multiplying the taxable sales amount by the applicable tax rate, less deductible VAT input for the current period. The tax payable of the Company's overseas subsidiaries is calculated by multiplying the taxable sales amount by the applicable tax rate in each country, less deductible VAT input for the current period. The VAT rate in 2021 ranges from 2.75 % to 34 % (In 2020: 2.75 % to 34 %).

(2) Tax preference

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

Saurer (Jiangsu) Textile Machinery Co. Ltd, a subsidiary of the Company, obtained the hi-tech enterprise certificate No.GR202132010480 issued by the Jiangsu Province Science and Technology Office, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, SAT on 30 November 2021; from 1 January 2021 to 31 December 2023, it is entitled to a reduced corporate tax rate of 15 %.

Saurer (Changzhou) Textile Machinery Co. Ltd, a subsidiary of the Company, obtained the hi-tech enterprise certificate No.GR202132010071 issued by Jiangsu Province Science and Technology Office, Department of Finance of Jiangsu Province, and Jiangsu Provincial Tax Service, SAT on 30 November 2021; from 1 January 2021 to 31 December 2023, it is entitled to a reduced corporate tax rate of 15 %.

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

According to the "Announcement of the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission on renewing the corporate tax policy for the development of western China" (Announcement of the Ministry of Finance [2020] No. 23), the enterprises established in western China from industries specified in the "Catalogue of encouraged industries in the western regions" and that have revenues from this business accounting for more than 60 % of their own gross revenues in the current year are entitled to a reduced corporate tax rate of 15 % from 1 January 2021 to 31 December 2030. In 2021, Saurer Xinjiang Intelligent Machinery Co. Ltd, a subsidiary of the Company, paid corporate income tax at the rate of 15 %.

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

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2021	31 December 2020
Cash on hand	20	19
Cash at bank	728 431	120 831
Other cash balances	350 719	405 138
	1 079 170	525 988
Including: total deposits outside China	882 472	132 120

Other monetary funds are listed as follows:

	31 December 2021	31 December 2020
Deposit for bank acceptance bills	50 000	289 400
Performance bond	290 431	64 342
Borrowing margin	1 400	50 022
Other deposits	8 888	1 374
	350 719	405 138

As at 31 December 2021, other cash balances included RMB 290 431 000 placed as a security deposit for letters of guarantee; bank acceptance bill deposit of RMB 50 000 000; loan deposits of RMB 1 400 000; and other various cash deposits totalling RMB 8 888 000.

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

(2) Financial assets/financial liabilities held for trading

	31 December 2021	31 December 2020
Financial assets held for trading		
– Forward foreign exchange contracts – cash flow hedges	130	14 008
Financial liabilities held for trading		
– Forward foreign exchange contracts – cash flow hedges	–	11 132

The Company's German subsidiaries Saurer Spinning Solutions GmbH & Co. KG and Saurer Technologies GmbH & Co KG, the Swiss subsidiary Saurer Intelligent Technology AG, Arbon, and the US subsidiary Saurer Inc. entered into foreign exchange forward contracts to mitigate risks of exchange rate fluctuations related to foreign exchange receipts or foreign exchange payments for the years ending 31 December 2021 and 31 December 2020. Some of the foreign exchange forward contracts entered into by the Company meet the conditions for applying hedge accounting. These foreign exchange forward contracts are cash flow hedges that sell EUR and buy foreign currencies such as USD, GBP, SGD at a fixed rate, or sell USD and buy EUR at a fixed rate.

For the year ended 31 December 2021, net losses arising from changes in fair value of the effective portion of cash flow hedges amounted to RMB 1 076 000 and were recorded in other comprehensive income. The cash flow hedges had no ineffective portion.

As at 31 December 2021, the notional amount of outstanding foreign exchange forward contracts held by the Company was USD 408 000, equivalent to RMB 2 600 000 and will expire within one year. As at 31 December 2020, the Company held USD 113 146 000 (equivalent to RMB 739 339 000), SGD 8 807 000 (equivalent to RMB 43 358 000), EUR 14 854 000 (equivalent to RMB 118 953 000), GBP 200 000 (equivalent to RMB 1764 000), CHF 5 620 000 (equivalent to RMB 41 537 000), expired within one year.

(3) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	4 594 251	4 988 012
Less: long-term receivables (Note 4 (10))	–634 194	–551 970
	3 960 057	4 436 042
Less: provision for bad debts	–423 596	–144 514
	3 536 461	4 291 528

Accounts receivable with a maturity date of more than one year are shown as long-term receivables.

(a) Aging analysis accounts receivable

	31 December 2021	31 December 2020
Not due	181 477	343 588
Overdue within 3 months	142 887	1 984 844
Overdue between 3 and 6 months	183 863	230 316
Overdue between 6 and 12 months	10 643	441 042
Overdue more than 1 year	3 441 187	1 436 252
	3 960 057	4 436 042
Less: provision for bad debts	423 596	144 514
	3 536 461	4 291 528

(b) Allowance for bad debts

For accounts receivable, the Group measures the loss allowance based on the expected credit loss for the entire duration.

(i) Portfolio 1: Aging group

	As at 31 December 2021			As at 31 December 2020		
	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Not due	180 056	0.04 % – 2.89 %	1 533	343 588	0.03 % – 2.32 %	1 505
Overdue within 3 months	140 928	0.10 % – 24.59 %	799	101 470	0.08 % – 15.69 %	4 940
Overdue between 3 and 6 months	31 363	0.75 % – 37.3 %	4 471	26 189	1.80 % – 21.08 %	2 250
Overdue between 6 and 12 months	10 643	1.58 % – 45.79 %	1 117	12 752	19.42 % – 100.00 %	9 710
Overdue more than 1 year	33 542	33.23 % – 100.00 %	15 590	7 161	22.72 % – 100.00 %	5 714
	396 532		23 510	491 160		24 119

Portfolio 2: Special risk group

	As at 31 December 2021			As at 31 December 2020		
	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Customers with special risks	3 563 525	4.68 % – 20.12 %	400 086	3 944 882	0.19 % – 5.28 %	120 395

(ii) Provision, reversal or recovery of bad debt reserves in 2021

	31 December 2020	Change in 2021			Foreign currency translation differences	31 December 2021
		Provision	Recovery or reversal	Write-off or charge off		
Portfolio 1	24 119	549	690	797	329	23 510
Portfolio 2	120 395	294 977	–	–	–15 286	400 086
	144 514	295 526	690	797	–14 957	423 596

Recovery or reversal of significant amount of provision for bad debts in 2021:

	Amount reversed or recovered	Basis for determining the original provision for bad debts and its rationality	Reason for reversal or recovery	Recovery method
China customer A	675	Provision by aging	Customer business improvement	Recovered in cash
Overseas customer B	15	Provision by aging	Customer business improvement	Recovered in cash
	690			

(iii) Accounts receivable actually written off in 2021

	Amount written off
Accounts receivable actually charged off	797

Of which, significant accounts receivable written off:

	Nature	Amount	Reason	Write-off procedures performed	Whether it is a related party transaction
China customer C	Goods payment	5	Multiple collection attempts, irrecoverable	Write-off after approval	No
China customer D	Goods payment	137	Multiple collection attempts, irrecoverable	Write-off after approval	No
Overseas customer E	Goods payment	655	Multiple collection attempts, irrecoverable	Write-off after approval	No
		797			

(iv) Summary and analysis on top 5 of accounts receivable and long-term receivables as at 31 December 2021:

The aggregate amount of accounts receivable from the top five customers as at 31 December 2021 was RMB 4 060 925 000, accounting for 88 % of the total ending balance of accounts receivable.

As at 31 December 2021, the accounts receivable from LTXS amounted to RMB 2 643 519 000 (including tax).

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

See note 4 (19) for details about the pledged accounts receivables.

(4) Accounts receivables financing

	31 December 2021	31 December 2020
Notes receivables	244 133	159 055

A subsidiary of the Company discounts and endorses a portion of its bank acceptance notes in accordance with its daily working capital management needs, and meets the conditions for derecognition. Therefore, the bank acceptance bills of the subsidiary are classified as financial assets measured at FVOCI.

The Company has no bank acceptance bills with provision for impairment. As at 31 December 2021, the Company measured the provision for bad debts based on expected lifetime credit losses; no provision for bad debts was required for bank acceptance bills. The Company believes that the bank acceptance bills it holds do not have significant credit risk and will not cause significant losses due to bank default.

As at 31 December 2021, the Company's subsidiary Saurer (Jiangsu) Textile Machinery Co. Ltd pledged notes receivable of RMB 14 009 000 to banks to obtain letters of guarantee amounting to RMB 14 009 000.

As at 31 December 2020, the Company's subsidiary Saurer (Jiangsu) Textile Machinery Co. Ltd pledged notes receivable of RMB 1080 000 to banks to obtain letters of guarantee amounting to RMB 1080 000; pledged notes receivable amounting to RMB 120 000 000 to banks to obtain short-term borrowings of RMB 114 000 000.

As at 31 December 2021, the Company presented the following bills receivable endorsed or discounted but not yet due for receivables financing:

	Derecognition	No derecognition
Bank acceptance notes	294 755	178 876

(5) Advances to suppliers

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

	31 December 2021		31 December 2020	
	Amount	% total balance	Amount	% total balance
Within 6 months	170 637	63 %	161 725	68 %
6 to 12 months	42 453	16 %	69 370	29 %
Over 1 year	55 911	21 %	6 394	3 %
	269 001	100 %	237 489	100 %

As at 31 December 2021, advances to suppliers aged more than one year were unsettled advances totalling RMB 55 911 000 (as at 31 December 2020: RMB 6 394 000).

(b) As at 31 December 2021 and 31 December 2020, 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 2021	94 662	35 %
31 December 2020	90 655	38 %

(6) Other receivables

	31 December 2021	31 December 2020
Interest receivable	-	-
Dividends receivable	-	-
Other receivables	92 054	39 889
	92 054	39 889

(a) Disclosure by aging

	31 December 2021	31 December 2020
Within 1 year	85 522	26 298
1 to 2 years	2 247	1 428
Over 2 years	4 285	12 163
	92 054	39 889
Less: provision for bad debts	-	-
	92 054	39 889

(b) Disclosure under the methods of provision for bad debts by category Provision for bad debts made by portfolio:

	31 December 2021		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Provision for bad debts made by portfolio	92 054	-	-
	92 054	-	-

(c) Changes in book balance of other receivables:

Book balance	Stage I	Stage II	Stage III	Total
	12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
31 December 2020	39 889	–	–	39 889
– Transferred in Stage II	–	–	–	–
– Transferred in Stage III	–	–	–	–
– Reversal from Stage II	–	–	–	–
– Reversal from Stage I	–	–	–	–
Increased in 2021	52 165	–	–	52 165
Derecognised in 2021	–	–	–	–
Other changes	–	–	–	–
31 December 2021	92 054	–	–	92 054

(d) Classification by nature of payment

	31 December 2021	31 December 2020
Loans receivable from employees	3 745	10 982
Deposit receivable	6 114	4 430
Tax refund receivable	18 895	6 462
Freight allowance receivable	20 270	–
Compensation rights receivable for defined benefit plans	28 441	–
Others	14 589	18 015
	92 054	39 889

(e) Analysis of top 5 of other receivables as at 31 December 2021

	Nature	Balance as at 31 December 2021	Aging	% of the total amount	Provision for bad debts
Rieter Group	Compensation rights receivable for defined benefit plans	28 441	Within 1 year	30.90 %	–
Urumqi Economic and Technological Development Zone (Toutunhe District) management Committee	Logistics subsidy receivable	20 270	Within 1 year	22.02 %	–
Shanghai Huatian Real Estate Development Co. Ltd	Housing rental deposit	927	Over 3 years	1.01 %	–
Weihai Weiqiao Technology Industrial Park Co. Ltd	Bid bond	900	Over 1 year	0.98 %	–
Huihong International Group Huayuan Trade Co. Ltd	ITMA booth deposit	768	Over 1 year	0.83 %	–
		51 306		55.74 %	

(f) Other receivables involving government grants

	Items of government grants	Balance as at 31 December 2021	Aging as at 31 December 2021	Estimated collection time, amount and basis
Urumqi Economic and Technological Development Zone (Toutunhe District) management Committee	Logistics subsidy	20 270	Within 1 year	The appropriation unit has included the subsidy in the 2022 fiscal budget
		20 270		

(7) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2021			31 December 2020		
	Carrying amount	Provision for inventory depreciation and provision for impairment of contract performance costs	Carrying amount	Carrying amount	Provision for inventory depreciation and provision for impairment of contract performance costs	Carrying amount
Raw materials	1 014 213	108 721	905 492	1 128 612	112 310	1 016 302
Goods in progress	159 911	1 622	158 289	244 153	7 724	236 429
Finished goods and stock commodities	294 837	12 770	282 067	463 550	8 197	455 353
Parts and accessories	199 191	13 788	185 403	338 835	62 555	276 280
	1 668 152	136 901	1 531 251	2 175 150	190 786	1 984 364

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

	31 December 2020	Increase in 2020	Decrease in 2021		Transfer to held for sale	Foreign currency translation difference	31 December 2021
		Provision	Reversal	Write-off			
Raw materials	112 310	50 580	10 438	19 750	18 688	-5 293	108 721
Goods in progress	7 724	146	1 889		3 706	-653	1 622
Finished goods and stock commodities	8 197	12 470	2 004	53	4 739	-1 101	12 770
Parts and accessories	62 555	19 382	2 929		58 792	-6 428	13 788
	190 786	82 578	17 260	19 803	85 925	-13 475	136 901

(c) Assets held for sale

	31 December 2021	31 December 2020
Assets in disposal groups classified as held for sale	1 013 208	10 982
	1 013 208	39 889

(i) Assets in disposal groups classified as held for sale

	31 December 2021			Fair value (Remark)	Expected disposal fee	Expected disposal time	Method of sale	Reason for sale	Segment
	Book balance	Provision for impairment of assets held for sale	Book value						
Disposal group held for sale – assets in winder business:	932 193		932 193	1 255 130		March 2022	Overall business sale	Strategic adjustment	Spinning Solutions
Accounts receivable	101 359	–	101 359	–					
Advances to suppliers	29 869	–	29 869	–					
Other receivables	6 964	–	6 964	–					
Inventories	260 505	–	260 505	–					
Other current assets	15 349	–	15 349	–					
Fixed assets	35 882	–	35 882	–					
Construction in progress	2 413	–	2 413	–					
Right-of-use assets	11 602	–	11 602	–					
Intangible assets	298 682	–	298 682	–					
Development expenses	69 120	–	69 120	–					
Goodwill	100 448	–	100 448	–					
	932 193	–	932 193	1 255 130					
Disposal group held for sale – assets in embroidery business:	238 146	157 131	81 015	68 372		March 2022	Overall business sale	Strategic adjustment	Technologies
Inventories	36 315	–	36 315	–					
Fixed assets	6 332	4 857	1 475	–					
Construction in progress	354	272	82	–					
Intangible assets	10 486	8 043	2 443	–					
Development expenses	5 664	4 344	1 320	–					
Goodwill	9 980	9 980	–	–					
Other non-current assets	169 015	129 635	39 380	–					
	238 146	157 131	81 015	68 372					
	1 170 339	157 131	1 013 208	1 323 502					

Note: Fair value refers to the transaction price for which a firm purchase commitment has been obtained.

(ii) Recognised impairment losses and reversed amounts of assets held for sale

In 2021, the impairment loss recognised for assets held for sale amounted to RMB 157 131 000.

(8) Current portion of non-current assets

	31 December 2021	31 December 2020
Long-term receivables maturing within one year	186 441	117 067
	186 441	117 067

(9) Other current assets

	31 December 2021	31 December 2020
Prepaid corporate income tax	7 798	58 631
VAT input	70 491	72 176
Pension assets transferred pending approval	18 573	-
	96 862	130 807

(10) Long-term receivables**(a) Details of long-term receivables**

	31 December 2021			31 December 2020			Range of discount rate
	Carrying amount	Provision for bad debts	Carrying amount	Carrying amount	Provision for bad debts	Carrying amount	
Instalment proceeds from sale of goods	672 971	28 147	644 824	603 023	26 358	576 665	1.8 % - 5.22 %
Less: unrealised financing income	-38 777	-	-38 777	-51 053	-	-51 053	-
Less: amount maturing within one year	211 684	12 481	199 203	140 634	7 319	133 315	-
Including: unrealised financing income	-12 762	-	-12 762	-16 248	-	-16 248	-
	435 272	15 666	419 606	427 584	19 039	408 545	-

The minimum instalments to be received after the balance sheet date are as follows:

Remaining collection term	31 December 2021
Within 1 year	211 684
1 to 2 years	88 788
2 to 3 years	92 188
Over 3 years	280 311
	672 971

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

	31 December 2020	Changes in 2021			Foreign currency translation difference	31 December 2021
		Provision	Recovery or reversal	Write-off or charge off		
Provision made on portfolio basis	26 358	3 268	-	-	-1 479	28 147
Less: non-current assets maturing within one year	7 319	6 183	-	-	-1 021	12 481
	19 039	-2 915	-	-	-458	15 666

(11) Fixed assets**(a) Fixed assets and disposal of fixed assets**

	31 December 2021	31 December 2020
Fixed assets	1 287 841	1 497 510
Disposal of fixed assets	-	-
	1 287 841	1 497 510

(b) Breakdown of fixed assets

	Buildings and constructions	Machinery equipment and other equipment	Land ownership	Total
Total cost				
(1) Balance as at 31 December 2020	901 834	1 504 867	113 193	2 519 894
(2) Increase in 2021	61 781	79 703	-	141 484
- Purchase	24 519	33 751	-	58 270
- Transfers from construction in progress	37 262	45 952	-	83 214
(3) Decrease in 2021	1 233	458 301	6 640	466 174
- Disposal or scrapping	1 233	271 519	6 640	279 392
- Transfer to held-for-sale	-	186 782	-	186 782
(4) Foreign currency translation difference	-33 919	-82 379	-5 974	-122 272
(5) Balance as at 31 December 2021	928 463	1 043 890	100 579	2 072 932
Total accumulated depreciation				
(1) Balance as at 31 December 2020	180 360	834 336	-	1 014 696
(2) Increase in 2021	28 539	142 685	-	171 224
- Provision	28 539	142 685	-	171 224
(3) Decrease in 2021	639	335 922	-	336 561
- Disposal or scrapping	639	191 354	-	191 993
- Transfer to held-for-sale	-	144 568	-	144 568
(4) Foreign currency translation difference	-11 974	-59 237	-	-71 211
(5) Balance as at 31 December 2021	196 286	581 862	-	778 148
Total impairment				
(1) Balance as at 31 December 2020	-	7 688	-	7 688
(2) Increase in 2021	-	-	-	-
- Provision	-	-	-	-
(3) Decrease in 2021	-	-	-	-
- Disposal or scrapping	-	-	-	-
- Transfer to held-for-sale	-	-	-	-
(4) Translation differences of foreign currency statement	-	-745	-	-745
(5) Balance as at 31 December 2021	-	6 943	-	6 943
Carrying amount				
(1) 31 December 2021	732 177	455 085	100 579	1 287 841
(2) 31 December 2020	721 474	662 843	113 193	1 497 510

(c) Fixed assets with pending certificate of title

	Book value	Reason for pending certificates of title
Production plant of Xinjiang Factory	299 015	In process

In 2021, the depreciation of fixed assets amounted to RMB 171 224 000 (2020: RMB 164 213 000).

The cost of fixed assets transferred from construction in progress in 2021 was RMB 83 214 000 (2020: RMB 298 096 000).

See note 4 (19) for details about the mortgaged fixed assets.

(12) Construction in progress

	31 December 2021	31 December 2020
Construction in progress	178 171	200 225
Project materials	-	-
	178 171	200 225

(a) Details of construction in progress

	31 December 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Xinjiang Plant Construction Project	169 001	-	169 001	145 851	-	145 851
Other plants and equipment	9 170	-	9 170	54 374	-	54 374
	178 171	-	178 171	200 225	-	200 225

As at 31 December 2021, the Company considered that there was no indication of impairment for the construction in progress and no provision for impairment was required.

(b) Changes in major construction in progress in 2021

Project name	Budget	31 December 2020	Increase in 2021	Transfer to fixed assets in 2021	Transfer to intangible assets in 2021	Other decreases in 2021	Transfer to held-for-sale in 2021	Foreign currency translation differences	31 December 2021	% of engineering investment to budget	Project progress (%)	Accumulated capitalisation amount of interest	Including: borrowing costs capitalised in 2021	Capital source
Xinjiang Plant Construction Project	900 000	145 851	63 846	40 696	-	-	-	-	169 001	74.75 %	74.75 %	35 299	-	Self-financed and borrowed
Other plants and equipment	-	54 374	11 232	42 518	-	7 797	2 767	-3 354	9 170	-	-	-	-	-
		200 225	75 078	83 214		7 797	2 767	-3 354	178 171			35 299		

Note: As at 31 December 2021, the plant construction of the subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd has been pledged as collateral for long-term borrowings. See note 4 (30).

(13) Right-of-use assets

	Buildings and constructions	Machinery and equipment	Total
Original carrying amount			
(1) 1 January 2021	288 426	15 055	303 481
(2) Increase in 2021	-	-	-
- New leases	-	-	-
- Increase due to business combination	-	-	-
- Revaluation adjustment	-	-	-
(3) Decrease in 2021	134 005	-	134 005
- Transfer to fixed assets	-	-	-
- Disposal	118 206	-	118 206
- Transfer to held for sale	15 799	-	15 799
(4) 31 December 2021	154 421	15 055	169 476
Accumulated depreciation			
(1) 1 January 2021	-	-	-
(2) Increase in 2021	35 914	4 889	40 803
- Provision	35 914	4 889	40 803
(3) Decrease in 2021	4 197	-	4 197
- Transfer to fixed assets	-	-	-
- Disposal	-	-	-
- Transfer to held for sale	4 197	-	4 197
(4) Balance as at 31 December 2021	31 717	4 889	36 606
Provision for impairment			
(1) Balance as at 1 January 2021	-	-	-
(2) Increase in 2021	-	-	-
- Provision	-	-	-
(3) Decrease in 2021	-	-	-
- Transfer to fixed assets	-	-	-
- Disposal	-	-	-
(4) Balance as at 31 December 2021	-	-	-
Book value			
(1) Book value as at 31 December 2021	122 704	10 166	132 870
(2) Book value as at 1 January 2021	288 426	15 055	303 481

(14) Intangible assets

	Land use rights	Customer relationships	Patents	Trademarks	Software and others	Capitalisation of R&D costs – technology	Total
Original carrying amount							
(1) 31 December 2020	118 427	117 849	364 460	913 907	106 145	187 253	1 808 041
(2) Increase in 2021	–	–	3 594	–	561	67 075	71 230
– Purchase	–	–	3 594	–	561	–	4 155
– Internal research and development	–	–	–	–	–	67 075	67 075
(3) Decrease in 2021	–	27 084	165 877	293 104	21 283	132 521	639 869
– Disposal	–	26 481	19 539	43 151	15 976	13 836	118 983
– Transfer to held-for-sale	–	603	146 338	249 953	5 307	118 685	520 886
(4) Foreign currency translation difference	–	–8 026	36 983	–86 428	3 359	–20 914	–75 026
(5) 31 December 2021	118 427	82 739	239 160	534 375	88 782	100 893	1 164 376
Accumulated amortisation							
(1) 31 December 2020	10 957	87 326	293 831	–	42 705	121 032	555 851
(2) Increase in 2021	2 280	7 649	26 862	–	6 716	38 698	82 205
– Provision	2 280	7 649	26 862	–	6 716	38 698	82 205
(3) Decrease in 2021	–	23 639	154 861	–	6 861	77 757	263 118
– Disposal	–	23 639	19 539	–	2 048	6 174	51 400
– Transfer to held-for-sale	–	–	135 322	–	4 813	71 583	211 718
(4) Foreign currency translation difference	–	–5 993	45 687	–	1 938	–13 928	27 704
(5) 31 December 2021	13 237	65 343	211 519	–	44 498	68 045	402 642
Impairment							
(1) Balance as at 31 December 2020	–	–	–	–	–	5 315	5 315
(2) Increase in 2021	–	–	–	–	–	–	–
– Provision	–	–	–	–	–	–	–
(3) Decrease in 2021	–	–	–	–	–	–	–
– Disposal	–	–	–	–	–	–	–
– Transfer to held-for-sale	–	–	–	–	–	–	–
(4) Foreign currency translation difference	–	–	–	–	–	–330	–330
(5) Balance as at 31 December 2021	–	–	–	–	–	4 985	4 985
Carrying amount							
(1) 31 December 2021	105 190	17 396	27 641	534 375	44 284	27 863	756 749
(2) 31 December 2020	107 470	30 523	70 629	913 907	63 440	60 906	1 246 875

(a) In 2021, the amortisation amount of intangible assets amounted to RMB 82 205 000 (2020: RMB 102 330 000).

As at 31 December 2021, the Company's subsidiary Saurer (Changzhou) Textile Machinery Co. Ltd had pledged land use rights with a book value of RMB 12 710 000 (original price: RMB 19 044 000) (2020: land use rights with a book value of RMB 13 106 000) as security collateral for the Company's borrowings (note 4 (19)).

As at 31 December 2021, the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd had pledged land use rights with a book value of RMB 83 677 000 (original price: RMB 92 802 000) (2020: land use rights with a book value of RMB 85 533 000) as collateral for bank borrowings by Saurer Xinjiang Intelligent Machinery Co. Ltd (note 4 (30)).

As at 31 December 2021, during the intangible assets and trademark impairment test, the management of the Company estimated the future cash flows of trademark rights based on historical experience and market development forecasts. The management determined the brand commission rate (1.5 %) based on its historical experience and brand maintenance-related fee rate, and adopted a discount rate that reflects the specific risks of trademark rights (with pre-tax discount rate of 16 % – 17 %). The above assumptions are used to analyse the recoverable amount of trademark rights and are consistent with the Company's historical experience or relevant external information sources.

As at 31 December 2021, the capitalisation of R&D costs – technology arising from the Company's internal R&D accounted for 4.0 % of the book value of intangible assets (as at 31 December 2020: 5 %).

As at 31 December 2021, the balance of impairment allowance provided by Saurer Switzerland Technology, a subsidiary of the Company, for certain R&D projects amounted to CHF 753 000 (equivalent to RMB 4 985 000) (as at 31 December 2020: CHF 753 000 (equivalent to RMB 5 315 000)).

(b) Development costs

Project name	31 December 2020	Increase in 2021	Decrease in 2021			Foreign currency translation difference	31 December 2021
		Internal R&D expenses	Recognised as intangible assets	Recognised in profit or loss	Transfer to held-for-sale		
Project 1	41 401	42 429	–	15 726	–	–4 604	63 500
Project 2	49 620	25 759	–	11 966	–	–	63 413
Project 3	34 067	6 884	–	–	37 262	–3 689	–
Project 4	8 152	4 150	–	–	11 291	–1 011	–
Project 5	8 737	2 452	–	–	–	–981	10 208
Project 6	7 928	2 696	–	–	–	–922	9 702
Project 7	10 563	168	–	–	–	–1 036	9 695
Project 8	3 748	4 447	–	–	–	–512	7 683
Project 9	4 533	282	–	–	–	–459	4 356
Project 10	494	–	–	–27	–	–14	507
Others	146 859	328 222	67 075	334 244	26 231	–24 633	22 898
	316 102	417 489	67 075	361 909	74 784	–37 861	191 962

R&D expenditures incurred in 2021 amounted to RMB 417 489 000 (2020: RMB 540 373 000), of which RMB 361 909 000 (2020: RMB 401 297 000) was expenses during the research phase, RMB 67 075 000 (2020: RMB 12 399 000) was recognised as intangible assets, RMB 74 784 000 (2020: None), qualified for transfer to held-for-sale assets, and RMB 191 962 000 (2020: RMB 316 102 000) was incurred during the development phase and included in the year-end balance of development costs.

In 2021, development expenditure accounted for 13 % of the total research and development expenditure (2020: 26 %).

(15) Goodwill

Name of the investee or matters forming goodwill	31 December 2020	Increase in 2021	Decrease in 2021	Foreign currency translation difference	31 December 2021
		Amount formed through business combination	Disposal		
Original book value					
Acquisition of natural fibre textile machinery and textile machinery parts business from Oerlikon Group	623 078	–	135 461	–56 458	431 159
Acquisition of the twisting business from Verdel	15 789	–	–	–1 546	14 243
	638 867	–	135 461	–58 004	445 402
Provision for impairment	–	–	–	–	–
Book value	638 867	–	135 461	–58 004	445 402

Goodwill is the result of the Company's acquisition of the natural fibres machinery and textile machinery parts business from the Oerlikon Group in 2013 and the acquisition of the twisting business from Verdel in 2015.

The decrease in 2021 represents a corresponding decrease in sales of automatic winders, bearings specially used for Temco, Accotex rubber parts and the embroidery business.

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

	31 December 2021	31 December 2020
Spinning Solutions	383 710	532 405
Technologies	61 692	106 462
	445 402	638 867

Key assumptions for applying the discounted future cash flows method:

	Spinning Solutions	Technologies
Growth rate during forecast period	7 – 10 %	3 – 14 %
Growth rate during stability period	0.00 %	0.00 %
Gross profit rate	15 – 23 %	18 – 28 %
Discount rate	13.89 %	13.96 %

The Company determines the growth rate and gross profit rate on the basis of historical experience and the prediction of market development and uses the pre-tax rate that can reflect the specific risk of the asset groups and combination of asset groups as the discount rate. The recoverable amount of the asset groups or combination of asset groups is calculated using the estimated cash flows determined according to the five-year budget approved by the management. Fixed growth rates will be used as basis of estimation after five years. The cash flows beyond the five-year period are calculated based on the estimated sales growth rates. The estimated sales growth rates are determined based on the estimated data of the market by management. Management determines budgeted gross margins on the basis of historical experience and the prediction of market development. The assumptions above are used to assess the recoverable amount of each asset group or combination of asset groups within the corresponding business segment. According to the result of the impairment test, the recoverable amount of asset group or combination of asset groups is higher than its carrying amount. Thus, no impairment loss is recognised. The allocation of goodwill has not changed in 2021.

(16) Long-term deferred expenses

	31 December 2020	Increase in 2020	Amortisation in 2021	Foreign currency translation difference	31 December 2021
Leasehold improvement	1 923	363	760	-15	1 511
	1 923	363	760	-15	1 511

(17) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offset

	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Bad debts provision for accounts receivable	316 221	61 090	39 807	9 765
Provision for inventory depreciation	76 650	13 804	46 662	9 574
Defined benefit plan	218 973	64 643	307 381	88 131
Provisions	254 358	49 148	203 071	39 716
Estimated liabilities	101	36	351	89
Depreciation of fixed assets	4 401	619	5 320	1 039
Amortisation of intangible assets	49 215	6 449	54 909	7 621
Deductible losses	1 418 216	353 992	1 054 266	257 470
Offset for internally unrealised profits	201 282	26 353	114 453	24 016
	2 539 417	576 134	1 826 220	437 421
Including:				
Expected to reverse within one year (inclusive)		504 423		340 630
Expected to reverse after one year		71 711		96 791
		576 134		437 421

(b) Deferred tax liabilities before offset

	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	147 009	31 676	132 057	23 027
Amortisation of intangible assets	679 953	131 669	696 097	145 796
Capitalised development costs	204 717	65 194	239 221	76 055
Defined benefit plan	100 769	19 072	121 559	16 075
Receivables	31 032	5 340	5 515	1 485
Provision for inventory depreciation	–	–	3 341	490
Withholding income tax on profits of subsidiaries not remitted to their foreign investors	28	7	–	–
Interest receivable	293	70	477	118
Others	231 132	39 550	263 144	46 237
	1 394 933	292 578	1 461 411	309 283
Including:				
Expected to reverse within one year (inclusive)		19 204		17 041
Expected to reverse after one year		273 374		292 242
		292 578		309 283

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

	31 December 2021		31 December 2020	
	Amount offset in deferred tax assets liabilities	Balance of deferred tax assets or liabilities after offset	Amount offset in deferred tax assets liabilities	Balance of deferred tax assets or liabilities after offset
Deferred tax assets	241 320	334 814	203 038	234 383
Deferred tax liabilities	241 320	51 258	203 038	106 245

(d) Details of unrecognised deferred income tax assets

	31 December 2021	31 December 2020
Deductible temporary differences	185 406	152 933
Deductible losses	548 797	480 539
	734 203	633 472

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

	31 December 2021	31 December 2020
2021	–	2 210
2022	506	506
2023	114 347	122 455
2024	182 629	195 602
2025	124 088	159 766
2026 and later	127 227	–
	548 797	480 539

(18) Other non-current assets

	31 December 2021	31 December 2020
Defined benefit plan assets	–	121 559
Pre-payment for machinery equipment	8 268	44 147
Deposit and interest	321 991	624 760
Other	–	11 251
	330 259	801 717

As at 31 December 2021, the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd pledged a deposit of RMB 300 000 000 to banks to provide a guarantee for the long-term borrowings of RMB 285 000 000 (note 4 (30)).

(19) Short-term borrowings

	Original currency	31 December 2021	31 December 2020
Pledged borrowings (a)	EUR	–	98 323
Pledged borrowings (b)	RMB	–	114 000
Guaranteed borrowings (c)	RMB	401 650	995 913
Guaranteed and mortgaged borrowings (d)	RMB	283 900	–
Guaranteed borrowings (e)	EUR	–	356 273
Guaranteed borrowings (f)	INR	–	74 307
Guaranteed and pledged borrowings (g)	RMB	76 000	80 000
Guaranteed, pledged and mortgaged borrowings (h)	RMB	599 140	250 000
Notes discount not derecognised (i)	RMB	3 000	9 480
Interest payable		9 248	2 372
		1 372 938	1 980 668

(a) As at 31 December 2021, the Company had no pledged borrowings in EUR. (as at 31 December 2020 the Company's pledged borrowings in EUR amounted to EUR 12 281 000 (equivalent to RMB 98 323 000), and the Company's L/G security of RMB 50 000 000 was taken as the pledge).

(b) As at 31 December 2021, the Company had no pledged borrowings in RMB. (as at 31 December 2020 the Company's pledged borrowings in RMB amounted to RMB 114 000 000, with the Company's bills of RMB 120 000 000 as pledges.)

(c) As at 31 December 2021, the bank's guaranteed borrowings in RMB amounted to RMB 401 650 000, which were the borrowings of the Company and its subsidiaries Saurer (Changzhou) Textile Machinery Co. Ltd and Saurer Xinjiang Intelligent Machinery Co. Ltd. The maximum amount guarantee and joint liability guarantee for these borrowings were provided by the Company, Jinsheng Industrial, Pan Xueping and Chen Meifang. (as at 31 December 2020: RMB 995 913 000.)

(d) As at 31 December 2021, the bank's RMB guaranteed and mortgaged borrowings amounted to RMB 283 900 000 (as at 31 December 2020: None) belonged to the Company and its subsidiary Saurer (Jiangsu) Textile Machinery Co. Ltd, for which:

(i) Jinsheng Industrial, Pan Xueping and Chen Meifang provided the maximum amount guarantee and the joint and several liability guarantee by taking the self-owned machinery equipment of Xinjiang Litai Silk Road Investment Co. Ltd as collateral;

(ii) Jinsheng Industrial, Pan Xueping and Chen Meifang provided the maximum amount guarantee and the joint and several liability guarantee by taking the industrial property in the name of Xinjiang Litai Silk Road Investment Co. Ltd as collateral.

(e) As at 31 December 2021, the Company had no guaranteed borrowings in EUR. (as at 31 December 2020: EUR 44 489 000 (equivalent to RMB 356 273 000) of guaranteed borrowings were borrowings of the Company's subsidiaries Saurer Hong Kong Machinery Company Limited and Saurer Spinning Solutions GmbH & Co. KG. In which:

(i) The borrowings of EUR 10 000 000 (equivalent to RMB 80 081 000) of Saurer Hong Kong Machinery Company Limited were guaranteed by Saurer Spinning Solutions GmbH & Co. KG;

(ii) The borrowings of EUR 34 489 000 (equivalent to RMB 276 192 000) of Saurer Spinning Solutions GmbH & Co. KG were guaranteed by the Company's subsidiary Saurer Hong Kong Machinery Company Limited).

(f) As at 31 December 2021, the Company had no guaranteed borrowings in INR. (as at 31 December 2020: INR 837 815 000 (equivalent to RMB 74 307 000) of guaranteed borrowings were the borrowings where the Company's subsidiary Saurer Hong Kong Machinery Company Limited provided guarantee for the other subsidiary Saurer Textile Solutions Pvt. Ltd.)

(g) As at 31 December 2021, the total borrowing amount was RMB 76 000 000, with the maximum amount guarantee provided by Jinsheng Industrial, Pan Xueping and Chen Meifang, and partial equity held by Pan Xueping in Jiangsu Jinsheng Industry Co. Ltd was pledged. (as at 31 December 2020: RMB 80 000 000.)

(h) As at 31 December 2021, the guaranteed, pledged and mortgage borrowings amounted to RMB 599 140 000 (as at 31 December 2020: RMB 250 000 000), for which:

(i) Jinsheng Industrial, Pan Xueping and Chen Meifang, and Zhang Yueping and his spouse provided the maximum amount guarantee, by mortgaging the real estate and land use right of Saurer (Changzhou) Textile Machinery Co. Ltd, the real estate of Saurer Intelligent Machinery Co. Ltd and the equipment of Saurer Xinjiang Intelligent Machinery Co. Ltd, as well as pledging partial equity held by Pan Xueping in Jiangsu Jinsheng Industry Co. Ltd;

(ii) The Company and Jinsheng Industrial provided the maximum amount guarantee by mortgaging the equipment of Xinjiang Litai Silk Road Investment Co. Ltd and Saurer Xinjiang Intelligent Machinery Co. Ltd, and pledging the accounts receivable arising from sales from Saurer Xinjiang Intelligent Machinery Co. Ltd to Urumqi Litai Silk Road Investment Co. Ltd (as at 31 December 2020: None).

(i) As at 31 December 2021, the borrowings of RMB 3 000 000 (as at 31 December 2020: RMB 9 480 000) were from the Company's discounted but not matured notes receivable which failed to meet the conditions for derecognition.

As at 31 December 2021, the annual interest rate range for short-term borrowings was 4.30 % to 7.80 % (as at 31 December 2020: 0.70 % – 9.20 %).

(20) Overdue short-term borrowings

As at 31 December 2021, overdue short-term borrowings amounted to RMB 192 860 000, and details are as follows:

Debtor	Original currency	31 December 2021	Borrowing interest	Period overdue	Overdue interest rate
Urumqi Nanhu Road Sub-branch of Shanghai Pudong Development Bank	RMB	93 650	5.78 %	31 March 2021 – 31 December 2021	5.78 %
China Merchants Bank Co. Ltd, Urumqi Branch (a)	RMB	19 210	7.80 %	30 October 2021 – 31 December 2021	11.70 %
China Merchants Bank Co. Ltd, Urumqi Branch (b)	RMB	80 000	7.80 %	30 October 2021 – 31 December 2021	11.70 %
		192 860			

(a) Such borrowings were renewed on 28 January 2022 and amounted to RMB 14 210 000 thereafter (note 10 (2)).

(b) Such borrowings were renewed on 28 January 2022 and amounted to RMB 80 000 000 thereafter (note 10 (2)).

(21) Notes payable

	31 December 2021	31 December 2020
Bank acceptance bill	50 000	489 000

(22) Accounts payables

	31 December 2021	31 December 2020
Accounts payable for materials	844 505	992 716

As at 31 December 2021, accounts payable with aging over one year amounted to RMB 66 330 000 (2020: RMB 37 837 000), mainly from unsettled payables for materials.

(23) Advances from customers/contract liabilities

	31 December 2021	31 December 2020
Advances from customers	856 627	744 849

As at 31 December 2021, advances from customers with aging over one year amounted to RMB 165 623 000 (2020: RMB 45 601 000), mainly comprising advances for machinery orders.

(24) Employee benefits payables

	31 December 2020	Increase in 2021	Decrease in 2021	Foreign currency translation difference	31 December 2021
Short-term employee benefits	241 593	1 521 298	1 602 073	-11 314	149 504
Defined contribution plans	14 905	47 479	58 713	-842	2 829
Termination benefits	3 168	1 525	3 554	-68	1 071
Long-term employee benefits maturing within one year	79 497	124 197	75 590	-3 907	124 197
	339 163	1 694 499	1 739 930	-16 131	277 601

(a) Short-term employee benefits

	31 December 2020	Increase in 2021	Decrease in 2021	Foreign currency translation difference	31 December 2021
Wages and salaries, bonuses, allowances and subsidies	240 906	1 191 729	1 292 768	-11 458	128 409
Employee welfare	-91	7 196	6 209	-71	825
Social security contributions	1 044	86 216	86 936	-151	173
Including:					
- Medical insurance	958	84 488	85 134	-148	164
- Work-related injury insurance	71	953	1 017	-3	4
- Maternity insurance	15	775	785	-	5
Housing funds	264	13 269	13 313	-	220
Labour union expenditures and employee education funds	3 125	1 621	2 241	-	2 505
Other short-term employee benefits	-3 655	221 267	200 606	366	17 372
	241 593	1 521 298	1 602 073	-11 314	149 504

(b) Defined contribution plans

	31 December 2020	Increase in 2021	Decrease in 2021	Foreign currency translation difference	31 December 2021
Basic pensions	14 507	39 563	50 697	-832	2 541
Unemployment insurance	398	7 916	8 016	-10	288
	14 905	47 479	58 713	-842	2 829

(25) Taxes and surcharges payable

	31 December 2021	31 December 2020
VAT	21 680	2 465
Enterprise income tax	219 760	11 780
Individual income tax	11 453	14 284
Urban maintenance and construction tax	502	2 032
Educational surcharges	415	493
Stamp tax	204	146
Withholding tax payable	10 462	16 874
Others	1 615	1 836
	266 091	49 910

(26) Other payables

	31 December 2021	31 December 2020
Interest payable	-	-
Dividends payable	170 500	67 500
Other payables	359 642	544 383
	530 142	611 883

(a) Dividends payable

	31 December 2021	31 December 2020
Common stock dividends to minority shareholders of subsidiaries	170 500	67 500

(b) Other payables

	31 December 2021	31 December 2020
Payables to related parties	6 326	706
Third-party borrowings and interest	34 884	162 420
Payment for goods overpaid by and refundable to customers	34 862	58 154
Accrued commission	47 778	52 924
Accrued expenses	43 302	44 097
Accrued rebates	3 643	6 563
IT maintenance expenses	5 199	5 483
Payables for projects	120 072	99 555
Freight payable	31 201	31 558
Professional service fees payable	7 290	15 133
Purchase of fixed assets	492	3 413
Customer deposit payables	803	1 258
Others	23 790	63 119
	359 642	544 383

As at 31 December 2021, other payables with aging over one year amounted to RMB 116 362 000 (2020: RMB 96 452 000), mainly comprising non-trade payables which have not yet been settled.

(27) Liabilities held for sale

Liabilities in the disposed liability portfolio classified as held for sale:

	31 December 2021	31 December 2020
Liabilities in winder business		
Accounts payable	78 713	-
Contract liabilities	177 526	-
Employee benefits payable	14 793	-
Other payables	38 616	-
Non-current liabilities maturing within one year	16 008	-
Other current liabilities	729	-
Lease liabilities	10 460	-
Long-term employee benefits payable	58 348	-
	395 193	-

Liabilities in embroidery business

Employee benefits payable	4 220	-
Estimated liabilities maturing within one year	8 423	-
	12 643	-
	407 836	-

(28) Current portion of non-current liabilities

	31 December 2021	31 December 2020
Current portion of long-term borrowings	881 636	217 212
Current portion of lease liabilities	38 516	-
Current portion of provisions	270 514	408 162
	1 190 666	625 374

(a) Current portion of long-term borrowings

	Original currency	31 December 2021	31 December 2020
Guaranteed borrowings	RMB	492 000	58 000
Pledged	RMB	1 000	57 000
Guaranteed and mortgaged borrowings	RMB	148 000	100 000
Guaranteed and pledged borrowings	RMB	234 881	-
Interest payable		5 755	2 212
		881 636	217 212

As at 31 December 2021 and 31 December 2020, the Company had no overdue current portion of long-term borrowings.

(29) Other current liabilities

	31 December 2021	31 December 2020
Output tax to be carried forward	40 439	38 029
Endorsed but not matured bill payment	175 875	–
Pension assets to be approved for transfer	18 573	–
Advance from customers for the disposal of asset groups	1 255 881	–
	1 490 768	38 029

(30) Long-term borrowings

	31 December 2021	31 December 2020
Guaranteed and mortgaged borrowings (a)	148 000	200 000
Guaranteed borrowings (b)	492 000	525 000
Pledged borrowings (c)	285 000	555 750
Pledged and guaranteed borrowings (d)	234 881	250 000
Interest payable	5 755	2 212
Less: non-current liabilities maturing within one year	–881 636	–217 212
	284 000	1 315 750

(a) As at 31 December 2021, bank guaranteed and mortgage loans of RMB 148 000 000 (of which RMB 148 000 000 are due within one year) were obtained from a Chinese bank by the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd for a loan term of four years. Jiangsu Jinsheng Industry Co. Ltd and the Company provided a joint liability guarantee pledged by the land use rights of Saurer Xinjiang Intelligent Machinery Co. Ltd, for a period not more than 48 months from 21 June 2019. The principal will be repaid in 2022.

(b) As at 31 December 2021, the bank guaranteed loan of RMB 492 000 000 (of which RMB 492 000 000 are due within one year) was borrowed by the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd.

- RMB 42 000 000 were obtained from a bank with the guarantee provided by the Company and Pan Xueping, and will be due on 20 May 2022.
- RMB 450 000 000 were obtained from a bank with the guarantee provided by the Company, Pan Xueping and Chen Meifang, and will be due on 15 January 2022.

(c) As at 31 December 2021, the bank guaranteed loans of RMB 285 000 000 (of which RMB 1 000 000 is due within one year) were obtained by the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd by pledging the certificate of deposit opened by Saurer Xinjiang Intelligent Machinery Co. Ltd. The loan will be due on 26 January 2024.

(d) As at 31 December 2021, the bank guaranteed and pledged loans of RMB 234 881 000 (of which RMB 234 881 000 is due within one year) were obtained by the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd for a loan term of three years, for which the Company provided the joint liability guarantee. The loan will be due on 20 June 2022.

As at 31 December 2021, the annual interest rate range for long-term borrowings was from 3.85 % to 6.65 % (2020: 3.85 % – 6.65 %).

(31) Lease liabilities

	31 December 2021
Lease payment	136 900
Less: Non-current liabilities maturing within one year	–38 516
	98 384

(32) Long-term employee benefits payable

	31 December 2021	31 December 2020
Defined benefit plan	319 261	495 193
Other employee benefits	20 442	24 483
Less: payables within one year	–124 197	–79 497
	215 506	440 179

(a) Changes in defined benefit plans

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

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

	2021	2020
Balance as at the end of the prior year	1 220 122	1 147 224
Defined benefit cost recorded in current profit and loss	46 151	56 344
- Current service cost	49 631	54 780
- Past service cost	2 383	-3 339
- Settlement gains ("-" for losses)	-9 609	254
- Net income from interest	3 746	4 649
Defined benefit cost recorded in other comprehensive income	-79 290	29 598
- Actuarial gains ("-" for losses)	-	-
- Differences in actuarial assumptions	-60 512	16 130
- Adjustment based on experience	-18 778	13 468
Other movement	-154 888	-45 592
- Consideration paid upon settlement		
- From companies	-	-
- From employees participating in plan	6 015	8 433
- Benefits paid/transferred	-110 632	-54 025
Sales of company business	-50 271	-
Foreign currency translation difference	-90 011	32 548
Transferred to assets held for sale	-94 323	-
Balance as at the end of the current year	847 761	1 220 122

(ii) Fair value of plan assets

	2021	2020
Balance as at the end of the prior year	846 488	822 752
Defined benefit cost recorded in current profit or loss	2 147	2 166
- Net interest	2 147	2 166
Defined benefit cost recorded in other comprehensive income	36 550	3 051
- Return on plan assets (except those included in net interest)	36 550	3 051
Other movement	-94 877	-5 857
- Consideration paid upon settlement		
- From companies	25 996	32 187
- From employees participating in plan	6 015	8 433
- Benefits paid/transferred	-107 593	-46 477
Sales of company business	-19 295	-
Foreign currency translation difference	-56 818	24 376
Transferred to assets held for sale	-35 975	-
Balance as at the end of the current year	697 515	846 488

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

	2021	2020
Balance as at the end of the prior year	373 634	324 472
Defined benefit cost recorded in current profit or loss	44 004	54 178
Defined benefit cost recorded in other comprehensive income	-115 840	26 547
Other movement	-151 552	-31 563
Balance as at the end of the current year	150 246	373 634

(iv) Changes in the retirement benefits of the Company

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

	Defined benefit plan liabilities	Defined benefit plan assets	Net liabilities of the Group
31 December 2020	495 193	-121 559	373 634
Defined benefit cost recorded in current profit or loss			
- Current service cost	41 891	7 740	49 631
- Previous service cost	2 383	-	2 383
- Settlement gains ("-" for losses)	-4 248	175	-4 073
- Net interest	1 827	-228	1 599
Defined benefit cost recorded in other comprehensive income			
- Actuarial gains ("-" for losses)			
- Differences in actuarial assumptions	-32 955	-27 557	-60 512
- Adjustment based on experience	-11 727	-7 051	-18 778
- Return on plan assets	-11 594	-24 956	-36 550
Other movement			
- Consideration paid upon settlement			
- From companies	-22 624	-3 372	-25 996
- From employees participating in plan	-	-	-
- Benefits paid/transferred	-8 575	-	-8 575
Sales of company business	-30 976	-	-30 976
Foreign currency translation difference	-40 986	7 793	-33 193
Transferred to assets held for sale	-58 348	-	-58 348
31 December 2021	319 261	-169 015	150 246

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

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

	31 December 2021		31 December 2020	
	Germany	Switzerland	Germany	Switzerland
Discount rate	0.90 %	0.50 %	0.43 %	0.20 %
Salary growth rate	N/A	1.50 %	N/A	1.50 %
Pension growth rate	1.55 %	0.00 %	1.55 %	0.00 %

(vi) The sensitivity analysis of principal actuarial assumptions used in determining the present value of defined benefit obligations plan in 2021 is as follows:

Change in assumption		Impact on defined benefit obligations	
		Increase in assumption	Decrease in assumption
Discount rate	Change of 0.5 %	Decrease by 4.00 %	Increase by 8.32 %
Salary growth rate	Change of 0.5 %	Increase by 2.01 %	Decrease by 1.62 %
Pension growth rate	Change of 0.5 %	Increase by 0.55 %	Decrease by 0.09 %
Life expectancy	Change of 1 year	Increase by 3.31 %	Decrease by 0.29 %

The sensitivity of principal actuarial assumptions adopted in determining the present value of defined benefit obligations in 2020 is as follows:

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

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

	31 December 2021	31 December 2020
Cash and cash equivalents	24 959	27 642
Equity instruments	129 340	120 148
Debt instruments	140 920	142 010
Real estate	153 829	156 681
Investment funds	222 633	249 717
Others	61 809	150 290
Transferred to assets held for sale	-35 975	-
	697 515	846 488

(33) Provisions

	31 December 2020	Increase in 2021	Decrease in 2021	Foreign currency translation difference	31 December 2021
Product warranties	262 540	36 174	57 762	-16 454	224 498
Restructuring costs for sites outside China	124 854	67 630	174 401	-6 465	11 618
Others	25 517	19 164	8 851	-1 375	34 455
	412 911	122 968	241 014	-24 294	270 571
Less: provisions due within one year					
Product warranties	259 337	36 174	54 716	-16 297	224 498
Restructuring costs for sites outside China	124 854	67 630	174 401	-6 465	11 618
Others	23 971	19 164	7 413	-1 324	34 398
	408 162	122 968	236 530	-24 086	270 514
Non-current portion of provisions					
Product warranties	3 203	-	3 046	-157	-
Others	1 546	-	1 438	-51	57
	4 749	-	4 484	-208	57

(34) Deferred revenue

	31 December 2020	Increase in 2021	Decrease in 2021	31 December 2021	Explanation
Government grants	7 070	200	5 360	1 910	As the specific project had not started, the corresponding appropriation was presented as deferred income in 2021

Items involving government grants:

	31 December 2020	New grants in 2021	Amount included in the current profit or loss in 2021	Other changes	31 December 2021	Related to assets/related to income
National Smart Manufacturing Integrated Standardisation and New Model Application Project (a)	4 560	-	2 083	-2 477	-	Asset-related
Funds for entrepreneurial technician studio (b)	200	-	-	-	200	Asset-related
Special funds for strategic emerging industries in autonomous regions (c)	500	-	-	-	500	Asset-related
Special subsidies for smart manufacturing equipment (d)	1 800	200	-	-800	1 200	Asset-related
One-time employment subsidy for labour force in difficulty	10	-	-	-	10	Income-related
	7 070	200	2 083	-3 277	1 910	

- (a) In order to promote the intelligent transformation of the manufacturing industry and implement national policies for intelligent manufacturing, the Shuimogou District Finance Bureau in Urumqi, Xinjiang, China, allocated a total of RMB 4 560 000 of special funds to the Company on 19 October 2018. These special funds are earmarked for the construction of intelligent manufacturing sites, intelligent system development and integration, and procurement of core intelligent manufacturing equipment. This year, the amortisation amounted to RMB 2 083 000, and the remaining RMB 2 477 000 was used to offset the original value of relevant fixed assets.
- (b) In order to enhance the talent cultivation of highly skilled personnel, the Employment Service Management Office of Urumqi Economic and Technological Development Zone allocated RMB 200 000 to the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd in 2018. The funds are earmarked for the construction of Saurer Intelligent CNC Machining Skill Master Studio. Because the specific project has not yet started, the funds are presented as deferred income in 2021.
- (c) The Department of Finance of Xinjiang Uygur Autonomous Region and the Department of Science and Technology of Xinjiang Uygur Autonomous Region allocated a subsidy fund of RMB 500 000 to the Company's subsidiary, Saurer Xinjiang Intelligent Machinery Co. Ltd in 2020 as part of its 2019 R&D special project financing. This is to be used for Saurer Xinjiang's research and development of key technologies for the intelligent production site for textile machinery. Because the project has not yet started, the funds were shown as deferred income at the end of 2021.
- (d) The Department of Finance of Xinjiang Uygur Autonomous Region and the Department of Science and Technology of Xinjiang Uygur Autonomous Region allocated RMB 1 800 000 to the Company's subsidiary, Saurer Xinjiang Intelligent Machinery Co. Ltd in 2020 as part of its 2020 R&D special project financing. This is to be used for Saurer Xinjiang's research and development of key technologies for the intelligent production site for textile machinery. In 2021, the Company received RMB 200 000 of related funds, and at the same time, the Company transferred related subsidies of RMB 800 000 to project partners.

(35) Paid-in capital

	31 December 2020	Increase or decrease in 2021					31 December 2021
		New shares issued	Stock dividend	Public reserve funds	Others	Subtotal	
Ordinary shares	1 895 413	-	-	-	-	-	1 895 413

(36) Capital reserves

	31 December 2020	Increase in 2021	Decrease in 2021	31 December 2021
Other capital reserves – capital increase by subsidiaries	1 579 834	–	–	1 579 834

As at 8 December 2018, Saurer Intelligent Machinery, a subsidiary of the Company, brought in seven investors for an increase in its share capital, including the Jiaying Suihe New Silk Road Investment Partnership (Limited Partnership) (formerly known as ABC New Silk Road (Jiaying) Investment Partnership (Limited Partnership)) which was established by ABC Financial Assets Investment Co. Ltd. The Company signed an "Investment Agreement" and a "Subscription Agreement" with each investor. As at 29 December 2018, the Company received the subscription amount of RMB 3 000 000 000. After the subscription, the Company holds 80.65 % shares of Saurer Intelligent Machinery. The changes on the registration were completed on 15 February 2019.

The Company calculated the net asset share of the subsidiary based on the shareholding ratio before the capital increase. The difference between the net asset share before the capital increase and the net asset share of the subsidiary after the capital increase amounted to RMB 1 579 834 000 and was recorded in capital reserves.

(37) Treasury shares

	31 December 2020	Increase in 2021	Decrease in 2021	31 December 2021
Repurchase of shares of the Company	600 010	–	–	600 010

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

As at 31 December 2021, the Company has repurchased its 107 500 773 shares by way of centralised bidding, paying RMB 600 010 000 in total. (2020: 107 500 773 shares; RMB 600 010 000).

(38) Other comprehensive income

	2021							
	31 December 2020	Amount before income tax in 2021	Less: amount previously included in other comprehensive income and transferred to current profit or loss	Less: transfer from previous other comprehensive income	Less: income tax expenses	Attributable to the parent company, after tax	Attributable to minority shareholders, after tax	31 December 2021
1. Other comprehensive income that cannot be reclassified into profit or loss	-72 447	53 837			21 550	73 983	-41 696	1 536
Including: changes in re-measurement of the defined benefit plan	-	-	-	-	-	-	-	-
Other comprehensive income that cannot be transferred to profit or loss under the equity method	-	-	-	-	-	-	-	-
Changes in fair value of other equity instrument investments	-	-	-	-	-	-	-	-
Changes in the fair value of the Company's own credit risk	-	-	-	-	-	-	-	-
Actuarial profit or loss of defined benefit plan	-72 447	113 289	-	-	21 550	73 983	17 756	1 536
Differences arising from translation of foreign-currency financial statements	-	-59 452	-	-	-	-	-59 452	-
2. Other comprehensive income that will be reclassified into profit or loss	120 993	-249 571	-	-	-348	-249 014	-209	-128 021
Including: other comprehensive income that can be transferred to profit or loss under the equity method	-	-	-	-	-	-	-	-
Changes in fair value of other creditor's right investment	-	-	-	-	-	-	-	-
Amount of financial assets reclassified into other comprehensive income	-	-	-	-	-	-	-	-
Provision for credit impairment of other creditor's right investment	-	-	-	-	-	-	-	-
Cash flow hedging reserve	467	-1 424	-	-	-348	-867	-209	-400
Differences arising from translation of foreign-currency financial statements	120 526	-248 147	-	-	-	-248 147	-	-127 621
Total other comprehensive income	48 546	-195 734	-	-	21 202	-175 031	-41 905	-126 485

	2020							
	31 December 2018	Amount before income tax in 2020	Less: amount previously included in other comprehensive income and transferred to current profit or loss	Less: transfer from previous other comprehensive income	Less: income tax expenses	Attributable to the parent company, after tax	Attributable to minority shareholders, after tax	31 December 2020
1. Other comprehensive income that cannot be reclassified into profit or loss	-59 740	-12 857	-	-	-10 788	-12 707	10 638	-72 447
Including: changes in re-measurement of the defined benefit plan	-	-	-	-	-	-	-	-
Other comprehensive income that cannot be transferred to profit or loss under the equity method	-	-	-	-	-	-	-	-
Changes in fair value of other equity instrument investments	-	-	-	-	-	-	-	-
Changes in the fair value of the Company's own credit risk	-	-	-	-	-	-	-	-
Actuarial profit or loss of defined benefit plan	-59 740	-26 545	-	-	-10 788	-12 707	-3 050	-72 447
Differences arising from translation of foreign-currency financial statements	-	13 688	-	-	-	-	13 688	-
2. Other comprehensive income that will be reclassified into profit or loss	63 571	57 595	-	-	79	57 422	94	120 993
Including: other comprehensive income that can be transferred to profit or loss under the equity method	-	-	-	-	-	-	-	-
Changes in fair value of other creditor's right investment	-	-	-	-	-	-	-	-
Amount of financial assets reclassified into other comprehensive income	-	-	-	-	-	-	-	-
Provision for credit impairment of other creditor's right investment	-	-	-	-	-	-	-	-
Cash flow hedging reserve	76	564	-	-	79	391	94	467
Differences arising from translation of foreign-currency financial statements	63 495	57 031	-	-	-	57 031	-	120 526
Total other comprehensive income	3 831	44 738	-	-	-10 709	44 715	10 732	48 546

(39) Surplus reserve

	31 December 2020	1 January 2021	Increase in 2021	Decrease in 2021	31 December 2021
Statutory surplus reserve	48 742	48 742	–	–	48 742

In accordance with the Company Law of the People's Republic of China and the Company's articles of association, the Company withdraws the statutory surplus reserves at 10 % of the net profit after offsetting losses in the previous year, until the accumulated amount of statutory surplus reserves exceeds 50 % of registered capital. The statutory surplus reserves may be utilised to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. The Company had a net loss in 2021, with no statutory surplus reserves withdrawn (2020: None).

(40) Retained earnings

	2021	2020
Undistributed profits at the beginning of the year	962 457	1 523 915
Total adjustment to undistributed profits at the beginning of the year ("+" for increase and "-" for decrease)	–	–
Undistributed profits at the beginning of the year after adjustment	962 457	1 523 915
Add: net profit attributable to owners of the parent company in the current period	–465 092	–561 458
Less: withdrawal of statutory surplus reserves	–	–
Withdrawal of discretionary surplus reserves	–	–
Withdrawal of general risk reserves	–	–
Dividend payment	–	–
Common stock dividends transferred to share capital	–	–
Undistributed profits at the end of the year	497 365	962 457

(41) Revenue and cost of sales

	2021		2020	
	Revenue	Costs	Revenue	Costs
Main operating income/ cost of goods sold	5 458 997	4 818 389	4 840 421	3 869 130
Other operating income/ other operating costs	11 202	–	9 128	–
	5 470 199	4 818 389	4 849 549	3 869 130

(a) Details of operating revenue

	2021	2020
Revenue from customer contracts	5 467 776	4 846 970
Lease revenue	2 423	2 579
	5 470 199	4 849 549

(b) Breakdown of operating revenue

	2021
Operating revenue	5 470 199
Less: revenue irrelevant to primary business	–2 423
Less: revenue without commercial substance	–
Operating revenue after deducting business revenue irrelevant to the primary business and revenue without commercial substance	5 467 776

(c) Revenue from contracts

	2021
Commodity type	
– Sales of machinery equipment or ancillary products	4 512 397
– Sales of parts and provision of services	946 600
– Technical service fees	257
– Sales of scrap	8 522
	5 467 776
Classification by the time of commodity transfer	
– Recognised at a specific point in time	5 467 776
– Recognised within a certain period	–
	5 467 776

(42) Taxes and surcharges

	2021	2020
City maintenance and construction tax	3 254	5 908
Educational surcharge	2 375	4 257
House property tax	4 601	3 110
Land use tax	1 743	1 746
Stamp tax	1 198	2 561
Vehicle and vessel tax	11	11
Others	107	91
	13 289	17 684

(43) Selling and distribution expenses

	2021	2020
Employee benefits	224 571	228 541
Depreciation and amortisation expenses	8 642	18 963
Exhibition and advertising fees	8 571	13 649
Rental expenses and related fees	10 959	10 850
Office expenses and other fees	10 459	18 536
Freight insurance	4 421	11 103
Business travel	12 949	13 800
IT costs	9 941	11 137
	290 513	326 579

(44) General and administrative expenses

	2021	2020
Employee benefits	200 740	333 177
Depreciation and amortisation expenses	31 254	24 139
Rental expenses and related fees	21 570	27 262
Professional service fees	54 985	26 725
Taxes and fees	7 517	4 672
Office expenses and other fees	156	1 970
Transportation insurance	9 281	6 890
Business travel	3 362	4 974
IT costs	1 712	8 701
	330 577	438 510

(45) Research and development expenses

	2021	2020
Raw material costs	20 863	37 038
Employee benefits	225 819	247 877
Depreciation and amortisation expenses	93 029	68 359
Rental expenses and related fees	6 766	10 035
Professional service fees	5 894	25 022
Office expenses and other fees	1 946	3 230
Transportation insurance	3 036	2 669
Business travel	3 181	3 817
IT costs	1 375	3 250
	361 909	401 297

(46) Financial expenses

	2021	2020
Interest expenses, including:		
– Interest expenses for borrowings	187 858	159 076
– Interest expenses for benefit plans	1 728	2 491
– Interest expenses for lease liabilities	8 330	–
Less: capitalised interest	–	8 124
Subtotal for interest expenses	197 916	153 443
Less: interest income	48 381	25 491
Net exchange gains/losses	–30 213	90 171
Handling charges for letter of guarantee	–	146
Others	51 404	33 972
	170 726	252 241

(47) Other income

	2021	2020
Government grants	6 315	11 888
Others	–	237
	6 315	12 125

Government grants included in other income

	2021	2020	Related to assets/income
VAT refunded upon collection	3 316	6 603	Income-related
India export promotion plan	916	5 285	Income-related
Integrated standardisation and project for national intelligent manufacturing	2 083	–	Asset-related
	6 315	11 888	

(48) Investment income

	2021	2020
Investment income from sale of disposed asset portfolio	652 602	–
	652 602	–

(49) Losses from credit impairment

	2021	2020
Losses from bad debts of accounts receivable	294 836	82 192
Losses from bad debts of other receivables	–	1 800
Losses from bad debts of long-term receivables	3 268	26 241
	298 104	110 233

(50) Losses from asset impairment

	2021	2020
Loss from inventory depreciation and losses from impairment of contract performance cost	65 318	88 257
Losses from impairment of assets held for sale	165 623	–
	230 941	88 257

(51) Gains/losses from disposal of assets

	2021	2020	Amount included in non-recurring gains or losses in 2021
Gains from disposal of fixed assets	–2 853	–1 750	–2 853
Losses from disposal of fixed assets	3 703	4 443	3 703
	850	2 693	850

(52) Non-operating income

	2021	2020	Amount included in non-recurring gains or losses in 2021
Asset write-downs	3 032	1 945	3 032
Government grants	23 327	3 246	23 327
Adjustment to reorganisation costs	66 587	–	66 587
Others	953	1 706	953
	93 899	6 897	93 899

(i) Government grants included in the non-operating revenue

	2021	2020	Asset-related/income-related
Special funds for headquarters incentive	1 000	–	Income-related
Special funds for business development	681	251	Income-related
Subsidy for job stabilisation	394	206	Income-related
Special grant for postdoctoral	5	50	Income-related
Subsidies for personnel training	–	232	Income-related
Subsidy for investment	20 000	–	Income-related
Others	1 247	2 507	Income-related
	23 327	3 246	

(53) Non-operating expenses

	2021	2020	Amount included in non-recurring gains or losses in 2021
Penalty and overdue fines	454	7	454
Donation outlay	-	66	-
Restructuring costs	-	117 840	-
Costs related to reorganisation protection for plant outside China	201 830	-	201 830
Others	457	7 242	457
	202 741	125 155	202 741

(54) Income tax expenses

	2021	2020
Current income tax	250 488	40 490
Deferred income tax	-197 430	-132 156
	53 058	-91 666

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:

	2021
Total profits	-495 024
Income tax expense calculated at the Company's applicable tax rate or 25 %	-123 756
Effect of different tax rates of subsidiaries	26 382
Effect of adjustments to the income tax for the prior years	115 184
Non-taxable income	-14 062
Other costs, expenses and losses that are non-deductable	9 716
Deduction for R&D expenses	-6 147
Utilisation of previously unrecognised tax losses	-10 070
Utilisation of unrecognised deferred income tax assets and deductible temporary differences or losses in current period	71 932
Others	-16 121
Income tax expenses	53 058

(55) Earnings per share**(a) Basic earnings per share**

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

	2021	2020
Consolidated net profit attributable to equity holder of the parent company	-465 092	-561 458
Weighted average number of common shares for EPS calculation	1 787 912	1 845 358
Basic earnings per share	-0.260	-0.304
Including:		
- Basic earnings per share from continued operations	-0.332	-0.213
- Basic earnings per share from discontinued operations	0.071	-0.092

(b) Diluted earnings per share is calculated by dividing the consolidated net profit attributable to common shareholders of the parent company adjusted for the dilutive potential of common shares according to the weighted average number common shares issued by the Company. In 2021, the Company had no common shares with dilutive potential (in 2020: None). Therefore, the diluted earnings per share were the same as the basic earnings per share.

(56) Supplementary information to the income statement with expenses classified by nature

The operating costs, selling expenses and administrative expenses in the income statement are presented by nature as follows:

	2021	2020
Cost of raw materials	3 472 229	2 422 188
Employee benefits	1 486 767	1 618 317
Depreciation and amortisation expenses	264 244	267 714
Accrued maintenance expenses	42 188	137 052
Exhibition and advertising fees	8 571	13 651
Rental expenses and related fees	140 230	178 097
Professional service fees	65 006	52 051
Taxes and surcharges	10 811	7 385
Office expenses and other fees	80 568	105 742
Transportation insurance	149 948	144 559
Business travel	41 708	40 581
IT costs	39 118	48 179
	5 801 388	5 035 516

(57) Notes to the cash flow statement
(a) Cash received related to other operating activities

	2021	2020
Government grants	21 933	12 955
Others	19 061	10 295
	40 994	23 250

(b) Cash paid relating to other operating activities

	2021	2020
Freight insurance	18 147	20 662
Professional service fees	60 879	51 747
Warranties	60 126	73 080
Rental and related expenses	43 304	48 147
Restructuring costs	44 592	55 212
Exhibition and advertising fees	8 850	13 649
Bank charges	39 145	33 972
IT costs	17 620	23 088
Handling charges for letter of guarantee	-	146
Donations	-	66
Costs related to reorganisation protection for plant outside China	201 830	-
Others	52 946	104 132
	547 439	423 901

(c) Cash received relating to other investing activities

	2021	2020
Advances for sale of disposed portfolio	1 255 881	-
Net cash inflows from actual income of foreign exchange forward contracts	2 746	-
Assets-related government grants received	200	-
	1 258 827	-

(d) Cash paid relating to other investing activities

	2021	2020
Net cash inflows from actual income of foreign exchange forward contracts	-	7 044
Assets-related government grants paid	800	-
	800	7 044

(e) Cash received from other financing activities

	2021	2020
Cash received from third-party borrowings	1 008 100	697 620
Recovery of restricted monetary funds	369 153	-
	1 377 253	697 620

(f) Cash paid relating to other financing activities

	2021	2020
Repayment of third-party borrowings	1 147 550	537 890
Repurchase of treasury shares	-	491 079
Payment for restricted monetary funds	-	575 296
Payment for lease liabilities	85 707	-
	1 233 257	1 604 265

(58) Supplementary information to the cash flow statement**(a) Reconciliation from net profit to cash flows from operating activities**

	2021	2020
Net profit	-548 082	-671 542
Add/Less:		
- Losses from credit impairment	298 104	110 233
- Provisions for impairment of assets	230 941	88 257
- Depreciation of fixed assets	171 224	164 213
- Depreciation of right-of-use assets	40 803	-
- Amortisation of intangible assets	82 205	102 330
- Amortisation of long-term deferred expenses	760	1 167
- Net losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	850	2 693
- Losses from changes in fair value ("-" for gains)	-	-
- Financial expenses ("-" for gains)	197 916	153 443
- Investment losses ("-" for gains)	-652 602	-
- Decreases in deferred tax assets ("-" for increases)	-100 431	-123 853
- Increases in deferred tax liabilities ("-" for decreases)	-54 987	-19 559
- Decreases in inventories ("-" for increases)	124 253	-368 761
- Decreases in operating receivables ("-" for increases)	15 567	-387 859
- Increases in operating payables ("-" for decreases)	281 474	-143 383
- Others	-2 083	-
Net cash flow from operating activities	85 912	-1 092 621
Net change in cash and cash equivalents		
Ending balance of cash	728 451	121 135
Less: beginning balance of cash	121 135	1 973 341
Add: ending balance of cash equivalents	-	-
Less: beginning balance of cash equivalents	-	-
Net increase in cash and cash equivalents	607 316	-1 852 206

(b) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash	728 451	121 135
- Cash on hand	20	19
- Unrestricted bank deposits	728 431	121 116
- Other unrestricted monetary funds	-	-
- Unrestricted deposits in central bank	-	-
- Deposits in banks and other financial institutions	-	-
- Loans to banks and other financial institutions	-	-
Cash equivalents		
- Bond investments maturing within three months	-	-
Cash and cash equivalents at the end of the year	728 451	121 135
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries of the Group	-	-

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

	Book value as at 31 December 2021	Reason for restriction
Monetary funds	350 719	Bank borrowing, bank acceptance draft, and letter of guarantee deposit
Accounts receivable	154 144	Pledge of bank borrowing
Receivables financing	178 876	Failure to meet the derecognition criteria
Fixed assets	675 190	Bank loan mortgage
Construction in progress	159 580	Bank loan mortgage
Intangible assets	96 387	Bank loan mortgage
Other non-current assets	300 000	Bank loan mortgage
	1 914 896	

(60) Monetary items in foreign currency

	Balance in foreign currency as at 31 December 2021	Exchange rate	RMB amount converted as at 31 December 2021
Monetary funds			905 511
- EUR	109 211	7.22408	788 952
- CHF	981	6.95894	6 829
- USD	9 798	6.36674	62 381
- Other currencies	-	-	47 349
Accounts receivable and long-term receivables			1 014 442
- EUR	122 705	7.22408	886 431
- CHF	163	6.95894	1 136
- USD	11 957	6.36674	76 129
- Other currencies	-	-	50 746
Financial assets held for trading			130
- EUR	-	7.22408	-
- CHF	19	6.95894	130
- USD	-	6.36674	-
- Other currencies	-	-	-
Accounts payable			1 796 599
- EUR	237 881	7.22408	1 718 474
- CHF	2 133	6.95894	14 842
- USD	3 256	6.36674	20 733
- Other currencies	-	-	42 550

(57) Government grants**(a) Government grants relating to assets**

	Amount	Items listed on the balance sheet	Amount included in the current profit or loss or offsetting the loss in related cost expenses		Item included in the current profit or loss or used to offset the losses of related costs
			2021	2020	
National Smart Manufacturing Integrated Standardisation and New Model Application Project	4 560	Deferred income	2 083	–	Other income
Funds for entrepreneurial skill master studio	200	Deferred income	–	–	–
Special funds for strategic emerging industries in autonomous regions	500	Deferred income	–	–	–
Special subsidies for smart manufacturing equipment	1 200	Deferred income	–	–	–

(b) Income-related government grants

	Amount	Amount included in the current profit or loss or used to offset the losses of related costs		Item included in the current profit or loss or used to offset the losses of related costs
		2021	2020	
VAT refunded upon collection	3 316	3 316	6 603	Other income
India export promotion plan	916	916	5 285	Other income
National Smart Manufacturing Integrated Standardisation and New Model Application Project	2 083	2 083	–	Other income
Government grants for the first (set) major technology equipment issued by People's Insurance Company of China	–	–	2 030	Selling and distribution expenses
One-time employment subsidy for labour force in difficulty	10	–	–	–
Subsidies for post stabilisation	394	394	206	Non-operating revenue
Special fund for business development	681	681	251	Non-operating revenue
Special grant for postdoctoral	5	5	50	Non-operating revenue
Subsidies for personnel training	–	–	232	Non-operating revenue
Others	1 247	1 247	2 507	Non-operating revenue
Special fund for headquarters incentive	1 000	1 000	–	Non-operating revenue
Subsidy for investment	20 000	20 000	–	Non-operating revenue
Subsidy for logistics	20 270	20 270	–	Costs of primary business

(63) Lease

	2021
Interest expenses on lease liabilities	8 330
Expenses on short-term lease under simplified treatment and included in relevant asset costs or the current profit or loss	10 547
Expenses on the lease of low-value assets under simplified treatment and included in the relevant asset costs or in the current profit or loss (except for the expense on short-term lease of low-value assets)	103
Variable lease payments that are not included in the lease liabilities for measurement included in the relevant asset costs or in the current profit or loss	–
Including: leaseback part	–
Revenue from the sublease of right-of-use assets	–
Total cash outflows relevant to lease	85 707
Leaseback-related profit or loss	–
Cash inflows of leaseback	–
Cash outflows of leaseback	–

The estimated future annual cash outflows where the lessee has committed but not started are as below:

Remaining lease term	Lease payment undiscounted
Less than 1 year	47 835
1 to 2 years	28 873
2 to 3 years	28 132
Over 3 years	59 372
	164 212

(64) Change of consolidation scope

There was no change in the consolidation scope in 2021.

5 Equity in other entities

(1) Equity in subsidiaries

(a) Structure of the Group

	Main place of business	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Saurer Intelligent Machinery Co. Ltd	China	China	Manufacturing and sales of textile machinery	80.65 %		Establishment
Saurer Xinjiang Intelligent Machinery Co. Ltd	China	China	Manufacturing and sales of textile machinery		80.65 %	Establishment
Changzhou Jintan Saurer Investment Co. Ltd	China	China	Investment holding		80.65 %	Establishment
Saurer Asia Machinery Co. Ltd	Hong Kong, China	Hong Kong, China	Investment holding		80.65 %	Establishment
Saurer (Changzhou) Texparts Component Co. Ltd	China	China	Manufacturing and sales of textile machinery		80.65 %	Business combination not under common control
Saurer (Shanghai) Textile Machinery Technology Co. Ltd	China	China	Manufacturing and sales of textile machinery		80.65 %	Establishment
Saurer Finance Leasing Co. Ltd	China	China	Leasing business		80.65 %	Establishment
Saurer (Jiangsu) Textile Machinery Co. Ltd	China	China	Manufacturing, sales and services of textile machinery		80.65 %	Establishment
Saurer Hong Kong Machinery Company Limited	Hong Kong, China	Hong Kong, China	Investment holding		80.65 %	Establishment
Saurer (Changzhou) Textile Machinery Co. Ltd	China	China	Investment holding		80.65 %	Business combination not under common control
Saurer Intelligent Technology AG	Switzerland	Switzerland	Management consultation, sales and services of textile machinery		80.65 %	Establishment
Saurer Textile Solution Pvt. Ltd	India	India	Manufacturing, sales and services of textile machinery		80.65 %	Establishment
Zinser Textlie Machines LLP	India	India	Manufacturing and sales of textile machinery		80.65 %	Establishment
Schlafhorst Machines Pvt. Ltd	India	India	Investment holding		80.65 %	Business combination not under common control
Saurer Inc.	US	US	Manufacturing, sales and services of textile machinery		80.65 %	Establishment
Saurer Components Pte Ltd	Singapore	Singapore	Manufacturing of textile machinery		80.65 %	Business combination not under common control
Saurer Fibrevision Ltd	UK	UK	Manufacturing and sales of textile machinery		80.65 %	Business combination not under common control
Saurer Têxtil Soluções Ltda.	Brazil	Brazil	Sales and services of textile machinery		80.65 %	Establishment
Saurer Tekstil A.S.	Turkey	Turkey	Textile machinery		80.65 %	Business combination not under common control

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

(b) Subsidiaries with significant non-controlling interests

	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders in 2021	Dividends declared to be distributed to minority shareholders in 2021	Balance of minority interest as at 31 December 2021
Saurer Intelligent Machinery Co. Ltd	19.35 %	-82 990	135 000	894 748

As at 31 December 2020, the total undistributed profits attributable to minority shareholders amounted to RMB 570 million. In accordance with the relevant laws and regulations and the Articles of Association, the AGM of the Company's subsidiary Saurer Intelligent Machinery Co. Ltd on 7 September 2021 approved the profit distribution plan for 2020 as follows: cash dividends totalling RMB 135 million (before tax) to all minority shareholders in proportion to their respective shareholdings; no other forms of profit distribution will be made.

Main financial information of subsidiaries with significant non-controlling interests

	31 December 2021						31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Saurer Intelligent Machinery Co. Ltd	9 261 299	4 079 185	13 340 484	7 512 895	651 115	8 164 010	8 507 137	5 346 147	13 853 284	4 803 630	1 873 479	6 677 109

	2021				2020			
	Revenue	Net profit/loss	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit/loss	Total comprehensive income	Cash flows from operating activities
Saurer Intelligent Machinery Co. Ltd	5 470 199	-428 799	-645 735	138 855	4 849 549	-568 730	-513 293	-1 035 593

(2) Equity in joint ventures

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

On 2 March 2015 SAURER AG, the Company's Swiss subsidiary (name changed in 2021 to Saurer Intelligent Technology AG), signed a joint venture agreement with a third-party partner to establish Saurer Premier Technologies Private Ltd in India. The registered capital was INR 30 000 000. According to the joint venture agreement, SAURER AG and its partner each hold 50 % of the shares and each of them hold 50 % of the voting rights. The main business of the joint venture is the manufacturing and sales of yarn clearers and accessories. The long-term equity investment is subject to the relevant foreign exchange controls in India, where the investment is located.

As at 31 December 2018, Saurer Premier Technologies Private Ltd incurred an excess loss of insignificant amount and entered into liquidation proceedings during the year, and the book value of the Company's long-term equity investment was written down to zero. As at 31 December 2021, the liquidation of the Company was not yet completed.

6 Financial risk

The Company's operating activities expose it to various financial risks, including credit risk, liquidity risk and market risk (mainly foreign exchange risk, interest rate risk and other price risks). The financial risks and the risk management policies taken by the Company to mitigate these risks are set out as below:

The Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyse the risks it faces. These risk management policies have defined specific risks, including market risk, credit risk and liquidity risk. The Company regularly evaluates changes in the market environment and the Company's operating activities to determine whether to update risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and mitigates relevant risks through close cooperation with other business units of the Company. The Company's internal audit department conducts regular audits of risk management controls and procedures, and reports the audit results to the Company's audit committee.

(1) Credit risk

The Company's credit risk mainly arises from cash at bank, notes receivable, accounts receivable, receivables financing, other receivables, debt investments, other creditor's right investment and financial guarantee contracts, etc., as well as those debt instruments investments and derivative financial assets not included in the scope of impairment assessment and measured at fair value through the current profit or loss. At the balance sheet date, the book value of the Company's financial assets represented its largest credit risk exposure. There are no off-balance sheet financial guarantees.

The Company's cash at bank funds are mainly deposits placed with reputable Chinese state-owned banks and other large and medium-sized listed banks with high credit ratings. The Company believes that it does not have significant credit risk and is highly unlikely to incur significant losses due to bank defaults.

In addition, the Company has policies to limit the credit exposure on notes receivable, accounts receivable, receivables financing and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the possibility of obtaining third-party guarantees, their credit history and other factors such as current market conditions. The credit history of customers is monitored regularly by the Company. Regarding customers with poor credit records, the Company will use methods such as written payment reminders or shortening or cancelling credit periods in order to keep the Company's overall credit risks within controllable scope.

As at 31 December 2021, the Company did not hold any significant collateral or other credit enhancements arising from the debtor's mortgage (2020: None).

(2) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Company and consolidated by the Company's finance department on Company level. The Company's finance department monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure that it has sufficient cash reserves 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 who will provide adequate reserves fund to meet the short-term and long-term liquidity requirements of the Company.

As at 31 December 2021, the financial liabilities of the Company at the balance sheet date are analysed by their maturity date at their undiscounted contractual cash flows as follows:

	31 December 2021				
	Within 1 year	1 to 2 years	2 to 3 years	Over 6 years	Total
Short-term borrowings	1 372 291	–	–	–	1 372 291
Notes payable	50 000	–	–	–	50 000
Accounts payable	844 505	–	–	–	844 505
Other payables	359 642	–	–	–	359 642
Long-term borrowings (including non-current liabilities maturing within one year)	881 636	1 000	283 000	–	1 165 636
	3 508 074	1 000	283 000	–	3 792 074

As at 31 December 2020, except for the financial liabilities held for trading that have been disclosed in note 4 (2), various financial liabilities of the Company are presented at undiscounted contractual cash flows on the maturity date as follows:

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 3 years	Over 6 years	Total
Short-term borrowings	1 980 622	–	–	–	1 980 622
Notes payable	489 000	–	–	–	489 000
Accounts payable	992 716	–	–	–	992 716
Other payables	544 383	–	–	–	544 383
Long-term borrowings (including non-current liabilities maturing within one year)	217 212	874 000	441 750	–	1 532 962
	4 223 933	874 000	441 750	–	5 539 683

As at 31 December 2021 and 31 December 2020, the Company had no external financial guarantees.

(3) Market risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and other price risks.

(a) Interest rate risk

The Company's interest rate risk mainly arises from interest-bearing debts such as bank borrowings. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk.

As at 31 December 2021 and 31 December 2020, the classification and analysis of the Company's interest-bearing debts based on floating interest rates and fixed interest rates are as follows:

	31 December 2021	31 December 2020
Floating interest rate		
- Short-term borrowings	-	-
- Long-term borrowings (including those maturing within one year)	832 881	1 480 750
	832 881	1 480 750
Fixed interest rate		
- Short-term borrowings	1 360 690	1 968 816
- Long-term borrowings (including those maturing within one year)	327 000	50 000
	1 687 690	2 018 816

To mitigate the impact of interest rate changes, the Company continuously evaluates and monitors its exposure to risks arising from interest rate changes, and takes measures to control such risks when necessary.

As at 31 December 2021, if the floating interest rate on borrowings had increased or decreased by 50 basis points while other factors remained unchanged, the net profit of the Company would have decreased or increased by approximately RMB 4 164 000 (2020: RMB 7 404 000).

(b) Foreign exchange risk

As at 31 December 2021 and 31 December 2020, the amount of financial assets and foreign currency financial liabilities held by the Company, converted into RMB, is shown below:

	31 December 2021						31 December 2020					
	EUR	CHF	USD	RMB	Others	Total	EUR	CHF	USD	RMB	Others	Total
Financial assets denominated in foreign currency												
- Monetary funds	29 687	3 383	45 618	308	15 861	94 857	11 922	337	9 633	293	6 707	28 892
- Accounts receivable and long-term receivables	9 082	126	68 635	1 031	17 603	96 477	42 013	-	283 998	124	27 568	353 703
	38 769	3 509	114 253	1 339	33 464	191 334	53 935	337	293 631	417	34 275	382 595

	31 December 2021						31 December 2020					
	EUR	CHF	USD	RMB	Others	Total	EUR	CHF	USD	RMB	Others	Total
Financial liabilities denominated in foreign currency												
- Short-term borrowings	-	-	-	-	-	-	98 323	-	448	-	-	98 771
- Payables	20 318	1 008	19 709	4 803	2 550	48 388	30 597	16 506	25 361	312	9 144	81 920
	20 318	1 008	19 709	4 803	2 550	48 388	128 920	16 506	25 809	312	9 144	180 691

For each subsidiary using EUR as a foreign currency, if the EUR had appreciated or depreciated by 10 % with other factors remaining unchanged, the net profit of the Company would have decreased or increased by approximately RMB 1845 000 as at 31 December 2021 (2020: RMB 7 499 000).

For each subsidiary using CHF as a foreign currency, if the CHF had appreciated or depreciated by 10 % with other factors remaining unchanged, the net profit of the Company would have decreased or increased by approximately RMB 250 000 as at 31 December 2021 (2020: RMB 1 617 000).

For each subsidiary using USD as a foreign currency, if the USD had appreciated or depreciated by 10 % with other factors remaining unchanged, the net profit of the Company would have decreased or increased by approximately RMB 9 454 000 as at 31 December 2021 (2020: RMB 26 782 000).

For each subsidiary using RMB as a foreign currency, if the RMB had appreciated or depreciated by 10 % with other factors remaining unchanged, the net profit of the Company would have decreased or increased by approximately RMB 346 000 as at 31 December 2021 (2020: RMB 11 000).

7 Fair value estimates

Fair value measurement is categorised at the lowest level of the input of greatest significance in the entire measurement. The input values used for measuring fair value are divided into three levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: unobservable inputs that have been applied in valuing the respective asset or liability.

(1) Financial instruments measured at fair value on a recurring basis

31 December 2021				
	Level 1	Level 2	Level 3	Total
Continuous measurement at fair value				
Financial assets				
Financial assets held for trading	-	130	-	130
Accounts receivables financing	-	-	244 133	244 133
	-	130	244 133	244 263

31 December 2020				
	Level 1	Level 2	Level 3	Total
Continuous measurement at fair value				
Financial assets				
Financial assets held for trading	-	14 008	-	14 008
Accounts receivables financing	-	-	159 055	159 055
	14 008	159 055	173 063	
Financial liabilities				
Financial liabilities held for trading	-	11 132	-	11 132

The Company takes the date when a conversion of levels occurs as the timing for the conversion of all levels. In 2021 and 2020, there was no conversion among level 1, level 2 and level 3.

The fair value of instruments traded in an active market is determined at the quoted market price in the active market to determine their fair value; the fair value of those not traded in an active market is determined by the Company using valuation techniques. Hedging instruments are valued using the discounted cash flow method, and the significant input refers to observable exchange rates.

As at 31 December 2021 and 31 December 2020, the Company had assets measured at fair value on a non-continuous basis.

(2) Assets and liabilities not measured at fair value but with their fair values disclosed

The Company's financial assets and financial liabilities measured at amortised cost mainly include: receivables, short-term borrowings, payables, long-term borrowings, etc. The difference between the book value and fair value of the financial assets and financial liabilities that are not measured at fair value is very small.

8 Related parties and related transactions

(1) Information on the controlling shareholder

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

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

(2) Subsidiaries of the Company

General information and other details on the subsidiaries are set out in note 7 Equity in other entities.

(3) Joint ventures and associates of the Company

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

(4) Information on other related parties

Name	Relationship with the Company
Litai Xingshi (note)	Controlled by the same parent company as the Company
Xinjiang Litai Silk Road Investment Co. Ltd (note)	Controlled by the same parent company as the Company
Kuitun Litai Silk Road Investment Co. Ltd (note)	Controlled by the same parent company as the Company
LT Textile International Limited Liability Company (note)	Controlled by the same parent company as the Company
Urumqi Litai Silk Road Investment Co. Ltd (note)	Controlled by the same parent company as the Company
Maigaiti Litai Silk Road Textile Co. Ltd (note)	Controlled by the same parent company as the Company
Alar City Litai Silk Road Investment Co. Ltd (note)	Controlled by the same parent company as the Company
Taicang Litai Textile Factory Co. Ltd	Controlled by the same parent company as the Company
Jiangsu Jinsheng Asset Management Co. Ltd	Controlled by the same controlling shareholder
Shanghai Huayuan Mechatronics Co. Ltd	Controlled by the same controlling shareholder
Heberlein AG	Controlled by the same controlling shareholder
EMAG (China) Machinery Co. Ltd	Controlled by the same controlling shareholder
Jiangsu Well Biotech Co. Ltd	Controlled by the same controlling shareholder
Saurer Premier Technologies Private Ltd	Joint venture
Chen Meifang	Close family member of the ultimate controlling shareholder
Pan Jian	Close family member of the ultimate controlling shareholder
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	Controlled by a close family member of the ultimate controlling shareholder
Jintan Yuanlin Hotel	Controlled by a close family member of the ultimate controlling shareholder
Jintan Changdang Lake Garden Huadian Catering Ship	Controlled by a close family member of the ultimate controlling shareholder

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

(5) Related party transactions**(a) Purchase of goods and receipt of services**

	Content of related transaction	2021	2020
Shanghai Huayuan Mechatronics Co. Ltd	Purchase of goods	–	10
Jiangsu Jinhong Textile Co. Ltd	Purchase of goods	–	52
LTXS	Purchase of goods	204	–
EMAG (China) Machinery Co. Ltd	Purchase of goods	1	–
Jiangsu Well Biotech Co. Ltd	Purchase of goods	2	–
Shanghai Huayuan Mechatronics Co. Ltd	Receipt of services	353	1 362
Jintan Yuanlin Hotel	Receipt of services	466	188
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	Receipt of services	63	204

(b) Sales of goods/rendering of services

	Content of related transaction	2021	2020
Litai Xingshi (note)	Sales of goods	207 747	1 158 996
Taichang Litai Textile Factory Co. Ltd	Sales of goods	68	696

Note: The Company sold textile equipment and accessories to Litai Xingshi (LTXS) for its own production and operation.

(c) Related-party lease

The Company as the lessee:

		2021			2020	
Lessor	Type of asset leased	Rental expenses and variable lease payments not included in the measurement of lease liabilities	Rent paid	Added right-of-use assets	Interest expenses on the lease liabilities assumed	Rental fees recognised
Shanghai Huayuan Mechatronics Co. Ltd	Office space	–	1 200	1 458	45	1 097

(d) Guarantees received and provided**(i) The Company as a guarantor:**

Guaranteed party	Guarantee amount	Starting date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Saurer Xinjiang Intelligent Machinery Co. Ltd (note)	80 000	1 May 2021	29 October 2021	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	8 000	27 December 2021	26 December 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	234 881	21 June 2019	20 June 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	148 000	19 November 2018	8 November 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	450 000	16 January 2020	15 January 2022	No
Saurer Xinjiang Intelligent Machinery Co. Ltd	42 000	21 May 2020	20 May 2022	No

Note: The borrowing is overdue. According to the guarantee agreement, the guarantee period is three years after the expiration of debt on 29 October 2021.

(ii) The Company acted as guaranteed party:

Guarantor	Guaranteed amount	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Jinsheng Industry Co. Ltd and Pan Xueping (note 1)	93 650	30 March 2020	30 March 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang (note 2)	100 000	27 February 2021	25 February 2023	No
Jiangsu Jinsheng Industry Co. Ltd	50 000	4 January 2021	3 January 2022	No
Jiangsu Jinsheng Industry Co. Ltd (note 3)	19 210	1 May 2021	29 October 2021	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang	76 000	19 November 2021	18 November 2022	No
Pan Xueping and Chen Meifang	100 000	31 March 2021	16 March 2022	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping, Chen Meifang, Zhang Yueping, Zhou Mei (note 4)	249 929	7 December 2021	30 November 2022	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping, Chen Meifang, Zhang Yueping, Zhou Mei (note 4)	250 000	25 January 2021	25 January 2023	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang (note 5)	50 000	20 December 2021	19 June 2022	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang (note 5)	50 000	21 December 2021	20 June 2022	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang (note 5)	48 000	22 December 2021	21 June 2022	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang (note 5)	35 900	24 December 2021	23 June 2022	No
Jiangsu Jinsheng Industry Co. Ltd and Pan Xueping	20 000	6 July 2021	5 July 2022	No
Jiangsu Jinsheng Industry Co. Ltd and Pan Xueping	28 000	23 August 2021	22 August 2022	No
Jiangsu Jinsheng Industry Co. Ltd and Pan Xueping	22 000	26 October 2021	25 October 2022	No
Jiangsu Jinsheng Industry Co. Ltd and Pan Xueping	27 500	27 October 2021	26 October 2022	No
Jiangsu Jinsheng Industry Co. Ltd and Pan Xueping	25 500	28 October 2021	27 October 2022	No
Jiangsu Jinsheng Industry Co. Ltd and Pan Xueping	27 000	29 October 2021	28 October 2022	No
Jiangsu Jinsheng Industry Co. Ltd, Pan Xueping and Chen Meifang (note 6)	80 000	1 May 2021	29 October 2021	No
Pan Xueping	8 000	27 December 2021	26 December 2022	No
Jiangsu Jinsheng Industry Co. Ltd	148 000	19 November 2018	8 November 2022	No
Pan Xueping and Chen Meifang	450 000	16 January 2020	15 January 2022	No
Pan Xueping	42 000	21 May 2020	20 May 2022	No

Note 1: The borrowing is overdue. According to the guarantee agreement, the guarantee period is two years after the expiration of debt on 30 March 2021.

Note 2: In addition to the guarantee provided by the related party, Xinjiang Litai Silk Road Investment Co. Ltd pledged its own equipment as mortgage collateral.

Note 3: The borrowing is overdue. According to the guarantee agreement, the guarantee period is three years after the expiration of debt on 29 October 2021. In addition to the guarantee provided by the related party, Xinjiang Litai Silk Road Investment Co. Ltd pledged its own equipment as mortgage collateral.

Note 4: In addition to the guarantee provided by the related parties of the two borrowings, Pan Xueping pledged part of his equity in Jiangsu Jinsheng Industry Co. Ltd.

Note 5: In addition to the guarantee provided by the related party of the four borrowings, Xinjiang Litai Silk Road Investment Co. Ltd backed the mortgage with its own industrial real estate.

Note 6: The borrowing is overdue. According to the guarantee agreement, the guarantee period is three years after the expiration of debt on 29 October 2021. In addition to the guarantee provided by the related party, Xinjiang Litai Silk Road Investment Co. Ltd pledged its own equipment as mortgage collateral.

(e) Remuneration of key management personnel

	2021	2020
Remuneration of key management personnel	15 750	25 144

(f) Receivables from and payables to related parties

(i) Receivables from related parties

Accounts receivable	31 December 2021		31 December 2020	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Litai Xingshi (LTXS)	2 643 519	218 895	2 935 134	68 043
Taicang Litai Textile Factory Co. Ltd	115	–	58	–
Jiangsu Jinhong Textile Co. Ltd	–	–	2	–

Advances to suppliers

Shanghai Huayuan Mechatronics Co. Ltd	377	–	–	–
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Other receivables

Shanghai Huayuan Mechatronics Co. Ltd	–	–	20	–
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(ii) Payables to related parties

Accounts payable	31 December 2021	31 December 2020
Litai Xingshi (LTXS)	396	–

Other payables

Pan Jian	–	600
Jiangsu Jinsheng Industry Co. Ltd	6 326	–
Jintan Yuanlin Hotel	171	–
Shanghai Huayuan Mechatronics Co. Ltd	1	–
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	–	61
Jintan Changdang Lake Garden Huadian Catering Ship	–	45

Employee benefits payable

Pan Xueping	1 797	2 004
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Lease liabilities

Shanghai Huayuan Mechatronics Co. Ltd	496	–
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(6) Related-party commitments

The following are the commitments of related parties that have been signed by the Company on the balance sheet date and do not need to be recognised in the balance sheet:

Sales of goods	31 December 2021	31 December 2020
Litai Xingshi (LTXS)	164 592	530 110

9 Commitments and contingencies

(1) Significant commitments

As at the balance sheet date, the Company had no significant commitments that require disclosure.

(2) Contingencies

As at the balance sheet date, the Company had no significant contingencies that require disclosure.

10 Events after the balance sheet date

(1) Profit distribution

Profit or dividend to be distributed	0.00
Profit or dividend declared to be granted upon deliberation and approval	0.00

According to the Articles of Association and the relevant laws and regulations, and in consideration of the Company's financing needs for the development of its business and other factors, the fifth meeting of the tenth Board of Directors on 28 April 2022 reviewed and approved the following profit distribution plan for 2021:

The audit performed by BDO China Shu Lun Pan Certified Public Accountants LLP confirmed that the Company's 2021 consolidated statement showed a net loss of RMB 548 082 000. Article 155 of the Articles of Association stipulates that "the Company may not distribute cash dividends under any of the following circumstances: 1. The consolidated statements or parent company's statements show that no profits were generated for the year".

In conclusion, the Company does not intend to distribute profits or capitalise its capital reserve in order to enhance the financial stability and ability to withstand risks, guarantee the funding needs for its future production and operations, and safeguard the long-term interests of all shareholders.

The proposed profit distribution plan is subject to consideration and approval at the shareholders' general meeting.

(2) Notes on other post-balance sheet events

(a) As of the disclosure date of the financial report, the Company had repaid the overdue loan principal of RMB 19 210 000 to the Urumqi Branch of China Merchants Bank Co. Ltd on 31 December 2021 through the method of repaying old loans by using new ones, and obtained a new loan of RMB 14 210 000, with a term from 28 January 2022 to 27 January 2023 at an interest rate of 5.5 %.

(b) As of the disclosure date of the financial report, Saurer Xinjiang Intelligent Machinery Co. Ltd, a subsidiary of the Company had repaid the overdue loan principal of RMB 80 000 000 to the Urumqi Branch of China Merchants Bank Co. Ltd on 31 December 2021 through the method of repaying old loans by using new ones, and obtained a new loan of RMB 80 000 000, with a term from 28 January 2022 to 28 January 2023 at an interest rate of 5.5 %.

11 Capital management

The Company's capital management policies aim to safeguard the Company's ability to continue as a going concern, providing returns to the owners and benefiting other stakeholders while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to owners, increase its capital, or sell assets.

The total capital of the Company is the total owners' equity listed in the consolidated balance sheet. The Company is not subject to external mandatory capital requirements and makes use of the asset-liability ratio to monitor capital.

As at 31 December 2021 and as at 31 December 2020, the asset-liability ratio of the Company is as follows:

	31 December 2021	31 December 2020
Asset-liability ratio	65 %	60 %

12 Discontinued operations

(1) Net profit from continued operations and discontinued operations attributable to owners of to the parent company

	2021	2020
Net profit from continued operations attributable to owners of the parent company	-592 634	-392 537
Net profit from discontinued operations attributable to owners of the parent company	127 542	-168 921

(2) Net profit of discontinued operations

Profit or loss from discontinued operation	2021	2020
Revenue	1 038 420	1 187 883
Costs and expenses	1 193 639	1 404 355
Total profits	-337 690	-268 471
Income tax expenses (gains)	-42 255	-59 021
Net profit	-295 435	-209 450

Profit or loss from disposal of discontinued operation

Total profit or loss from disposal	652 601	-
Income tax expenses (gains)	199 024	-
Net profit or loss from disposal	453 577	-
	158 142	-209 450

For the assets or disposal groups subject to discontinued operations, the impairment loss recognised in 2021 amounted to RMB 165 623 (impairment loss recognised in 2020: None) and there was no impairment loss reversed in 2021 (impairment loss reversed in 2020: None).

(3) Cash flows from discontinued operations

	2021	2020
Net cash flows from operating activities	-8 533	149 575
Net cash flows from investing activities	8 533	-149 575
Net cash flows from financing activities	-	-

13 Segment information

The reporting segments of the Company refer to the business units that provide different products or services or operate in different regions. Different businesses or regions require different technologies and market strategies; for this reason, the Company manages the production and operation activities of each reporting segment separately and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Company has two reporting segments, namely:

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

Intersegment transfer prices are determined by referring to the selling prices to third parties.

Assets are allocated according to operation of each segment and the physical location of the assets. The liabilities are allocated according to the operation of the segments, and the expenses indirectly attributable to each segment are allocated among the segments based on the proportion of each segment's revenue.

(a) Segment information as at and for the year ended
31 December 2021 is as follows:

	Spinning Solutions	Technologies	Unallocated	Offset	Total
Revenue from external transactions	4 193 371	1 276 828	-	-	5 470 199
Revenue from intersegment transactions	3 177	21 641	-	24 818	-
Cost of sales	3 772 388	1 046 001	-	-	4 818 389
Credit impairment losses	297 617	487	-	-	298 104
Asset impairment losses	51 969	178 972	-	-	230 941
Depreciation and amortisation expenses	221 203	67 088	6 701	-	294 992
Earnings before interest and tax/(loss)	-334 712	332 080	-342 857	-	-345 489
Interest income	-	-	48 381	-	48 381
Interest expenses	-	-	197 916	-	197 916
Total profits (total losses)	-334 712	332 080	-492 392	-	-495 024
Income tax expenses	-	-	53 058	-	53 058
Net profit (net loss)	-334 712	332 080	-545 450	-	-548 082
Total assets	9 102 965	879 990	2 190 963	46 022	12 127 896
Total liabilities	2 729 649	558 848	4 695 814	46 022	7 938 289
Addition of fixed assets, construction in progress, long-term de-ferred expenses and intangible assets	133 994	19 710	39 742	-	193 446

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

	Spinning Solutions	Technologies	Unallocated	Offset	Total
Revenue from external transactions	3 852 742	996 807	-	-	4 849 549
Revenue from intersegment transactions	3 165	21 236	-	24 401	-
Cost of sales	3 071 342	797 788	-	-	3 869 130
Credit impairment losses	110 352	-119	-	-	110 233
Asset impairment losses	89 695	-1438	-	-	88 257
Depreciation and amortisation expenses	187 429	74 340	5 941	-	267 710
Earnings before interest and tax/(loss)	-302 003	-138 412	-194 841	-	-635 256
Interest income	-	-	25 491	-	25 491
Interest expenses	-	-	153 443	-	153 443
Total profits (total losses)	-302 003	-138 412	-322 793	-	-763 208
Income tax expenses	-	-	-91 666	-	-91 666
Net profit (net loss)	-302 003	-138 412	-231 127	-	-671 542
Total assets	9 706 501	1 297 072	1 895 597	52 828	12 846 342
Total liabilities	3 330 003	662 649	3 816 893	52 828	7 756 717
Addition of fixed assets, construction in progress, long-term deferred expenses and intangible assets	292 647	77 886	2 529	-	373 062

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

Sales revenue from third-party customers	2021	2020
Germany	2 900 821	2 292 123
China	1 620 397	2 075 611
US	280 788	162 115
Switzerland	363 585	115 929
India	136 930	78 975
Turkey	63 405	45 360
UK	56 535	42 179
Brazil	31 600	31 083
Mexico	10 824	5 312
Singapore	4 758	862
Uzbekistan	556	-
	5 470 199	4 849 549

Total non-current assets	2021	2020
Switzerland	1 355 397	1 470 697
China	1 272 681	1 213 435
Germany	879 889	1 147 655
India	111 722	126 294
UK	52 129	49 518
Singapore	37 973	29 997
US	21 632	24 574
Brazil	3 042	1 928
Czech Republic	3 999	1 699
Turkey	627	1 116
Netherlands	246	-
Mexico	180	296
	3 739 517	4 067 208

In 2021, the sales revenue from Litai Xingshi (LTXS), a customer assigned to Spinning Solutions, amounted to RMB 207 747 000, accounting for 3.8 % (in 2020: 24 %) of the Company's sales revenue.

14 Notes to main items of the parent company financial statements

(1) Other receivables

	31 December 2021	31 December 2020
Interest receivable	–	–
Dividends receivable	–	–
Other receivables	10	432 823
	10	432 823

(a) Disclosure by aging

	31 December 2021	31 December 2020
Within 1 year	10	431 952
1 to 2 years	–	–
Over 2 years	–	871
Less: provision for bad debts	–	–
	10	432 823

Current accounts within the consolidation scope	–	431 553
Deposit and others	10	1 270
	10	432 823

As at 31 December 2021, the Company has no other receivables in the second and third stages. As at 31 December 2021, the amount of the provision for bad debts of other receivables in the first stage was not significant.

As at 31 December 2021, the Company had no provisions for bad debt of other receivables.

In 2021 and 2020 there was no provision for bad debts recovered or reversed, and no actual write-off of other receivables.

(2) Long-term equity investments

	31 December 2021			31 December 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	10 452 842	–	10 452 842	10 452 842	–	10 452 842

As at 31 December 2021 and 31 December 2020, the Company's direct shareholding subsidiary is Saurer Intelligent Machinery Co. Ltd, which holds certain long-term equity investments in subsidiaries in Mainland China, Hong Kong and outside China. These long-term equity investments are subject to the relevant foreign exchange controls applicable in Mainland China, Hong Kong and the respective locations where the investments are made.

15 Supplementary information

(1) Breakdown of non-recurring profit or loss

	Amount
Gains or losses from disposal of non-current assets	-850
Government grants included in the current profit or loss (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	25 410
Employee severance expenses and other costs expected to be incurred with the restructuring of overseas factories	66 587
Expenses related to reorganisation and protection of overseas factories	-201 830
Investment income from the disposal of business-generation disposal group	652 602
Non-operating revenue and expenses other than the above-mentioned items	3 074
	544 993
Affected amount of income tax	-156 990
Affected amount of minority equity (after tax)	-74 827
	313 176

(2) Net assets income and earnings per share

	Weighted average rate of return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	-12.87 %	-0.26	-0.26
Net profit attributable to common shareholders of the Company, excluding extraordinary profit or loss	-21.53 %	-0.44	-0.44

10. Catalogue of documents available for inspection

Catalogue of documents available for inspection	Financial statements bearing the signatures and seals of the Company's legal representative, Chief Financial Officer and the person in charge of accounting.
Catalogue of documents available for inspection	Original of the audit report bearing the seal of BDO and the signature and seal of a certified public accountant.
Catalogue of documents available for inspection	Originals of all documents and announcements publicly disclosed by the Company in newspapers designated by the CSRC within the reporting period.

Approval and submission date of the Board of Directors:

CEO and Chairman: Pan Xueping
30 June 2021

Disclaimer

Parts of the Saurer Annual Report 2021 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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