



Guangdong Dongfang Precision Science & Technology Co., Ltd.

Annual Report 2020

March 2021

Part I Important Notes, Table of Contents and Definitions

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

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

All the directors of the Company attended in person the board meeting for the approval of this Report.

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

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

The Company has no final dividend plan, either in the form of cash or stock.

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

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Definitions

Term	Definition
Dongfang Precision, or the “Company”	Guangdong Dongfang Precision Science & Technology Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
Dongfang Precision (China)	The corrugated box packaging machinery division of Guangdong Dongfang Precision Science & Technology Co., Ltd.
Fosber Group	Fosber S.p.A.
Fosber Asia	Guangdong Fosber Intelligent Equipment Co., Ltd.
Fosber America	Fosber America, Inc.
Fosber Tianjin	Fosber Machinery (Tianjin) Co., Ltd.
Tiru ña Group/Spain Tiru ña	Tiru ña Group Industrial, S.L.
Tiru ña America	Tiru ña America Inc.
Italy QCorr	QuantumCorrugated S.r.l.
Dongfang Precision (Europe)/Italy EDF	EDF Europe S.r.l.
Dongfang Precision (Netherland)	Dong Fang Precision (Netherland) Cooperatief U.A.
Dongfang Precision (HK)	Dong Fang Precision (HK) Limited
Parsun Power	Suzhou Parsun Power Machine Co., Ltd.
Shunyi Investment	Suzhou Shunyi Investment Co., Ltd.
Yinglian Digital	Foshan Yinglian Digital Printing Equipment Co., Ltd.
Jaten Robot	Guangdong Jaten Robot & Automation Co., Ltd.
Hainan Yineng	Hainan Yineng Investment Co., Ltd.
Dongfang Digicom	Dongfang Digicom Technology Co., Ltd.
Dongfang Digicom (Guangdong)	Dongfang Digicom Technology (Guangdong) Co., Ltd.
Pride, or Beijing Pride	Beijing Pride New Energy Battery Technology Co., Ltd.
Pulead	Pulead Technology Industry Co., Ltd.
BAIC Capital	Beijing Automotive Group Industry Investment Co., Ltd.
CATL	Contemporary Amperex Technology Co., Ltd.
Foton	Beiqi Foton Motor Co., Ltd.
Qinghai Puren	Qinghai Puren Intelligent Technology R & D Center (Limited Partnership)
Corrugated board	Corrugated board is a multi-layer paper-bonding object composed of at least one sandwich layer of wavy medium (commonly known as "corrugated paper", "corrugated medium paper", "corrugated paper medium" and "corrugated base

	paper") and one layer of cardboard (also known as "liner board").
Corrugated box	Corrugated box is a rigid paper container made of corrugated boards through die cutting, indenting, nailing or gluing. Corrugated box is one of the most widely used packaging containers in modern business and trade.
Corrugated box printing and packaging machinery	Corrugated box printing and packaging machinery include corrugated box printing and packaging line and stand-alone products that integrates pre-feeding, printing, grooving, die cutting, forming and packaging functions in whole or in part, which is highly functionally integrated, highly automated and highly technical, can save the capital and manpower investment, reduce workers' workload and improve the production efficiency of box manufacturers, and requires equipment manufacturers to be highly competent in design, technological innovation, assembly and finishing of parts.
Corrugator lines	<p>Corrugator lines are assembly lines comprising corrugating, gluing, agglutinating, bundle breaking, dimension board cutting and output processes, which are used to produce and process corrugated boards.</p> <p>A corrugator line has two independent process sections as the wet section and the dry section. The wet section, composed of the base paper stand, auto splicer, preheat preregulator, single-face corrugator, feeding bridge, glue machine and double facer, is used to make corrugated based paper into three-layer, five-layer and seven-layer corrugated boards of different corrugated combinations. The dry section, composed of the rotary shear, slitter indenter, cut-off knife and stacker, is used to slit, indent, cut off and stack corrugated boards as ordered.</p> <p>Corrugator lines are key production equipment for corrugated board and box manufacturers.</p>
Pre-printing and post-printing intelligent automatic packaging machinery	Pre-printing and post-printing intelligent automatic packaging machinery refers to equipment that is compatible with the corrugated box printing line or stand-alone products and can provide functions related to pre-printing and post-printing processes of corrugated box printing and packaging. It includes the pre-feeder, stripper conveyor, intelligent stacker and folder gluer.
Outboard motors	Outboard motors are a kind of detachable power units that are mounted on the stern plate of a boat to drive the boat to sail.
General utility small gasoline motors	General utility small gasoline motors are a kind of thermo-dynamic machinery of 20kW power or less with a wide range of applicability. It is characterized by small size, light weight and easy operation, and is usually used as a power engine for a variety of terminal products. By the structure of engine and principle of work, general utility small gasoline motors can be divided into two-stroke general utility small gasoline motors and four-stroke general utility small gasoline motors.
MES	MES, namely the Manufacturing Execution System, is a set of production information management system for workshop executives of manufacturing enterprises. It can manage manufacturing data, plans and schedules, production scheduling, inventory, quality, human resources, work centre and equipment,

	tools and tooling, procurement, costs, project dashboards, production process control, and integrated underlying data analysis and integrated upper-layer data decomposition, and provides enterprises with an effective, reliable, comprehensive, feasible and collaborative manufacturing management platform.
ERP	Enterprise Resource Planning
WMS	WMS, namely the Warehouse Management System, is a management system that comprehensively operates batch management, material corresponding, inventory checking, quality inspection management, empty warehouse management and instant inventory management through functions of incoming and outgoing management, warehouse allotting, inventory allocation and empty warehouse management.
SCADA	Supervisory Control And Data Acquisition
APS	Advanced Planning and Scheduling
AGV	AGV, namely Automated Guided Vehicle, refers to the vehicle that is equipped with an electromagnetic or optical auto-navigation unit, can travel along the prescribed navigation path and is functioned with safety protection and load transferring.
CSRC	China Securities Regulatory Commission
SZSE, or the “Stock Exchange”	Shenzhen Stock Exchange
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
The “Reporting Period” or “Current Period”	The period from 1 January 2020 to 31 December 2020

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

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

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

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

IV Change to Company Registered Information

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

V Other Information

The independent auditor hired by the Company:

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

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Name of financial advisor	Office address	Representative	Period of supervision
China Securities Co., Ltd.	188 Chaoyangmennei Street, Dongcheng District, Beijing, China	Zhu Lin and Gu Zhongjie	From 25 December 2019 to 31 December 2020

VI Key Financial Information

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

☐ Yes ☒ No

	2020	2019	2020-over-2019 change (%)	2018
Operating revenue (RMB)	2,916,270,143.13	9,973,503,602.19	-70.76%	6,621,349,618.40
Net profit attributable to the listed company's shareholders (RMB)	389,180,624.08	1,838,018,805.50	-78.83%	-3,875,995,219.91
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	263,426,429.87	438,715,870.86	-39.96%	-3,905,407,016.45
Net cash generated from/used in operating activities (RMB)	550,996,031.75	281,297,787.01	95.88%	721,724,801.12
Basic earnings per share (RMB/share)	0.26	1.01	-74.26%	-2.11
Diluted earnings per share (RMB/share)	0.26	1.01	-74.26%	-2.11
Weighted average return on equity (%)	6.20%	36.87%	-30.67%	-67.71%
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019 (%)	31 December 2018
Total assets (RMB)	6,323,236,687.05	6,273,516,157.31	0.79%	8,986,973,675.89
Equity attributable to the listed company's shareholders (RMB)	4,158,538,499.75	4,337,064,607.87	-4.12%	4,026,565,236.20

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

☐ Yes ☒ No

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

☐ Yes ☒ No

VII Key Financial Information on a Comparable Basis

The consolidated income statement and cash flow statement of 2019 included Pride, while the consolidated financial statements of 2020 did not. In order to give a more accurate view of the year-on-year changes in operating results, the

2019 data in the table below do not include Pride, i.e. the 2019 and 2020 data below are on a comparable basis:

	2020	2019 (adjusted on a comparable basis)	Change (%)
Operating revenue (RMB)	2,916,270,143.13	2,867,406,250.70	1.70%
Net profit attributable to the listed company's shareholders (RMB)	389,180,624.08	171,674,716.84	126.70%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	263,426,429.87	126,681,554.70	107.94%
Net cash generated from/used in operating activities (RMB)	550,996,031.75	235,284,708.85	134.18%

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

1. Net Profit and Equity under CAS and IFRS

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

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

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

IX Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	618,374,944.67	559,116,280.46	774,467,679.35	964,311,238.65
Net profit attributable to the listed company's shareholders	47,491,377.77	79,707,084.32	98,519,590.30	163,462,571.69
Net profit attributable to the listed company's shareholders before exceptional gains and losses	25,666,651.19	55,352,024.67	80,885,127.45	101,522,626.56
Net cash generated from/used in operating activities	-85,471,622.64	114,881,031.96	219,576,247.92	302,010,374.51

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

☐ Yes ☒ No

X Exceptional Gains and Losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	2020	2019	2018	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-52,742.69	-95,745,648.97	1,792,860.48	
Government grants through profit or loss (exclusive of government grants given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	10,749,683.55	22,854,061.39	9,052,705.37	
Gain equal to the amount by which investment costs for the Company to acquire subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	866,489.40			
Gain or loss on fair-value changes on held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other debt investments (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	96,118,955.74	1,473,114,508.83	24,082,095.44	
Non-operating income and expenses other than the above	33,173,454.66	9,007,522.57	890,902.50	
Other gains and losses that meet the definition of exceptional gain/loss	1,229,987.66			
Less: Income tax effects	15,906,631.40	9,881,032.32	6,371,800.11	
Non-controlling interests effects (net of tax)	425,002.71	46,476.86	34,967.14	
Total	125,754,194.21	1,399,302,934.64	29,411,796.54	--

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

☐ Applicable ☒ Not applicable

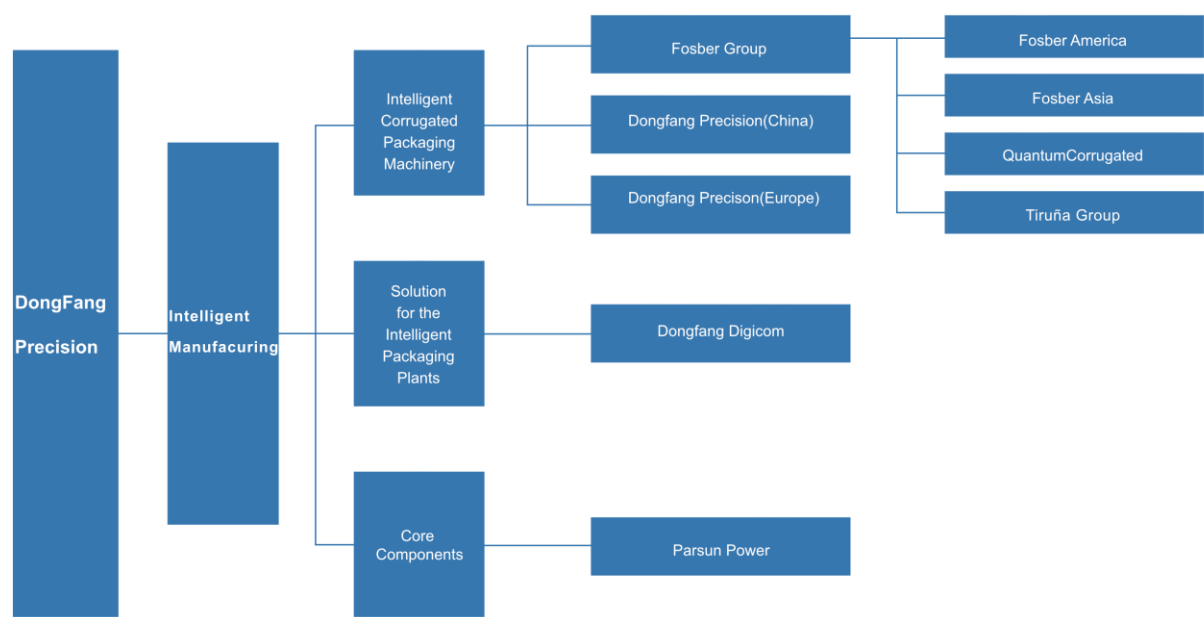
No such cases for the Reporting Period.

Part III Business Summary

I Principal Activities of the Company in the Reporting Period

Guangdong Dongfang Precision Science & Technology Co., Ltd. (hereinafter referred to as "Dongfang Precision" or the "Company") is one of the earliest companies that are engaged in the R&D, design, and production of intelligent corrugated packaging machinery in China, regarding "intelligent manufacturing" as its strategic vision and core. Since it went public in 2011, the Company has expanded its footprint in the upstream and downstream of the industrial chain of corrugated packaging machinery, through the capital market and the "dual drivers of "endogenous expansion and epitaxial M&A". Currently, Dongfang Precision has grown into a supplier of intelligent corrugated packaging machinery with comprehensive strength leading the globe. Besides, it is endeavouring to become an overall solution provider for intelligent plants by virtue of intelligent and digitalization transformation. In terms of core parts, Parsun Power, a subsidiary of the Company, is a domestic advanced supplier specializing in hydrodynamic equipment.

Schematic diagram of main businesses of Dongfang Precision



(I) Intelligent corrugated packaging machinery business

The intelligent corrugated packaging machinery business of the Company primarily covers the corrugator line business and the corrugated box printing and packaging machinery business. All processes of the value chain, such as Design, R&D, production, sales, and services, are integrated. The Company's business entities include Dongfang Precision (China), Dongfang Precision (Europe), Fosber Group, and Fosber Asia. We can see that a global layout involving R&D, production, and sales has been developed.

Dongfang Precision, as an early domestic company that is engaged in the R&D, design, and production of corrugated packaging machinery, has expanded its business from corrugated box printing and packaging machinery at the beginning of listing to the whole production process of corrugated board packaging, including corrugator lines, the corrugated box printing and packaging line, all kinds of individual machine units, and pre-printing and post-printing automatic equipment.

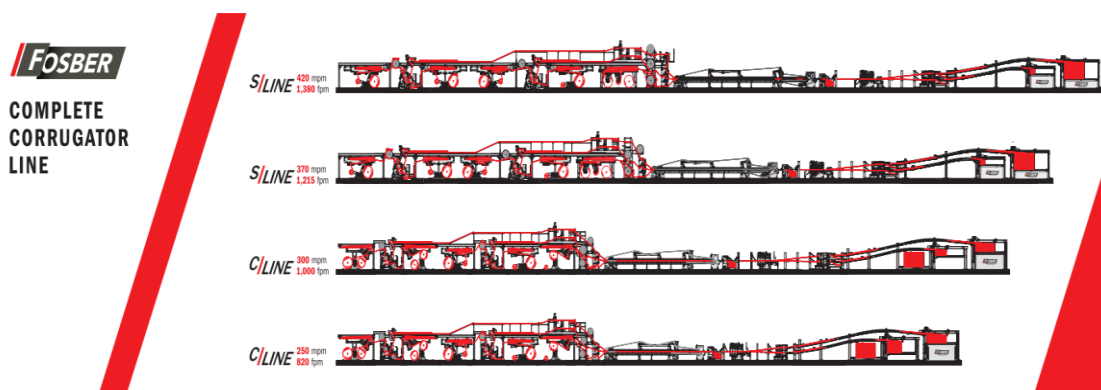
1. Main products and use

(1) Corrugator line business

The corrugator line business of the Company is mainly operated by Fosber Group, a wholly owned subsidiary of the Company (including Fosber Italy, Fosber America, Italy QCorr, and Spain Tiruña) and Fosber Asia, a partially-owned subsidiary. Specifically, Fosber Group targets the international market, while Fosber Asia, the domestic one.

Corrugator lines are designated to produce high-end products, featuring speed, width, energy conservation, safety, and automation superior to domestic peers and leading in the world. Its intelligent design and smooth linear processes are beneficial to effectively cut the labour costs and greatly raise the efficiency of production, operations, and management of downstream corrugated board packaging manufacturer.

Schematic diagram of Fosber's corrugator lines



(2) Corrugated box printing and packaging machinery business

The corrugated box printing and packaging machinery business mainly includes the corrugated box printing line, individual machine units for corrugated box printing, as well as pre-printing and post-printing intelligent and automatic equipment like pre-feeders, stripper conveyors, intelligent stackers, and folder gluers.

Dongfang Precision offers two major series of lines and individual machine units, namely, top printing and bottom printing, to meet the demand of customers at home and abroad. Representative series include the TOPRA series for the domestic market, the APSTAR series for the international market, and the Casemaker FD and Casemaker HGL series for the foreign market. Products with dozens of specifications and varied positioning are available. Therefore, Dongfang Precision is hailed as the equipment supplier with the most complete product lines and the richest product library worldwide.

Schematic diagram of individual machine units for corrugated box printing and packaging machinery



Schematic diagram of top printing fixed type folder gluer line (left) and bottom printing open-close folder gluer line (right) for corrugated box printing and packaging of Dongfang Precision.



Schematic diagram of automatic bottom printing line for corrugated box printing and packaging of Dongfang Precision



Schematic diagram of bottom printing fixed type corrugated box printing and packaging line of Dongfang Precision



The Company sells its corrugated box printing and packaging machinery to over 30 countries and regions, including Europe, America, Asia, Africa, Latin America, and Oceania. So far, the Company has become a world-renowned and domestic leading manufacturer of corrugated box printing and packaging machinery.

2. Major business models

(1) Operation models

In regard to the intelligent corrugated packaging machinery business, Dongfang Precision adopts the one-stop business model covering "design and R&D + production + sales + service" plus

"differentiated operations" and "service-oriented manufacturing".

The corrugator line business of Fosber Group and Fosber Asia as well as the corrugated box printing and packaging machinery business of Dongfang Precision (China) and Dongfang Precision (Europe) under Dongfang Precision boast industry-leading strengths in independent product design and R&D.

The corrugator line business and the corrugated box printing and packaging machinery business mainly offer mid- and high-end products, characterized by high technology, intellectualization, and reliability, to medium- and large-sized customers. Furthermore, the Company offers factory planning, equipment selection, and production customization services. Its professional technical team enables customers to enjoy superior technical support and after-sales services around the clock concerning the stock of accessories, remote monitoring, and technical support. In short, Dongfang Precision empowers manufacturing with service.

Thanks to the enormous resources devoted by the Company in the industry for years, Fosber's corrugator lines and Dongfang Precision's corrugated box printing and packaging machinery enjoy high popularity and exert strong brand influences, which is favourable for the Company to gain brand premium.

(2) Procurement and production models

The Company purchases electric elements, standard parts, and raw and auxiliary materials from external suppliers, and independently produces core machining components and develops control procedures for equipment automation.

Approximately 80% of its products are produced in line with customer orders, while the rest 20%, market prediction. The organic combination of the two production models can not only meet the order demand of customers, but also regulate the production pace through reasonable warehousing and prompt response to customer demand.

(3) Sales model

Direct sales are primarily adopted for the domestic market, while direct sales plus channel agency, for the foreign market.

In terms of payment and settlement methods, the Company, as a supplier of professional equipment with a high brand reputation, applies the following payment and settlement methods to

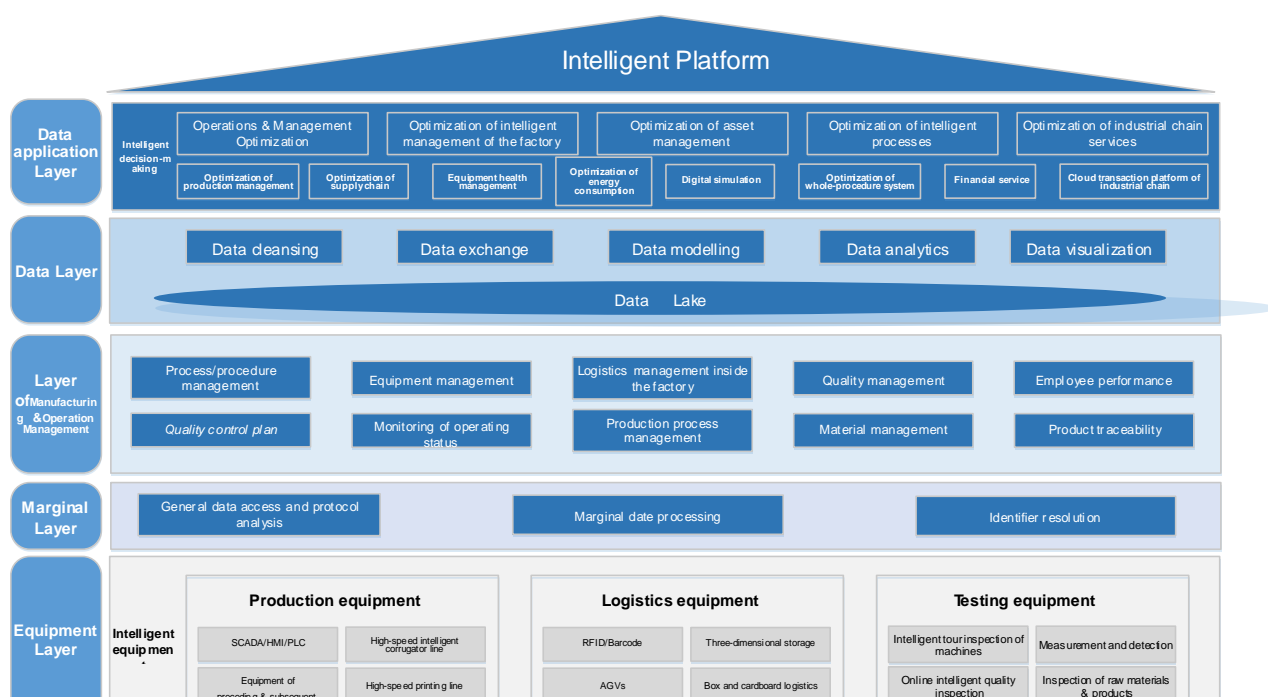
all customers of corrugated packaging machinery at home and abroad: The customer prepays some funds, then pays some funds upon shipment of goods, and lastly pays the rest funds off at the end of installation and debugging.

With respect to the type of product sales, the Company sells the whole equipment as well as accessories, software, and services. Both types of sales have their respective advantages. The sales of the whole equipment are a lump-sum sale with a large single amount, while accessories, software, and services can be repeatedly sold during the lifecycle of the equipment. The increasing number of the whole equipment in the market catalyses the growth in the rigid demand for accessories, software, and services. In turn, high-quality after-sales services stimulate the sales of the whole equipment. Both types of sales supplement each other and drive the steady progress of the business.

(II) Overall solution for intelligent plants

In 2020, Dongfang Precision incorporate a subsidiary, Dongfang Digicom, in order to formulate overall solutions of intelligent plants in the corrugated board packaging. Dongfang Digicom will endeavour to become a leader of digital transformation in the corrugated board packaging industry. It will focus on creating a cloud platform of industrial Internet services for intelligent plants where all equipment is interconnected, based on corrugator lines, corrugated box printing and packaging machinery, logistics, and warehousing of the whole factory, and develop a complete industrial ecosystem. The vision of Dongfang Digicom is to become a world-leading supplier of overall solutions of intelligent plants and industrial Internet services in the packaging industry and turn the industry smarter and manufacturing simpler.

Schematic diagram of Dongfang Digicom's overall solution of intelligent plants



(III) Outboard motors & general utility small gasoline motors

1. Main products and use

Parsun Power is a supplier of outboard motors and general utility small gasoline motors integrating R&D, manufacturing, sales, and service.

Outboard motors are its primary business. Outboard motors are a kind of detachable power units that are mounted on the stern plate of a boat to drive the boat to sail. They can be applied to boats shorter than 24m in inland rivers, lakes, and coastal waters. Currently, the equipment has been widely used for civil short-distance transportation/fishing, leisure sports like yachts/motorboats, and military use/maritime affairs/flood control and rescue.

Parsun Power's outboard motors can be classified into two-stroke and four-stroke by engine type. The power of two-stroke outboard motors ranges from 2-90 horsepower (HP), while that of four-stroke ones, 2.6-115HP. So far, Parsun Power embraces four major series of outboard motors that can be classified into 20 categories and hundreds of models, with power from 2 to 115 horsepower, which has made its outboard motor production line becomes the most complete among its domestic peers. In particular, some outboard motor models meet international advanced performance indicators, attributable to the maturity of electronic fuel injection (EFI). Parsun Power is second to none among domestic brands regarding comprehensive strengths in outboard motors.

Schematic diagram of some outboard motors of Parsun Power



The general utility small gasoline motors of Parsun Power can be classified into three series, namely, gasoline generating set, gasoline engine, and gasoline water pump. Specifically, the gasoline generating set can be applied to emergency communication, rush repairs, or backup power of the machine room. The gasoline engine includes 11 models with power ranging from 4HP (British horsepower) to 16HP and can be used as the power unit of small cars. The gasoline water pump is widely applied to agricultural irrigation and watering of stock farming. Parsun Power sells most general utility small gasoline motors to Africa and the Middle East which are highly recognized in the local market.

2. Major business models

Parsun Power employs the business model covering "design and R&D + production + sales" and two types of sales, that is, channel agency and direct sales.

Parsun Power can independently research, develop, and produce all types of outboard motors and provide customers with highly cost-effective hydrodynamic equipment by taking full advantage of the sound industrial chain in the domestic manufacturing industry, its strong R&D and technical strengths and rich production experience.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Equity assets	No significant change
Fixed assets	No significant change
Intangible assets	The closing balance was up 33.02% from the opening balance, primarily driven by the acquisition by Fosber Group of Agnati assets in the Reporting Period, which included intangible assets such as patented technology.
Construction in progress	The closing balance was up 87.26% from the opening balance, primarily driven by new manufacturing equipment of Fosber Group in the Reporting Period.
Cash and bank balances	The closing balance was down 62.42% from the opening balance, primarily driven by the reclassification of security deposits and large-amount deposit receipts of over one year to other non-current assets, as well as by a decrease in cash due to the purchase of wealth management products and the share repurchase, in the Reporting Period.
Financial assets held for trading	The closing balance was up 40.57% from the opening balance, primarily driven by new acquisitions of wealth management products in the Reporting Period.
Contract assets	The closing balance was up 100% from the opening balance, primarily driven by the reclassification due to the adoption of the new accounting standards governing revenue in the Reporting Period.
Deferred tax assets	The closing balance was up 101.83% from the opening balance, primarily driven by the recognition of deferred tax assets in the Reporting Period by the Company as the parent according to the previous losses.
Other non-current assets	The closing balance was up 37,081.72% from the opening balance, primarily driven by the reclassification of security deposits and large-amount deposit receipts of over one year to other non-current assets in the Reporting Period.

2. Major Assets Overseas

√ Applicable □ Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return	As a % of the Company's net asset value	Any material impairment risk or not
100% interest of Fosber S.p.A.	M&A	721,537,447.53	Italy	Producing and marketing by itself	Operation management	Good	17.05%	Not

100% interest of EDF S.R.L	M&A	43,186,331.69	Italy	Producing and marketing by itself	Operation management	Good	1.02%	Not
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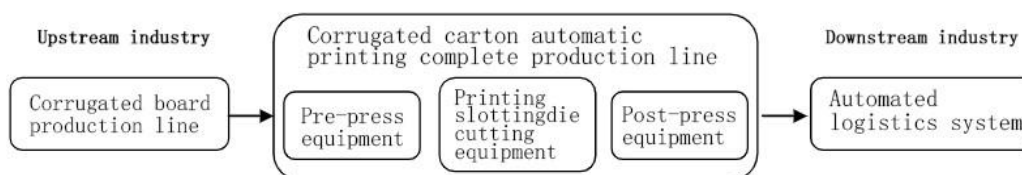
III Core Competitiveness Analysis

(III) Comprehensive industrial chain layout

As one of the leading suppliers in intelligent corrugated packaging machinery around the world, Dongfang Precision extends its footprint in the whole industrial chain of segments and offers equipment covering all procedures of the intelligent corrugated packaging line.

Dongfang Precision assigns its subsidiaries, including Fosber Group, Fosber Asia, Fosber America, and Italy QCorr, to undertake corrugator lines and unit equipment. Dongfang Precision (China) and Dongfang Precision (Europe) handle the corrugated box printing and packaging machinery business. Jaten Robot, its joint-stock company, specializes in automatic logistics systems. The presence in the whole industrial chain of corrugated packaging machinery firmly supports the overall solution of intelligent plants.

Schematic diagram of presence in the whole industrial chain



Schematic diagram of overall application for intelligent plants of corrugated box printing and packaging



- | | | | |
|--|---|--|--|
| 瓦楞纸板生产线
CORRUGATOR
1 佛斯伯高性能整卷瓦楞纸板生产线2.5m/2.8m
FOSBER High Performance Complete Corrugator 2.5M/2.8M | 瓦楞纸板印刷机
Corrugated Converting Machine
2 固定式上印印刷模切开槽粘箱联动线 FD 821
Quikset Top Printing Machine Casemaker FD 821
3 下印式全自动联动线
APSTAR HG2 RDC Full Automatic Converting Line
4 上/下印式粘箱联动线
TOPRA GDI/APSTAR HG2 FFG Inline
5 上/下印式六色高网线水性印刷机
TOPRA GDI/APSTAR HG2 Six Color High Graphic Flexo Line | 前后端智能物流辅助设备
Peripherals
6 高速预送纸机Flexfeed
High Speed Prefeeder Flexfeed
7 清废堆叠机 Flexystack IFP/PRM/VACUUM
Stripper Stacker/Bundle Stacker Flexysrack IFP,PRM/VACUUM
8 分纸机
Bundle Breaker
9 叠高机Unipal
Palletizer Unipal
10 自动空托盘放置机
Automatic Empty Pallet Inserter | 智能仓储物流系统
Intelligent Storage and Logistics Systems
11 货架、夹层和自动化仓储系统
Racks, Mezzanines and Automatic Storage Systems |
|--|---|--|--|

(II) Leading technology, stable & reliable products

Fosber Group, a business entity of corrugator lines under the intelligent corrugated packaging machinery segment of the Company, is a major supplier of high-end corrugator lines in the global market. It is one of the two largest companies in high-speed and wide corrugator lines. Fosber Group takes a leading position in Europe and North America, because of simplified design, stable performance, low failure rate, and high intellectualization.

Moreover, corrugated box printing and packaging machinery under the intelligent corrugated packaging machinery business of Dongfang Precision are characterized by advanced design concepts, high functional integration, high automation, and outstanding overall performance. Especially, the Company occupies a leading position in the market regarding the overall performance in operating stability, service life, printing quality, efficiency, width, and registering accuracy.

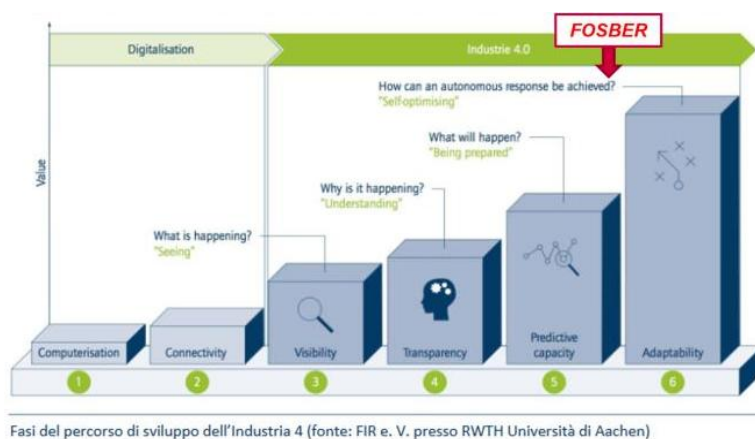
The outboard motor R&D team of Parsun Power, a wholly-owned subsidiary of Dongfang Precision, has relevant product and technology R&D experience for nearly two decades. Its products obtain the EU CE mark, the US EPA certification, and the CCS certification of the China Classification Society (CCS). It was the first drafter of the *Technical Conditions for Gasoline Engine of Outboard Motors* (JB/T11875-2014) for the domestic outboard motors industry. Parsun

Power has been recognized as a national high-tech enterprise for several consecutive years and won China Machinery Industry Science and Technology Award II twice.

(III) Industry-leading industrial Internet technology and services

Fosber Group, a subsidiary of Dongfang Precision, vigorously practices the industrial Internet model and has realized the self-learning and intelligent production of machines based on the combination of the computer and the Internet, big data, and algorithms. The self-learning and intelligent production of machines include four phases, that is, visibility (intelligent identification), transparency (intelligent analysis), predictive capacity (intelligent prediction), and adaptability (artificial intelligence-based solutions). At present, Fosber has completed the functional design of the above four phases.

Schematic diagram of the phase of industrial Internet technology application of Fosber Group



Fosber Group has developed a PRO series intelligent information-based production management system for corrugator lines, by integrating sensor, AI, VR, 3D modelling, based on its data on the development, production, and technical support of corrugator lines accumulated for years. The system can control the whole procedure of corrugated board production, collect and analyse manufacturing data, make planning and scheduling, conduct production dispatching, monitor the inventory, and quality and cost management. The system epitomizes Fosber Group's application and practices of the industrial Internet and acts as a business card of the corrugator lines of Fosber. The overall technical level is leading across the globe.

(IV) International brand and extensive industry influence

Dongfang Precision's intelligent corrugated packaging machinery features stable quality.

Dongfang Precision Printer, Fosber's Lines, Tiruña Corrugating Rolls, and Quantum Lines are well-known and influential.

The Company's intelligent corrugated packaging machinery is known in the industry for its high performance, stability, and reliability. In addition, the Company offers excellent technical support and after-sales services, favourable to gain brand premium.

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

(V) Excellent customer resources with long-term and stable partnership

End customers have raised higher and stricter requirements for product quality, delivery timeliness, and sustainable and long-term cooperation, along with the Company's shift of the business model from the manufacturing of a single type of products to the provision of integrated and overall solutions. The Company has been exerting more efforts for R&D innovation and improving product and service quality so as to establish long-term and stable strategic partnerships with famous brands at home and abroad.

Particularly, the Company has established a good partnership in corrugated board packaging with domestic leading enterprises, such as Nine Dragons Paper (Holdings) Limited (Nine Dragons), Shanying International Holdings Co., Ltd. (Shanying Intl), Yuen Foong Yu Group (YFY Inc.), Xiamen Hexing Packaging Printing Co., Ltd. (HXPP), MYS Group Co. Ltd. (MYS), Xintonglian Packing (XTL), Zhejiang Dashengda Packaging Co., Ltd., Forest Packing Co., Ltd., United Creation Packaging Solutions Group (UCPS), and Zhengye International Holdings Company Limited (Zhengye International), and large international conglomerate, including International Paper, Smurfit Kappa, DS Smith, APP Sinar Mas, and Mpact.

With the constant growth in concentration and the continuous upgrading of capacity in the downstream industry, major customers will demand increasing overall solutions for intelligent plants as well as mid- and high-end production lines and equipment. The Company has seized opportunities and formed a better competitive edge by virtue of its stable business partnership during the above industry changes.

(VI) Cornerstone for sustainability based on experienced management team and professional technician team

Dongfang Precision has an experienced management team with a global vision and a deep insight into product R&D and design, manufacturing and operations, marketing, industrial layout, and development planning. Thanks to its rich experience and broad horizon, the management team allows Dongfang Precision to keep up with the general development trend of the intelligent corrugated packaging machinery manufacturing industry. By making forward-looking and strategic plans and business layout, the management team maintains robust and sustainable development of the Company.

In the meantime, Dongfang Precision adopts the professional manager team management model and attaches great importance to authorization management. It deems "a wealth of talents" and "cultural orientation" as its basic development strategies, and strengthens the building and upgrading of its organizing ability through multiple ways (including the building of a core senior management team, design of the organizational structure, standardization of the management and control system, implementation of mid- and long-term incentives, and building of corporate culture). Additionally, it keeps reinforcing the management and resource integration of all functional departments, offers more support for subsidiaries, improves the general management and operation efficiency, and promotes the implementation of the "globalization" and "synergy" strategies.

(VII) Successful practice in M&A and integration firmly supporting industrial chain layout

Dongfang Precision has adopted multiple integration measures, after acquiring Fosber Group in 2014. For instance, it has kept sending management talents to Fosber Group, incubated and cultivated Fosber Asia, assisted Fosber Group in adjusting its business strategies, intensified the management and R&D capabilities of the team, and standardized the authorization management system. Through the above measures, the Company has successfully injected operation vitality in Fosber Group. Fosber Group has achieved rapid and steady growth in operation performance. Besides, its operating revenue is more than twice as much as that before the acquisition, while its net profit, approximately three times.

Since the acquisition in 2015, Dongfang Precision has dispatched a management team to

Parsun Power, and facilitated the latter to streamline its strategies, adjust business strategies, and optimize key processes, such as procurement, production, R&D, and sales. Especially, the Company helped Parsun Power constant and steady growth from 2017 to 2020 amid the sluggish international market of outboard motors.

The successful M&A and integration cases of Fosber Group and Parsun Power have fully demonstrated the remarkable achievements of Dongfang Precision regarding the management and control of the strategies and finance of the subsidiaries, and the adoption of modern business management means, such as the management mechanism of decentralization and authorization of authority, the standardization of the corporate governance of the subsidiaries, and the operation and management of the shareholders' meeting, the Board of Directors and the Supervisory Committee.

From 2019 to 2020, the Company completed the acquisitions of the equity of Spain Tiruñá, a high-end manufacturer of corrugating and pressure rolls with a history of nearly one century and relevant business assets of Agnati, an Italian manufacturer of the corrugated board line with a glorious history. Upon completion of the acquisitions, Dongfang Precision comprehensively streamlined the development strategies, R&D systems, product series, marketing, and team building of the two enterprises, and carried out management output, that facilitated them to raise management effectiveness and further stimulate business vitality and the enthusiasm of team members. The Company is confident that the two enterprises with profound histories will mark more achievements and create greater value for shareholders based on effective integration.

Moreover, the Company will have a solid foundation and firm support for the subsequent expansion of presence in industrial chain and resource integration worldwide, thanks to the successful practice and prominent achievements in the integration of the above underlying assets, a good demonstration effect of relevant practices on the industry and favourable comments and reputation.

Part IV Management Discussion and Analysis

I Overview

The year 2020 witnessed "drastic fluctuations which had never emerged in the past century". The COVID-19 pandemic roamed the planet, struck a serious blow at the global economy, trade, and investment, and posed severe challenges to economic and social development. The global manufacturing industry had been blanketed by the pandemic. However, the virus in China has been effectively controlled, since the late second quarter of 2020 (2020 Q2). Thus, the Chinese economy has gone ahead of the rest countries to recover its economy, bringing a ray of hope to the global economic recovery. In the second half of 2020, especially the fourth quarter, China further accelerated to recover its manufacturing, given the steady recovery of industrial production, generally good prospects of supply and demand sides, and rapid growth in overseas market demand and exports. Particularly, equipment manufacturing grew rapidly by approximately 6.6% year-on-year (YoY) throughout the year.

Amid the impact of the pandemic in the first half of 2020, most practitioners in the global corrugated board packaging industry slowed down and postponed their capital expenditure plans. Since 2020Q2, the domestic industry took the lead in recovery. In addition, since 2020Q4, supply and demand in the industry have significantly increased. The industry prospects have gradually improved.

Under the strong leadership of the Board of Directors and management team, Dongfang Precision enabled all its business entities at home and abroad to resume work and production in the first half of 2020. In the second half, it recorded an obvious increase in its sales revenue from the first half, by grasping opportunities brought by the economic recovery. The COVID-19 pandemic has turned domestic and foreign environments complicated and changeable and highlighted the importance of a digital and intelligent production model for the downstream corrugated board packaging industry. In view of this, the management team of the Company has proactively made changes and adhered to the strategic vision and core business strategy of "intelligent manufacturing". It has endeavoured to turn business more digital and intelligent, while consolidating internal strengths and constantly improving operation efficiency.

For 2020, the Company recorded consolidated operating revenue of RMB2,916.2701 million, a net profit attributable to the listed company's shareholders of RMB389.1806 million, and a net profit attributable to the listed company's shareholders before exceptional gains and losses of RMB263.4264 million.

The consolidated income statement and cash flow statement of 2019 included Pride, while the consolidated financial statements of 2020 did not. In order to give a more accurate view of the year-on-year changes in operating results, the 2019 data in the table below do not include Pride, the 2019 and 2020 data below are on a comparable basis:

Unit: RMB'0,000

	2020	2019 adjusted on a comparable basis	Change (%)
Operating revenue	291,627.01	286,740.63	1.70%
Net profit attributable to the listed company's shareholders	38,918.06	17,167.47	126.70%
Net profit attributable to the listed company's shareholders before exceptional gains and losses	26,342.64	12,668.16	107.94%
Net cash generated from/used in operating activities	55,099.60	23,528.47	134.18%

The overall operations of the Company in 2020 were summarized below:

(I) Multiple measures promoting steady progress, robust growth in main businesses

In 2020, the Company focused on the main business of "intelligent manufacturing", took several measures to actively respond to changes in the macro economic and social environments and the market, and achieved steady growth in its principal business revenue and operation performance.

1. Intelligent corrugated packaging machinery business

The intelligent corrugated packaging machinery business of the Company covers two major parts, namely, the corrugator line business and the corrugated box printing and packaging machinery business, which is the core strategic business. The overall operations in 2020 remained robust. The operating revenue amounted to approximately RMB2.57 billion in the Reporting Period, with a steady increase from 2019.

The corrugator line business is mainly handled by Fosber Group and Fosber Asia. The former

faces the international market, while the latter, domestic.

(1) Domestic corrugator line business

In the Reporting Period, the domestic corrugator line business of the Company seized post-pandemic opportunities brought by the economic recovery and progress in courier and logistics for online shopping to drive its corrugated board capacity. Additionally, it actively carried out domestic marketing and exerted more efforts to develop major customers of the Group. Thus, the Company achieved gratifying performance in 2020.

In 2020, Fosber Asia had a rapid YoY increase in its order amount. Its annual order amount reached approximately RMB360 million, up by around 150% YoY from 2019. Moreover, it established a cooperative relationship or intention with the major customers and downstream leaders in corrugated board packaging of the Group, such as Nine Dragons, Shanying Intl, and MYS in the year.

Fosber Asia also intensified the localization of the supply chain in the Reporting Period. Basically, over 90% of mid- and high-end products have been localized. Meanwhile, it enhanced operation control to further cut costs and raise efficiency. Its gross profit margin was approximately 33% in 2020 with an apparent YoY increase of around 9%.

Affected by the above factors, the net profit of Fosber Asia surged by over 80% in 2020.

(2) International corrugator line business

The pandemic in 2020 severely impacted the economic and social operations of major foreign economies. Except for China, all other countries and regions recorded a negative increase. In such macro-economic environment, large enterprises in the international corrugated board packaging industry postponed their capital expenditure plans, leading to declined industry prospects and a negative influence on the sales of orders of the corrugator line business.

In consideration of the above adverse external environment, Fosber Group, the business entity of the international corrugator line business of the Company, actively responded to challenges and adopted measures to minimize the unfavourable impact of the pandemic. The international corrugator line business maintained steady progress in 2020.

Fosber Group recorded operating revenue of approximately RMB1.95 billion and net profit of around RMB180 million, both of which rose by approximately 5%, in 2020, its consolidated

financial report showed.

As early as the first half of 2020, Fosber Group had resumed normal work, production, and operations. It vigorously took action to maintain the partnership with major customers like Smurfit Kappa, International Paper, and DS Smith. Its annual order amount was generally stable. In the meantime, the management team of Fosber Group took multiple measures to reduce costs and improve efficiency, including improving lean production management, reducing total BOM costs, and streamlining the team to cut management fees.

Industrial synergy: Fosber Group acquired relevant business assets of Agnati, an Italian corrugated board line manufacturer in 2020 Q1. The brand history of Agnati dates back to the 1930s. As a pioneer, Agnati has created significant milestones in technologies and products for the design and manufacturing of corrugator lines. With products sold all over the world, it is one of the main suppliers of equipment for corrugator lines. As at 2020, Agnati had sold over 3,000 pieces of equipment to 82 countries around the world.

Through this acquisition, Fosber Group obtained the whole value chain of corrugator lines of Quantum, relevant customer resources, brands, and intellectual properties, as well as the technical support services sold and held by Agnati for corrugator lines. Thus, Fosber Group can offer high-speed and technology-leading corrugator lines. In 2020, the management team of Fosber Group newly established Italy QCorr (a new entity undertaking relevant business assets of Agnati), optimized the financial structure to turn finance and operations much more wholesome, launched new Quantum series corrugator lines, and made breakthroughs in sales in 2020.

Fosber Group acquired Spain Tiruña in 2019. Spain Tiruña is a century-old high-end manufacturer specialize in producing high-end corrugating and pressure rolls. Currently, it is ranked among the top corrugating roll manufacturers in the world.

Spain Tiruña has been a long-term strategic partner of Fosber Group for decades. The corrugating rolls produced by Spain Tiruña are one of the core parts and accessories in the corrugator line. The acquisition and business integration have tied the two enterprises with common customer bases closer, strengthened the control of Fosber Group over the supply of core parts and accessories and quality corrugating rolls, and turned the synergy effect of the industrial chain more prominent.

(3) Corrugated box printing and packaging machinery business

The corrugated box printing and packaging machinery business consists of Dongfang Precision (China) and Dongfang Precision (Europe). In the Reporting Period, the business contributed approximately RMB510 million in total to the operating revenue.

The global impact of the pandemic in 2020 suppressed the demand of some overseas customers for capital expenditures and equipment procurement. Besides, blocked logistics transportation and restricted traffic exerted a negative influence on overseas direct sales.

In 2020, Dongfang Precision (China) actively adopted measures to mitigate the negative impact of the pandemic. With respect to the revenue structure, it followed the "intellectualization" trend in the downstream corrugated board packaging industry and constantly intensified information-based production management software, technical support services, and spare products and parts, though overseas sales revenue of corrugated box printing and packaging machinery fell in the year. In the Reporting Period, sales and revenue of the above business grew steadily.

In regard to marketing, Dongfang Precision (China) continuously consolidated and further strengthened the partnership with major downstream group customers in China, established strategic cooperation or a deep contention intention with Shanying Intl, MYS, HXPP, and Zhengye International in the year, laying a solid foundation for recovery the growth momentum. Furthermore, it vigorously expanded the coverage of overseas businesses, employed multiple methods to scale up international marketing, and achieved a YoY increase in sales in Russia and Turkey.

2. Outboard motors & general utility small gasoline motors

In 2020, Parsun Power, a wholly-owned subsidiary of the Company, achieved robust growth. Throughout the year, its operation performance was not significantly affected by the pandemic. It recorded sales revenue of approximately RMB340 million, up by around 15% from the same period last year.

In the Reporting Period, Parsun Power continued to exert more efforts to develop the domestic outboard motor market and made a steady YoY increase in the sales revenue in the domestic market. In 2020, Parsun Power kept expanding the domestic military market and achieved great progress. The military business will hopefully become significant support for Parsun Power.

With respect to new product R&D, Parsun Power inputs more resources for electric outboard

motors, diesel outboard motors, and mixed-fuel outboard motors and achieved positive progress. Mass production of relevant models and large-horsepower outboard motors will hopefully begin in 2021. In terms of team building, Parsun Power attracted several high-end talents in sales, R&D technology, production, and finance to significantly improve the comprehensive strength and talent building of the team in 2020, laying a foundation for the development of high-level talent. Besides, it implemented equity incentives for key management personnel and business elites and further enhanced the stability and cohesion of the team. For operations and management, Parsun Power pushed forward the launch of the lean production management system, passed external system reviews like ISO9001 and ISO14001, and kept turning its production management more systematic and standardized. Furthermore, it continuously cut the inventory, raise the inventory turnover ratio, and steadily improved its operations.

Parsun Power recorded a rapid growth of approximately 40% YoY in the revenue from general utility small gasoline motors in the Reporting Period, thanks to the earlier recovery of the domestic manufacturing industry compared with international peers and higher demand for general utility small gasoline motors (e.g., gasoline generating set and gasoline water pump) in overseas market and specific markets (e.g., the agricultural market) amid the pandemic in 2020.

(II) Launch of "digitalization and intellectualization" strategy and creation of "intelligent plants"

Problems in the corrugated board packaging industry, such as traditional production management models, high reliance of some key positions on senior technicians, and labour-intensive processes, turned more serious amid the pandemic in 2020 and became of the main barriers curbing the resumption of work and production and performance growth. In the post-pandemic era, practitioners in the industry perceived the importance of "machines replacing humans" and "intelligent plants" more deeply. Leading medium- and large-sized enterprises in the industry have earnestly adopted measures to accelerate intelligent production and the building of intelligent plants.

Regarding the development trend of the industry, production efficiency and the quality of finished products of traditional industrial production are restricted by many factors, such as staffing, skills, and proficiency. The manufacturing industry has reached a consensus on the upgrading and

transformation to automation, digitalization, and intellectualization and accelerated to do so in order to strengthen the manufacturing precision, reliability, consistency, and production efficiency of products to meet production demand that is increasingly upgraded.

Intelligent plants are based on digitalization, supported by big data and the Internet, and characterized by intelligent design, intelligent manufacturing, intelligent management, and intelligent logistics, and integrated optimization. For the corrugated board packaging industry, intelligent plants are a systematic project centring on digitalization and intellectualization and regarding hardware and software building as its important contents. What's more, intelligent plants represent a leap from traditional automatic production to data association, AI-based self-learning and decision-making, and flexible production.

Dongfang Precision has deemed "digitalization and intellectualization" as a vital part of its five-year strategies since the beginning of 2020, endeavoured to promote the digitalization and intellectualization transformation of corrugated box printing and packaging machinery. In 2020, the following measures were adopted to implement the "digitalization and intellectualization" strategy:

1. Dongfang Precision and Yunyin Technology (Shenzhen) Co., Ltd. (Yunyin), a majority-owned subsidiary of Shanying Intl, signed a *Strategic Cooperation Agreement* in July 2020. Yunyin is a service-oriented technological innovation enterprise in the domestic packaging industry. The Company and Yunyin have developed a long-term strategic partnership in the digital transformation and upgrading of the intelligent packaging industry. They have jointly created samples of intelligent plants and driven the digital transformation and upgrading of the printing and packaging industry, beneficial for the Company to further promote the implementation of business planning related to digital transformation and intelligent upgrading.

2. In October 2020, Dongfang Precision incorporated a new subsidiary, "Dongfang Digicom Technology Co., Ltd.". The new subsidiary is committed to offering overall solutions for intelligent plants in the corrugated board packaging industry based on industrial Internet, by virtue of the whole industrial chain layout and successful practices in the information-based management system regarding intelligent corrugated packaging machinery. It aims to become a supplier of overall solutions of intelligent plants in the corrugated board packaging industry.

The Company has shifted from its business model from being an "equipment manufacturer" to

a "supplier of overall solutions of intelligent plants", during the implementation of the "digitalization and intellectualization" strategy.

It enjoys the following advantages during the above shift in the corrugated board packaging industry:

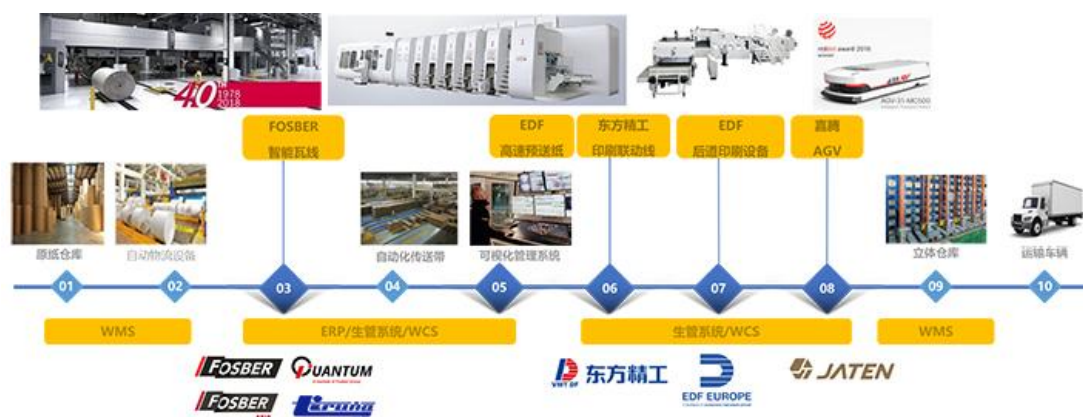
A. Whole industrial chain layout of the corrugated packaging machinery industry

Dongfang Precision has vertically scaled up its footprint in the industrial chain of segments of corrugated box printing and packaging machinery business after listing. Its main businesses have been expanded from the corrugated box printing and packaging machinery business at the beginning of listing to production equipment covering all processes in the production and processing chain of corrugated paper from production, printing, die cutting, gluing, to packaging, such as corrugating rolls, corrugator lines, fully automatic printing lines and individual machine units for corrugated boxes, and pre-printing and post-printing automatic equipment.

The integrity of the industrial chain layout of Dongfang Precision is reflected in the following two aspects:

(1) The whole industrial chain layout covers all processes of the chain of printing, packaging, production, and processing of corrugated paper. Basically, all equipment and products in the industrial chain of corrugated box printing and packaging machinery are reached. Dongfang Precision embraces series products, such as Tiruña corrugating rolls-Fosber corrugator lines-Quantum corrugator lines-Dongfang Precision (China) corrugated box printing and packaging line and individual machine units-Dongfang Precision (Europe) corrugated box printing and packaging machinery and pre-printing and post-printing automatic equipment.

Schematic diagram of whole industrial chain layout of corrugated box printing and packaging machinery business of Dongfang Precision



(2) Dongfang Precision features a product library with the most complete and richest product specifications and market positioning in the industry. For example, Dongfang Precision provides products with dozens of specifications and positioning in the corrugated box printing and packaging machinery segment, far more than those of its rivals, thus satisfying the diversified equipment demands of domestic customers.

B. Successful practices of information-based production management systems in the corrugated board packaging industry

The basis and core of an intelligent plant lie in the intelligent production system consisting of information-based systems like ERP, MES, WMS, SCADA, and APS. Especially, the Manufacturing Execution System (MES), as an information-based system targeting manufacturing execution, offer functions and modules, such as production process control, manufacturing data management, scheduling management, production dispatching management, inventory management, quality management, cost management, and project Kanban management, and optimizes production activities converting orders into products.

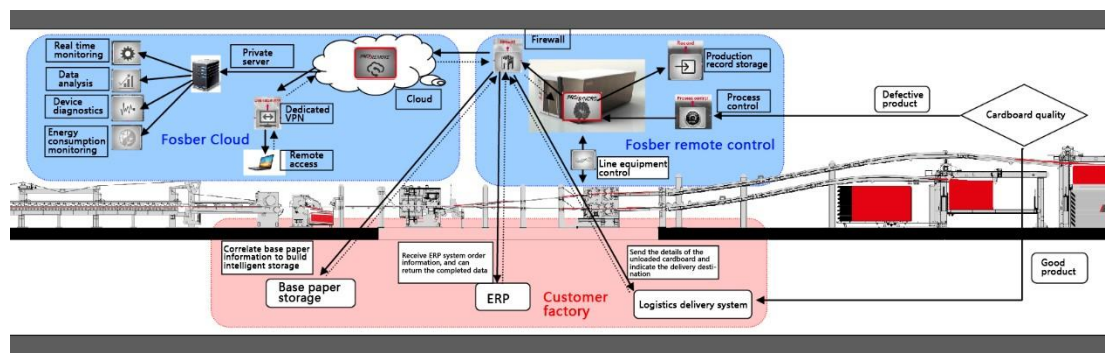
The corrugator line business and corrugated box printing and packaging machinery business of Dongfang Precision have demonstrated mature practices regarding information-based production systems:

(1) The PRO series information-based intelligent production management system for corrugator lines, developed by Fosber Group who integrated sensor, AI, VR, and 3D modelling and combined data on the development, production, and technical support of corrugator lines accumulated for years, has the following functions: First, it connects with ERP of the customer for

ERP production scheduling. Second, it connects with the WMS system of the customer to improve inventory management and storage and logistics management and control. Third, real-time monitoring of production data of corrugator lines and real-time monitoring of the production process and Kanban management are realized through more than 200 sensors in various types installed to corrugator lines. Fourth, the performance and cost of the production line are analysed based on data to help the customer make production decisions. Fifth, with the "self-diagnosis system", the machine can identify abnormal production data and automatically diagnose issues, based on the production data collected in a real-time manner and the preset algorithm. It will develop a causal relationship and search for an optimal solution in the database. Data are stored and transmitted safely through exclusive cloud servers and firewalls. The remote-control system enables real-time monitoring and remote control of equipment is monitored in a real-time manner.

In 2020, the R&D team of Fosber Group kept upgrading the PRO series information-based intelligent production management system for corrugator lines, in accordance with industry development trends and the actual demand of customers, introduced a new functional module, including the "big data analysis system" module. Sensors are utilized to collect data like temperature, humidity, heat, and wrinkles in real time during paper board production. The logical relationship between data is studied with preset algorithms. Results are output to constantly reinforce the effectiveness of production process control. The development of the "MyCorr artificial intelligence system" was promoted. Intelligent and deep analysis is carried out through "digital twin" and data collected and stored by the PRO series. Analysis results met requirements for the digitalization and intellectualization of operations and management.

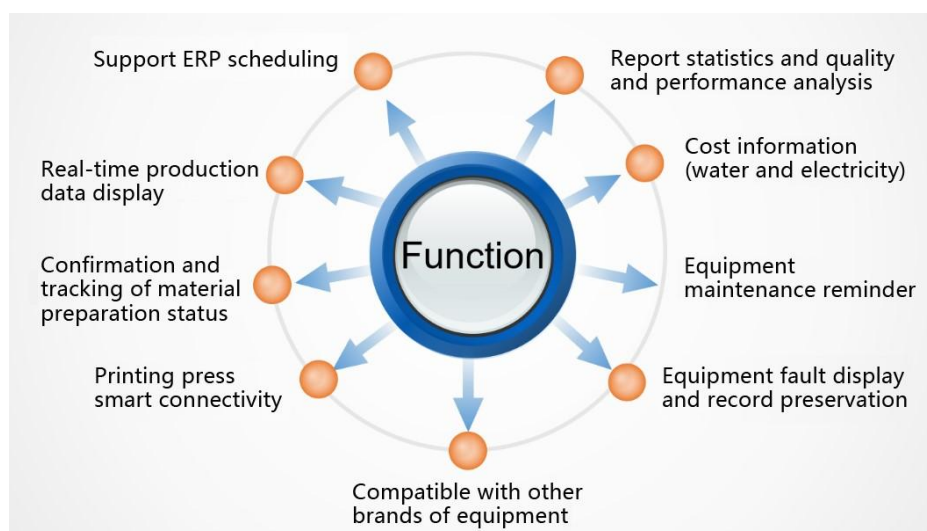
Schematic diagram of PRO series information-based intelligent production management system of Fosber Group



(2) The information-based production management system for corrugated box printers launched by Dongfang Precision (China) offer multiple functions, such as ERP production scheduling, intelligent stock management, setting of optimal parameters for automatic order storage and adjustment, collection of production data, real-time production Kanban management, production performance management, cost analysis, quality tracing, equipment failure management, and remote order management.

The whole process from ordering to the completion of production was optimized to reduce internal activities with low added value. Dongfang Precision (China) put the corrugated box printing line under automatic and standardized management. Production processes, enormous data on production equipment, and algorithm analysis and processing were organically combined. Meanwhile, the operational complexity of printers was reduced to reduce the reliance on labour. Dongfang Precision (China) prolonged effective production time and reduce material consumption to meet the demand of the customer for effective and flexible production.

Schematic diagram of functions of information-based production management system for corrugated box printers of Dongfang Precision



C. Innovative breakthroughs in overall solutions of intelligent plants

In 2020, Dongfang Precision established a subsidiary, Dongfang Digicom, to provide the corrugated board packaging industry with overall solutions for intelligent plants, in consideration of industry development trends and technology and product innovation. In the major trend of industrial upgrading, Dongfang Digicom will keep an open mind and join hands with top teams in the world to jointly create a cooperation ecosystem, by taking advantage of Dongfang Precision's experience

related to intelligent corrugated packaging machinery in the past three decades. An enterprise- and industry-level industrial Internet platform will be created, through new-generation information technologies, such as the Internet of Things (IoT), cloud computing, big data, 5G, and artificial intelligence (AI), to lower the threshold for enterprises to apply new-generation information technologies and boost the digital transformation and upgrading of the whole industry.

Looking ahead, Dongfang Digicom will focus on corrugator lines and core hardware equipment like corrugated box printing and packaging machinery and employ the IoT, 5G, and edge computing to realize a digital and network-based equipment layer. Furthermore, it will connect business, cash, and information flows through cloud computing and information application and promote comprehensive digitization of the production and operation layer. In addition, Dongfang Digicom will facilitate enterprises to perform data-based reasonable management and decision-making via big data and AI, promote intelligent transformation, and enhance enterprise competitiveness in all respects.

Resource sharing and network synergy across the industry will be available by developing an industry-level industrial Internet platform based on intelligent transformation. Therefore, the whole industry will become more competitive.

(III) Progressive capital growth and increase in value returns laying a foundation for sustainable development in the future

1. Repurchase shares in the secondary market and stabilize the value expectations

In June 2020, the share repurchase plan for 2020 was approved at the extraordinary general meeting of the Company. The Company would repurchase its shares from the secondary market through centralized bidding trading with total self-owned funds of RMB500 million (inclusive) at least and RMB1 billion at most. The repurchase price would not exceed RMB6.42/share. The repurchased shares would be retired in full to reduce the Company's registered capital.

As at the end of 2020, under the share repurchase of 2020 through centralized bidding trading, the Company repurchased approximately 104 million shares accumulatively, accounting for around 6.73% of its total share capital, and paid approximately RMB500 million in total. Implementation of the share repurchase plan is conducive to protecting the interests of extensive investors and bolstering their confidence. Upon share cancellation, the value of unit shares will increase, and the

value returns to shareholders will thereby increase.

2. Offer elites' incentives to ensure sound and sustainable development

In 2020, the Company launched the restricted share incentive plan. With 27 million ordinary A-shares repurchased from the secondary market as incentive shares, a price of RMB1/share was granted. Upon approval by the General Meeting and the Board of Directors in the year, the Company granted incentive shares to 40 core elites and managers in the first batch in total. 22.6 million shares were granted accumulatively.

Through the implementation of equity incentives, the Company will further stimulate the enthusiasm of managers and core elites at different levels, "stabilize the team, boost the morale, gather talents and improve business performance". The connection of the core elites' own interests to the Company's future business growth and capability of shareholder return will be deepened, which is conducive to the sustainable and healthy development of the Company and its continual improvement of the value creation capability.

3. Strengthen proactive management of idle funds, and improve the return on equity with controllable risk and sound income as guidelines to create higher value

In 2020, upon the approval of the General Meeting, the Company conducted securities investment with self-owned funds on the premises that legal compliance, the Company's need of routine operating funds and fund safety were ensured and that its development of major business would not be affected. The return on securities investment in 2020 totalled RMB100 million approximately, which made positive contribution to the growth in net profit in the Group's consolidated statements and the overall ROE improvement.

II Core Business Analysis

1. Overview

See "I Overview" above.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2020		2019		Change (%)
	Operating revenue	As a % of total operating revenue (%)	Operating revenue	As a % of total operating revenue (%)	
Total	2,916,270,143.13	100%	9,973,503,602.19	100%	-70.76%
By operating division					
Auto parts (disposed)		0.00%	7,106,097,351.49	71.25%	-100.00%
Intelligent manufacturing	2,916,270,143.13	100.00%	2,867,406,250.70	28.75%	1.70%
By product category					
Complete lines and individual machine units for intelligent corrugated packaging machinery	1,633,066,788.32	56.00%	1,620,368,040.68	16.25%	0.78%
Parts for intelligent corrugated packaging machinery	612,171,596.25	20.99%	611,380,210.58	6.13%	0.13%
Software and services related to intelligent corrugated packaging machinery	326,536,590.09	11.20%	336,044,115.95	3.37%	-2.83%
Outboard motors and general utility small gasoline motors	344,495,168.47	11.81%	299,613,883.49	3.00%	14.98%
Power battery systems (disposed)	----	----	7,106,097,351.49	71.25%	-100.00%
By operating segment					
Mainland China	349,869,885.20	12.00%	7,496,120,829.52	75.16%	-95.33%
Other countries and regions	2,566,400,257.93	88.00%	2,477,382,772.67	24.84%	3.59%

Note:

The consolidated income statement of 2019 included Pride and the revenue of 2019 from Mainland China included operating revenue of approximately RMB7,106 million contributed by Pride, while the consolidated financial statements of 2020 did not comprise Pride. In order to give a more accurate view of the year-on-year changes in operating revenue by operating segment, the

2019 revenue data in the table below do not include Pride, i.e. the 2019 and 2020 data below are on a comparable basis:

Unit: RMB

	2020		2019		Change (%)
	Operating revenue	As a % of total operating revenue (%)	Operating revenue	As a % of total operating revenue (%)	
By operating segment (with the 2019 data exclusive of Pride)					
Mainland China	349,869,885.21	12.00%	390,023,478.03	13.60%	-10.30%
Other countries and regions	2,566,400,257.93	88.00%	2,477,382,772.67	86.40%	3.59%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Auto parts (disposed)			0.00%	-100.00%	-100.00%	
Intelligent manufacturing	2,916,270,143.13	2,099,148,826.36	28.02%	1.70%	2.07%	-0.26%
By product category						
Complete lines and individual machine units for intelligent corrugated packaging machinery	1,633,066,788.32	1,278,135,262.19	21.73%	0.78%	1.99%	-0.92%

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
Parts for intelligent corrugated packaging machinery	612,171,596.25	405,365,593.98	33.78%	0.13%	-1.08%	0.81%
Software and services related to intelligent corrugated packaging machinery	326,536,590.09	163,729,334.95	49.86%	-2.83%	-2.65%	-0.09%
Outboard motors and general utility small gasoline motors	344,495,168.47	251,918,635.24	26.87%	14.98%	11.84%	2.05%
Power battery systems (disposed)	----	----	0.00%	-100.00%	-100.00%	
By operating segment						
Mainland China	349,869,885.20	236,787,361.05	32.32%	-95.33%	-96.32%	18.12%
Other countries and regions	2,566,400,257.93	1,862,361,465.30	27.43%	3.59%	0.40%	2.31%

Note:

The consolidated income statement of 2019 included Pride and the revenue of 2019 from Mainland China included operating revenue of approximately RMB7,106 million contributed by Pride, while the consolidated financial statements of 2020 did not comprise Pride. In order to give a more accurate view of the year-on-year changes in operating revenue, cost of sales and gross profit margin by operating segment, the 2019 operating revenue, cost of sales and gross profit margin data in the table below do not include Pride, i.e. the 2019 and 2020 data below are on a comparable basis:

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating segment (with the 2019 data exclusive of Pride)						
Mainland China	349,869,885.21	236,787,361.05	32.32%	-10.30%	-6.19%	-2.96%
Other countries and regions	2,566,400,257.93	1,862,361,465.30	27.43%	3.59%	3.23%	0.25%

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue√ Yes ☐ No

Operating division	Item	Unit	2020	2019	Change (%)
Intelligent manufacturing	Unit sales	Unit	289,152	210,542	37.34%
	Output	Unit	288,738	212,800	35.69%
	Inventory	Unit	7,854	11,451	-31.41%

Any over 30% YoY movements in the data above and why:

√ Applicable ☐ Not applicable

The intelligent equipment manufacturing business saw an increase in revenue amid stability in the Reporting Period compared to last year.

(4) Execution Progress of Major Signed Sales Contracts in the Reporting Period☐ Applicable √ Not applicable**(5) Breakdown of Cost of Sales**

By operating division and product category

Unit: RMB

Operating division	Item	2020		2019		Change (%)
		Cost of sales	As a % of total cost of sales (%)	Cost of sales	As a % of total cost of sales (%)	
Auto parts (disposed)	Cost of sales	----	----	6,229,954,385.16	75.18%	-100.00%
Intelligent manufacturing	Cost of sales	2,099,148,826.36	100.00%	2,056,477,689.76	24.82%	2.07%

Unit: RMB

Product category	Item	2020		2019		Change (%)
		Cost of sales	As a % of total cost of sales (%)	Cost of sales	As a % of total cost of sales (%)	
Complete lines and individual machine units for intelligent corrugated packaging machinery	Cost of sales	1,278,135,262.19	60.89%	1,253,247,146.92	15.12%	1.99%

Parts for intelligent corrugated packaging machinery	Cost of sales	405,365,593.98	19.31%	409,789,457.46	4.95%	-1.08%
Software and services related to intelligent corrugated packaging machinery	Cost of sales	163,729,334.95	7.80%	168,192,589.23	2.03%	-2.65%
Outboard motors and general utility small gasoline motors	Cost of sales	251,918,635.24	12.00%	225,248,496.15	2.72%	11.84%
Power battery systems (disposed)	Cost of sales		0.00%	6,229,954,385.16	75.18%	-100.00%

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

√ Yes ☐ No

The consolidated income statement and cash flow statement of 2019 included Pride, while the consolidated financial statements of 2020 did not.

In February 2020, subsidiary Fosber Group completed the acquisition of the relevant assets of BP Agnati S.r.l., a corrugator line manufacturer in Italy with Italy QCorr as the direct acquirer. Upon the transaction, Fosber Group has a 60% interest in Italy QCorr, and Italy QCorr was included in the consolidated financial statements of the Company for the Reporting Period.

In March 2020, subsidiary Tiru ãa Brasil Ltda was de-registered and has been excluded from the consolidated financial statements of the Company since the date of de-registration.

In September 2020, the Company acquired the other 50% interest in Yinglian Digital. Upon the acquisition, the Company owns the 100% interest of Yinglian Digital, which has been included in the consolidated financial statements of the Company.

In October 2020, subsidiaries Hainan Yineng and Dongfang Digicom were incorporated and have been included in the consolidated financial statements of the Company since the date of incorporation.

In November 2020, subsidiary Shunyi Investment, as a general partner, participated in the establishment of Suzhou High-Tech Zone Jinquan Business Management Partnership (Limited Partnership). Pursuant to the relevant partnership agreement and China's Accounting Standards for Business Enterprises, the Company included Suzhou High-Tech Zone Jinquan Business Management Partnership (Limited Partnership) in its consolidated financial statements of 2020.

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

√ Applicable □ Not applicable

The consolidated income statement and cash flow statement of 2019 included Pride, while the consolidated financial statements of 2020 did not. Therefore, the power battery system business was excluded from the primary business scope of the Company in the Reporting Period compared to 2019.

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	479,769,629.35
Total sales to top five customers as a % of total sales of the Reporting Period (%)	16.45%
Total sales to related parties among top five customers as a % of total sales of the Reporting Period (%)	0.00%

Top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As a % of total sales revenue (%)
1	Customer A	186,506,682.01	6.40%
2	Customer B	107,222,470.55	3.68%
3	Customer C	68,942,857.85	2.36%
4	Customer D	65,078,583.55	2.23%
5	Customer E	52,019,035.39	1.78%
Total	--	479,769,629.35	16.45%

Other information about major customers:

□ Applicable √ Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	263,932,767.20
Total purchases from top five suppliers as a % of total purchases of the Reporting Period (%)	12.12%
Total purchases from related parties among top five suppliers as a % of total purchases of the Reporting Period (%)	0.00%

Top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As a % of total purchases (%)
1	Supplier A	151,135,623.42	6.94%
2	Supplier B	34,031,139.58	1.56%

3	Supplier C	32,525,809.09	1.49%
4	Supplier D	24,349,269.60	1.12%
5	Supplier E	21,890,925.50	1.01%
Total	--	263,932,767.20	12.12%

Other information about major suppliers:

☐ Applicable ☒ Not applicable

3. Expenses

Unit: RMB

	2020	2019	Change (%)	Reason for any significant change
Selling expenses	181,549,459.69	414,527,474.88	-56.20%	The consolidated financial statements of last year included Pride for January-November 2019. Selling expenses would be up 5.62% on a comparable basis exclusive of Pride. The change was primarily driven by the reclassification of transportation expenses from selling expenses to costs, as well as by an increase in selling expenses due to Fosber Group's acquisition of Agnati.
Administrative expenses	246,973,016.40	365,218,611.72	-32.38%	The consolidated financial statements of last year included Pride for January-November 2019. Administrative expenses would be down 13.09% on a comparable basis exclusive of Pride. The change was primarily driven by a decrease in administrative expenses of the Group Headquarters.
Finance costs	7,919,670.28	-16,869,846.12	-146.95%	The consolidated financial statements of last year included Pride for January-November 2019. Finance costs would be up 1895.46% on a comparable basis exclusive of Pride. The change was primarily driven by changes in exchange gains/losses in the Reporting Period.
R&D expenses	82,082,274.75	156,654,915.42	-47.60%	The consolidated financial statements of last year included Pride for

				January-November 2019. R&D expenses would be up 20.19% on a comparable basis exclusive of Pride. The change was primarily driven by greater R&D investments in the Reporting Period.
--	--	--	--	--

4. R&D Investments

√ Applicable ☐ Not applicable

Details about R&D investments:

	2020	2019	Change (%)
Number of R&D personnel	308	392	-21.43%
R&D personnel as a % of total employees	18.25%	23.99%	-5.74%
R&D investments (RMB)	98,695,840.36	169,319,720.80	-41.71%
R&D investments as a % of operating revenue	3.38%	1.70%	1.68%
Capitalized R&D investments (RMB)	16,613,995.40	12,664,805.38	31.18%
Capitalized R&D investments as a % of total R&D investments	16.83%	7.48%	9.35%

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

√ Applicable ☐ Not applicable

The consolidated R&D investments of 2019 included those of Pride, while the amount of 2020 did not. Therefore, the R&D investments as a percentage of operating revenue changed in 2020 compared to 2019.

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

√ Applicable ☐ Not applicable

The consolidated R&D investments of 2019 included those of Pride, while the amount of 2020 did not. Therefore, the capitalized R&D investments as a percentage of total R&D investments changed in 2020 compared to 2019.

5. Cash Flows

Unit: RMB

Item	2020	2019	Change (%)
Subtotal of cash generated from operating activities	3,274,395,655.64	5,971,827,830.59	-45.17%

Item	2020	2019	Change (%)
Subtotal of cash used in operating activities	2,723,399,623.89	5,690,530,043.58	-52.14%
Net cash generated from/used in operating activities	550,996,031.75	281,297,787.01	95.88%
Subtotal of cash generated from investing activities	2,321,860,300.51	4,858,499,596.17	-52.21%
Subtotal of cash used in investing activities	3,505,386,890.24	4,736,987,401.92	-26.00%
Net cash generated from/used in investing activities	-1,183,526,589.73	121,512,194.25	-1,074.00%
Subtotal of cash generated from financing activities	557,812,012.95	362,807,582.84	53.75%
Subtotal of cash used in financing activities	1,311,605,832.73	605,506,468.14	116.61%
Net cash generated from/used in financing activities	-753,793,819.78	-242,698,885.30	210.59%
Net increase in cash and cash equivalents	-1,366,123,500.61	168,727,295.04	-909.66%

The consolidated cash flow statement of 2019 included Pride, while the consolidated financial statements of 2020 did not. In order to give a more accurate view of the year-on-year changes in cash flows, the 2019 data in the table below do not include Pride, i.e. the 2019 and 2020 data below are on a comparable basis:

Unit: RMB

Item	2020	2019 (exclusive of Pride)	Change (%)
Net cash generated from/used in operating activities	550,996,031.75	235,284,708.85	144.20%
Net cash generated from/used in investing activities	-1,183,526,589.73	273,125,045.18	-530.60%
Net cash generated from/used in financing activities	-753,793,819.78	-262,833,123.90	198.60%
Net increase in cash and cash equivalents	-1,366,123,500.61	254,192,829.21	-637.46%

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

√ Applicable □ Not applicable

(1) Net cash generated from operating activities was RMB550.996 million, primarily because notes were adopted more often for the settlement of sourcing in the Reporting Period, resulting in a decrease in cash payments, in addition to a faster turnover of accounts receivable.

(2) Net cash used in investing activities was RMB1,183.5266 million, primarily because the Company conducted securities investments in the Reporting Period as authorized by the general meeting.

(3) Net cash used in financing activities was RMB753.7938 million, primarily driven by loan repayment, payment of security deposits and share repurchase in the Reporting Period.

(4) Net decrease in cash and cash equivalents was RMB1,366.1235 million, primarily driven by net cash used in

investing and financing activities in the Reporting Period.

III Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As a % of gross profit	Primary source/reason	Recurrent or not
Return on investment	55,115,521.94	13.12%	Income from the wealth management products and large-amount deposit receipts purchased, as well as share of profit of associates recognized at the equity method in the Reporting Period	Yes
Gain/loss on changes in fair value	45,122,771.27	10.74%	Gains on securities investments conducted in the Reporting Period	Yes
Asset impairment loss	-5,368,019.60	-1.28%	Inventory valuation allowances	Not
Non-operating income	35,801,786.91	8.52%	Performance compensation received	Not
Non-operating expenses	1,746,731.36	0.42%	Donations and sponsorship expenditure	Not

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

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

Applicable.

Unit: RMB

	31 December 2020		1 January 2020		Change in percentage (%)	Reason for any significant change
	Amount	As a % of total assets	Amount	As a % of total assets		
Cash and bank balances	885,711,053.88	14.01%	2,356,703,434.60	37.57%	-23.56%	Reclassification of security deposits and large-amount deposit receipts of over one year to other non-current

						assets, as well as by a decrease in cash due to securities investments and the share repurchase, in the current period
Accounts receivable	469,635,423.58	7.43%	597,431,210.02	9.52%	-2.09%	
Inventories	734,120,595.26	11.61%	671,432,701.11	10.70%	0.91%	
Investment property		0.00%		0.00%	0.00%	
Long-term equity investments	72,671,204.73	1.15%	72,372,355.03	1.15%	0.00%	
Fixed assets	571,413,480.14	9.04%	585,754,900.75	9.34%	-0.30%	
Construction in progress	9,062,038.52	0.14%	4,839,241.48	0.08%	0.06%	
Short-term borrowings	39,533,281.84	0.63%	117,888,353.14	1.88%	-1.25%	
Long-term borrowings	353,412,388.29	5.59%	224,146,667.48	3.57%	2.02%	
Financial assets held for trading	1,636,296,430.31	25.88%	1,164,039,381.59	18.55%	7.33%	Securities investments conducted in the current period
Other non-current assets	936,540,047.40	14.81%	2,518,818.56	0.04%	14.77%	Reclassification of security deposits and large-amount deposit receipts of over one year to other non-current assets in the current period

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Impairment allowance for the period	Purchased in the period	Sold in the period	Other changes	Closing amount
Financial assets								
1. Financial assets held for trading (exclusive of derivative financial assets)	1,163,000,000.00	53889921.27			2744242503.31	2298385595.62		1635465408.96
2. Derivative	1,039,381.59	517198.2				725,558.44		831021.35

Item	Opening amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Impairment allowance for the period	Purchased in the period	Sold in the period	Other changes	Closing amount
financial assets								
Subtotal of financial assets	1,164,039,381.59	54,407,119.47	0.00		2744242503.31	2299111154.06		1,636,296,430.31
Total of the above	1,164,039,381.59	54,407,119.47	0.00		2744242503.31	2299111154.06		1,636,296,430.31
Financial liabilities	0.00	0.00	0.00					0.00

Particulars about other changes:

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

☐ Yes ☒ No

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

Unit: RMB

Item	Closing carrying amount	Reason for restriction
Cash and bank balances	25,109,817.10	Security deposits for acceptance notes
Fixed assets	211,239,552.11	As collateral for the credit line granted by the Foshan branch of the Bank of China
Intangible assets	52,551,947.63	As collateral for the credit line granted by the Foshan branch of the Bank of China
Other non-current assets	295,075,000.00	As security deposits for the loan raised by Dongfang Precision (Netherland)
Total	583,976,316.84	

V Investments Made

1. Total Investment Amount

☒ Applicable ☐ Not applicable

Total investment amount in 2020 (RMB)	Total investment amount in 2019 (RMB)	Change (%)
1,861,603,704.43	123,995,066.16	1,401.35%

2. Significant Equity Investments Acquired in the Reporting Period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

Security type	Security code	Security name	Initial investment cost	Measurement method	Opening carrying amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Purchased in the period	Sold in the period	Gain/loss in the period	Closing carrying amount	Accounting title	Funding source
Domestically/overseas listed stocks	-	-		Fair value		15,162,802.16		438,032,503.31	438,032,503.31	15,162,802.16		Financial assets held for trading	Self-funded
Trust products	-	-		Fair value		4,767,340.61		500,000,000.00		19,322,135.13	504,767,340.61	Financial assets held for trading	Self-funded
Funds	-	-		Fair value		19,890,000.00		600,000,000.00		19,890,000.00	619,890,000.00	Financial assets held for trading	Self-funded
Others	-	-	1,164,039,381.59	Fair value	1,164,039,381.59	14,586,976.70		1,206,210,000	1,861,078,650.75	27,106,974.02	511,639,089.70	Financial assets held for trading	Self-funded
Total			1,164,039,381.59	--	1,164,039,381.59	54,407,119.47	0.00	2744242503.31	2299111154.06	81,481,911.31	1,636,296,430.31	--	--
Disclosure date of the board announcement approving the			28 March 2020										

Security type	Security code	Security name	Initial investment cost	Measurement method	Opening carrying amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Purchased in the period	Sold in the period	Gain/loss in the period	Closing carrying amount	Accounting title	Funding source
securities investments													
Disclosure date of the general meeting announcement approving the securities investments (if any)			14 April 2020										

(2) Investments in Derivative Financial Instruments

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

☒ Applicable ☐ Not applicable

(1) General Information about the Use of Raised Funds

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Year of raising	Way of raising	Total amount raised	Used in the period	Cumulatively used	Amount with changed use in the period	Cumulative amount with changed use	Cumulative amount with changed use as % of total amount raised	Unused amount	Purpose and whereabouts of the unused amount	Amount being idle for more than two years
2017	The matching fund raising via share offering for the restructuring	283,616.53	0	187,902.15	0	0	0.00%	0	Not applicable	111,655.82
Total	--	283,616.53	0	187,902.15	0	0	0.00%	0	--	111,655.82

Summary of the use of raised funds

As at 31 December 2020, the Company had invested a total of RMB1,879,021,500 of raised funds, as detailed as follows: (1) A total of RMB1,940,905,500 of funds were raised over previous years; (2) Beijing Pride New Energy Battery Technology Co., Ltd. (hereafter referred to as "Pride") returned RMB61,884,100 of raised funds in 2019.

On 27 March 2020, the Company held the 1st extraordinary general meeting of shareholders of shareholders in 2020 and approved the Proposal on Termination of Investment Projects with Raised Funds and Permanent Replenishment of Working Capital with the Balance of Raised Funds. Given that the Company has transferred all 100% of Pride's equity by December 2019, Pride is no longer a subsidiary of Dongfang Precision, and the previous parenthood relationship between Dongfang Precision and Pride has been officially legally terminated. Dongfang Precision was no longer involved in the Company's non-public offering stock-raising matching-fund investment project, "Pride Liyang Base New Energy Car Battery R&D and Industrialization Project", planned in 2017, as the Company had transferred all 100% of Pride's equity, and the project was no longer commercially rational and feasible to be carried out. In fact, this non-public offering stock-raising matching-fund investment project planned in 2017 was automatically terminated upon completion of the closing of Pride's equity sale by the Company at the end of 2019. In order to effectively used the funds to optimize resources allocation, expand and strengthen the main business of the listed company, enhance the value creation of the listed company and create more value for shareholders, the Company, with the approval of the general meeting of shareholders, decided to use the balance of the raised funds to permanently replenish the working capital.

As at 31 December 2020, the Company has transferred a total of RMB1,013,701,000 from the special account for fund raising to permanently replenish the working capital and used RMB100 million in the account to purchase large-value certificates of deposit. RMB2,857,200 of interests or income from financial products has been paid to the account in instalments, which, although still stored in the account, but no longer fall under the raised funds.

As at 31 December 2020, the Company has received an accumulative net amount of RMB89,539,400 from interest on bank deposits deducting bank charges, and a net amount of RMB6,040,300 from interest on the raised funds returned by Pride. During the Reporting Period, the Company approved a resolution to terminate investment projects with the raised funds and to use all the balance of the raised funds to permanently replenish the working capital, so the balance of the raised funds as at 31 December 2020 was RMB0.

The use of the Company's raised funds is detailed in the 2020 Special Report on Storage and Use of Raised Funds disclosed on the same day of the 2020 Annual Report and the Authentication Report on Storage and Use of Raised Funds by Guangdong Dongfang Precision Science & Technology Co., Ltd. for the Year ended 31 December 2020 issued by Ernst & Young Hua Ming LLP.

(2) Promised Use of Raised Funds

√ Applicable □ Not applicable

Unit: RMB'0,000

Promised project funded with raised funds and investment with over-raised funds	Project changed or not (including partial change)	Total promised investment amount with raised funds	Adjusted total investment amount (1)	Investment in the period	Cumulative investment amount at the period-end (2)	Investment progress as at the period-end (3) = (2)/(1)	Time when the project is ready for its intended use	Benefits derived in the period	Meeting the expected benefits or not	Significant change to project feasibility or not
Promised projects										
Paying the cash consideration	Not	180,500	180,500		180,500	100.00%			Not applicable	Not
Paying intermediary fees	Not	9,500	9,500		7,402.15	77.92%			Not applicable	Not
Project of Pride's Liyang base of the R&D and industrialization of New Energy Vehicle Batteries	Not	100,000	0		0	0.00%			Not applicable	Not
Subtotal of promised projects	--	290,000	190,000		187,902.15	--	--		--	--

Investment with over-raised funds										
Nil										
Total	--	290,000	190,000	0	187,902.15	--	--	0	--	--
Reason for not meeting the scheduled progress or expected benefits (details of every project required)	In December 2019, the Company approved the package solution to the selling of Beijing Pride's equity involved in investment projects with raised funds and thus terminated investment projects with raised funds substantially. In March 2020, the Company approved the Proposal on Termination of Investment Projects with Raised Funds and Permanent Replenishment of Working Capital with the Balance of Raised Funds at the 43rd extraordinary meeting of the 3rd of Board of Directors and 1st extraordinary general meeting in 2020, with which it agreed to terminate the Company's investment projects with raised funds and use all the balance of the raised funds to permanently replenish the working capital.									
Significant changes to project feasibility	Ditto									
Amount, purpose and use progress of over-raised funds	Not applicable									
Change of implementation locations of projects funded with raised funds	Not applicable									
Adjustments to how projects funded with raised funds are implemented	Not applicable									
Advance investments in promised projects funded with raised funds and subsequent swaps	Applicable									
	On 25 September 2017, the Company held the 17th meeting of the 3rd Board of Directors and deliberated and approved the Proposal on Replacing Self-raised Funds Invested in Investment Projects in advance with Raised Funds, with which it agreed to replace the self-raised funds already invested in investment projects in advance with the raised funds of RMB61,884,100, which has been completed on September 28, 2017. In December 2019, the Company approved the package solution to the selling of Beijing Pride's equity involved in investment projects with raised funds, according to which Pride should return to the listed company the principal and interest of the raised funds allocated to it. By December 25, 2019, the Company had received a total of RMB67,924,400 of									

	principals and interests of the raised funds paid by Pride via bank transfer.
Temporary supplementation of working capital with idle raised funds	Not applicable
Balance amount of raised funds and why	<p>Applicable</p> <p>On 27 March 2020, the Company held the 1st extraordinary general meeting of shareholders in 2020 and approved the Proposal on Termination of Investment Projects with Raised Funds and Permanent Replenishment of Working Capital with the Balance of Raised Funds. Given that the Company has transferred all 100% of Pride's equity by December 2019, Pride is no longer a subsidiary of Dongfang Precision, and the previous parenthood relationship between Dongfang Precision and Pride has been officially legally terminated. Dongfang Precision was no longer involved in the Company's non-public offering stock-raising matching-fund investment project, "Pride Liyang Base New Energy Car Battery R&D and Industrialization Project", planned in 2017, as the Company had transferred all 100% of Pride's equity, and the project was no longer commercially rational and feasible to be carried out. In fact, this non-public offering stock-raising matching-fund investment project planned in 2017 was automatically terminated upon completion of the closing of Pride's equity sale by the Company at the end of 2019.</p> <p>In order to effectively used the funds to optimize resources allocation, expand and strengthen the main business of the listed company, enhance the value creation of the listed company and create more value for shareholders, the Company, with the approval of the general meeting of shareholders, decided to use the balance of the raised funds to permanently replenish the working capital. As at 31 December 2020, a total of RMB1,116,558,200 of the balance of the raised funds, including interests or income from deposits or wealth management products paid in instalments, has been used to permanently replenish the working capital.</p>
Purpose and whereabouts of unused raised funds	Unused raised funds were nil as at the end of the Reporting Period.
Problems found in the use and disclosure of raised funds, or other information	Not applicable

(3) Changed Use of Raised Funds

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VI Sale of Major Assets and Equity Investments

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Investments

☐ Applicable ☒ Not applicable

VII Principal Subsidiaries and Joint Stock Companies

√ Applicable □ Not applicable

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

Unit: RMB

Name	Relationship with the Company	Principal activities	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Fosber Group	Subsidiary	R&D, processing, manufacturing and marketing of corrugator lines and parts, as well as provision of after-sales services	EUR1.56 million	1,589,543,270.33	721,537,447.53	1,946,351,010.36	214,933,029.25	176,103,145.02
Parsun Power	Subsidiary	Design, manufacturing and marketing of outboard motors and general utility small gasoline motors	RMB85.30 million	360,300,104.12	175,723,214.84	344,495,168.47	44,285,283.78	39,823,544.56

Subsidiaries acquired or disposed of in the Reporting Period:

□ Applicable √ Not applicable

VIII Structured Bodies Controlled by the Company

□ Applicable √ Not applicable

IX Prospects

(I) Industrial landscape and the Company's market position

1. In 2020, there was no significant change in the demand and supply sides of the corrugated packaging industry, and the industry maintained a stable competition pattern

In terms of major industry categories, industrial paper and packaging are an important part of the national economy, with related products widely used in industrial products, food and beverages, electronic appliances, e-commerce logistics and other areas. The main drivers for the industry's development include the growth of the national economy, the improvement and upgrade of resident consumption, and the enhanced awareness of environmental protection. Corrugated boards not only support the sustainable development of the national economy, but also are a rigid demand product for national consumption.

The downstream industry of the Company's intelligent corrugated packaging machinery industry is the corrugated board packaging industry, which has basically maintained a relative stability in its overall development in 2020.

According to the data of the China Paper Association, from 2010 to 2019, the average annual growth of the national production of linerboard paper was 1.71%, with the consumption at an average annual growth of 2.37%; from 2010 to 2019, the average annual growth of the national production of corrugated base paper was 1.92%, with the consumption at an average annual growth of 2.57%. According to the above-mentioned trends in supply and demand over the past decade, the domestic consumption of corrugated board has grown faster than the production. There was strong demand for corrugated board packaging in the end market. However, since the domestic production was unable to satisfy the market demand, there was a gap between supply and demand. The average gap per year for the past decade was around 1.35 million tons, and there is certain potential in the industry's production growth.

In terms of the demand side, the downstream consumption structure of corrugated boards is mainly related to food and beverages, garments and shoes, daily chemical products, household appliances, express and logistics, pharmaceuticals and other areas, with slight changes in a few industries. In 2019, the consumption of the above-mentioned industries accounted for approximately 83%. The trend of changes in corrugated box consumption was positively correlated

with the development of the above-mentioned downstream industries and their development prospects.

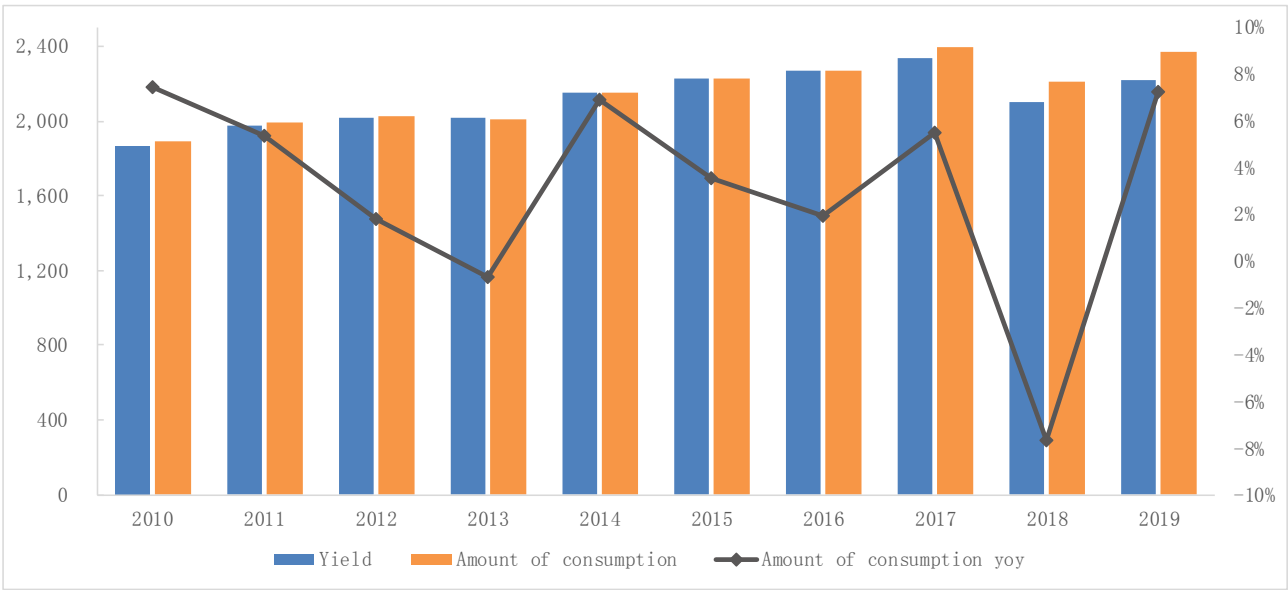
The growth of domestic consumer demand was affected by the pandemic in 2020, with the total retail sales of consumer goods declining year-on-year. Since the domestic consumer demand is still recovering gradually, the growth in home appliances, soft drinks and other sectors is hampered. Under the industry development law of "demand is the king", the slackness of the end consumption industry had a negative impact on the growth of domestic corrugated box consumption in 2020.

However, benefiting from the increase in public demand for online consumption and logistics and delivery for online shopping, the online shopping industry and express delivery industry showed a good growth momentum in 2020. According to the data from the National Bureau of Statistics, the national online retail sales in 2020 amounted to RMB11,760.1 billion, an increase of 10.9% from the previous year. According to the data from the State Post Bureau, the express enterprises above designated size recorded 83,358 million pieces of business volume in 2020, an increase of 31.2% year-on-year. As a "standard component" for the logistics and delivery of online shopping goods, the purchase of corrugated boxes by the above two industries also increased year-on-year. The satisfactory prosperity in the online shopping and express sectors in 2020 provided important support for domestic consumption of corrugated boards in 2020.

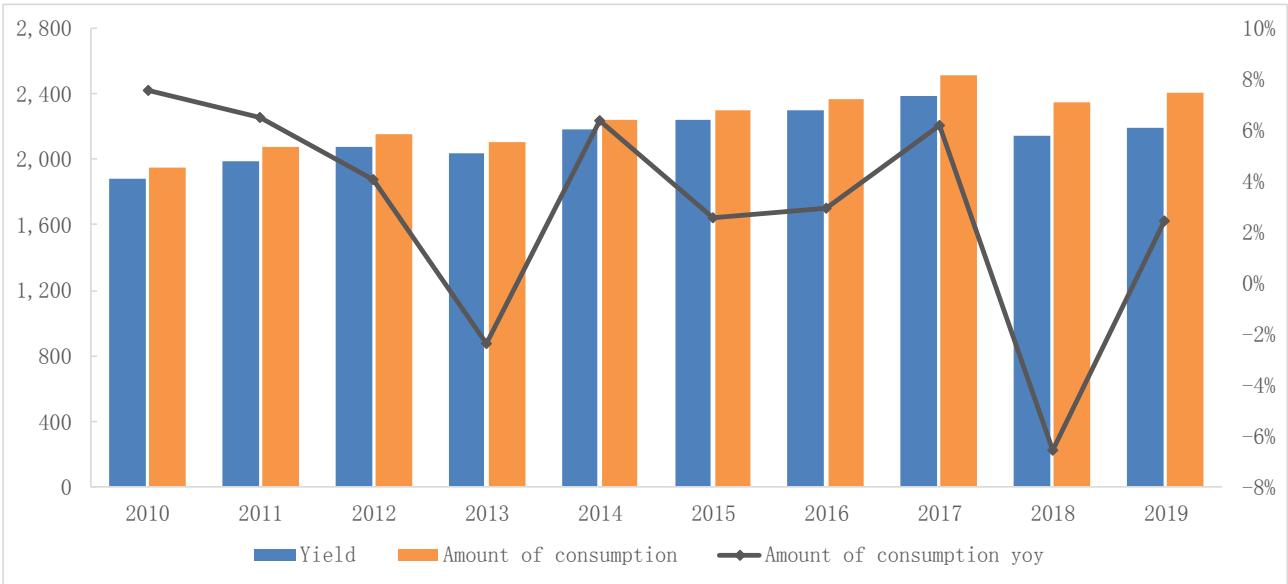
In terms of the supply side, according to the data from the National Bureau of Statistics, enterprises above designated size of the national packaging industry recorded a cumulative corrugated box output of 31,708,400 tons from January to December 2020, down 3.31% approximately year-on-year. In the first half of the year, due to the pandemic, the corrugated box output from January to February hit a low point of the year. In the second half of the year, the corrugated box production increased with the gradual recovery of production in different areas, but the annual year-on-year output still declined. The domestic corrugated board packaging and printing industry still suffered an imbalance between supply and demand in 2020.

In general, the domestic consumption of corrugated boards increased while maintaining stability in 2020. However, the production of corrugated boxes declined year-on-year, with a constant gap between supply and demand. Compared with the situations in 2019, the overall industry landscape witnessed no significant changes.

Output and the amount of consumption of corrugated base paper from 2010 to 2019 ('0,000 tons)



Output and the amount of consumption of linerboard paper from 2010 to 2019 ('0,000 tons)



Source of data: iFinD

2. In 2020, the corrugated packaging machinery industry maintained a stable landscape and the Company maintained a stable market position.

In the first half of 2020, affected by the pandemic, some large overseas packaging companies such as Smurfit Kappa and International Paper temporarily froze or postponed some of their equipment procurement needs and new capacity launches. The domestic corrugated board packaging industry has gradually recovered since the second quarter of 2020, but the new capacity launch was somehow restricted by the pandemic. The construction progress has slowed down. There was no significant change in the demand and supply sides of the corrugated packaging machinery. On the supply side, the market situation showed that there was no significant change in the manufacturers engaged in the market of the corrugated packaging machinery industry, or the overall competitive pattern of the industry market.

(1) In the segment of corrugator lines at the upstream industry chain, the wholly-owned subsidiary Fosber Group still maintained its position with the second largest market share across the world.

Fosber Group is one of the two largest companies for high-speed wide corrugator lines in the world, with a global market share of 30% approximately. Its customers include major famous global packaging companies such as International Paper and Smurfit Kappa. As an important global promoter and innovator of technologies related to high-end corrugator lines, Fosber Group is rather famous and influential in the global market.

Fosber Group's rivals in the industry include BHS of Germany, Marquip (a wholly owned subsidiary of Barry-Wehmiller of the US) and J.S. Machine. In the global market of corrugator lines, the benchmarking enterprise of Fosber Group is BHS of Germany.

(2) In the segment of corrugated box printing and packaging machinery at the midstream industry chain, Dongfang Precision (China), as the domestic industrial leader, has the strength to compete with global industrial leaders.

By virtue of the advantages in global resource synergy, Dongfang Precision has maintained its leading position in the medium and high-end corrugated board printing and packaging machinery industry with its leading design concepts and overall R&D strength, standardized whole-procedure quality management system, leading production techniques and system integration capability, the most complete product library in the domestic industry, brand advantages as a listed A-share company and first-mover market advantages, whole-procedure customer-centric technical support and the after-sales service system, and other comprehensive competitive advantages.

The Company's rivals in the corrugated box printing and packaging machinery segment include Bobst (Switzerland), Gopfert (Germany), Ward (a wholly-owned subsidiary of Barry-Wehmiller of the US), Shanghai Dinglong and Guangzhou Keshenglong. In the global market of corrugated box printing and packaging machinery, the Company's benchmarking company is Bobst (Switzerland).

(II) Development trends in the industry and development opportunities facing the Company

1. The global economic recovery and the opening of a new round of productivity cycle in 2021 is conducive to the growth in the equipment demand.

Under the impact of the pandemic, a large number of manufacturing enterprises across the globe went bankrupt and excess capacity experienced a round of liquidation and elimination in 2020. In the second half of 2020, the global economy entered the stage of rebuilding and recovery. Especially in 2021 when the global pandemic is expected to be effectively controlled and the US and other overseas developed economies are expected to release sustained monetary easing policies, the overseas economic speed and manufacturing revitalization will inevitably drive the demand for equipment acquisition.

Based on the trend of inventory changes in the latter period of the pandemic, the overseas demand has exceeded the expectations and there has been a strong recovery of the domestic economy after the pandemic since the second half of 2020. The global economy in 2021 is expected to recover soon. In this context, China and the US are expected to start a new cycle of inventory replenishment simultaneously.

Looking ahead to 2021, in the major context of continual improvement in the demand of major global economies and improved capacity utilization in the manufacturing, companies are expected to accelerate the expansion of their production capacity based on optimistic expectations for economic development and the constant improvement in their own profitability. With corrugated board packaging being a rigid consumer product, the industry is expected to boost development. The accelerated rate of new production capacity of leading packaging companies will help boost the demand for corrugated board packaging machinery and further benefit equipment manufacturers.

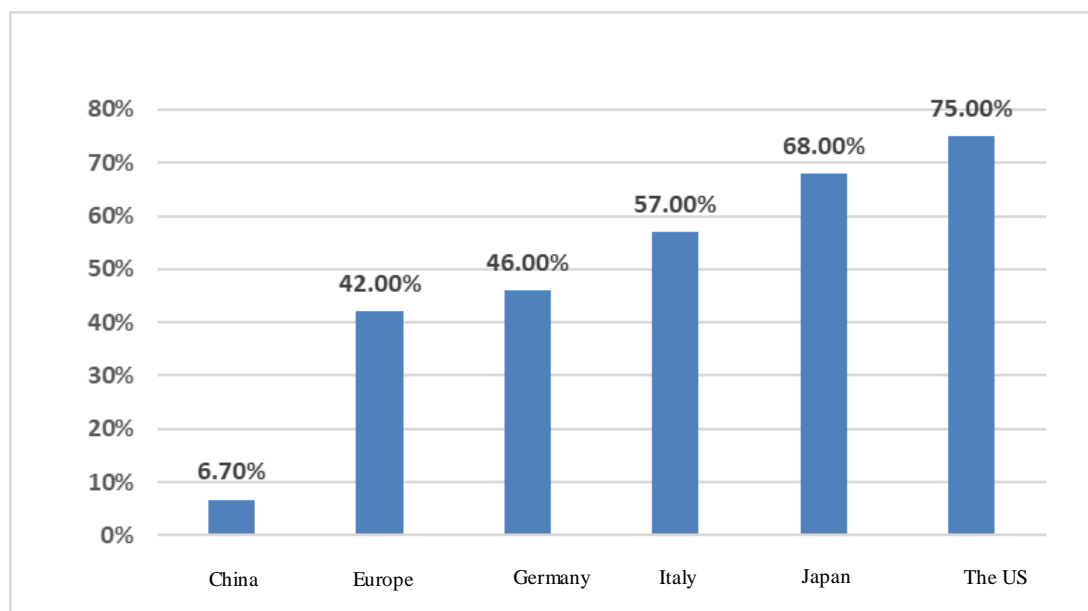
2. The "price hike" in the corrugated board packaging industry in 2021 will facilitate the

further improvement of industry concentration and help accelerate the liquidation of low-end production capacity.

Due to the low entry barriers and limited-service scope of the packaging industry, the linerboard paper packaging industry is scattered and has a relatively low market concentration. The concentration of the top four enterprises in the linerboard paper industry is around 51%, while the concentration of the top four enterprises in the corrugated board industry is around 23%. There are a number of scattered small- and medium-sized enterprises in the industry.

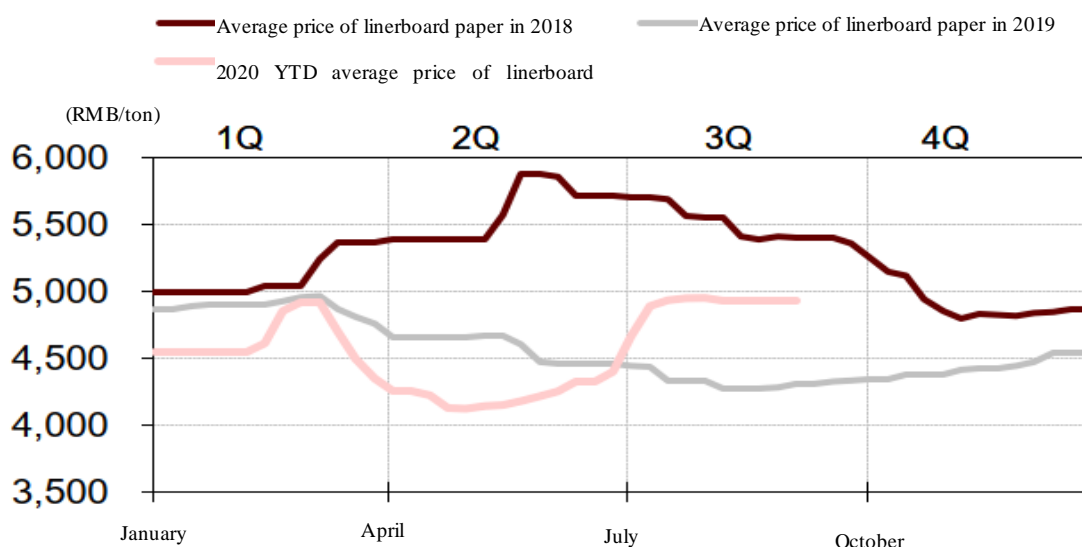
In terms of the segment of the corrugated box printing and packaging industry at the downstream of linerboard and corrugated board industries, the top five corrugated box companies in China have a total market share of less than 10%, while the top five corrugated box companies in the US have a domestic market share of over 70%. The comparative results of the international industry concentration show that the concentration of China's corrugated box industry is low, and there is still considerable room for the improvement of the industry market concentration.

CR5 comparison of the corrugated packaging industry in 2017



Data source: Frost & Sullivan, Wonder

Since the fourth quarter of 2020, upstream companies in the corrugated board packaging industry have been raising prices of corrugated paper, linerboards and corrugated boards. The cost pressure has been transmitted along the industry chain to the midstream and downstream enterprises. As upstream raw paper and board prices continue to rise, the secondary and tertiary plants in the midstream and downstream of the industry are under constant pressure for profitability and survival.



Data source: SCI99.COM, CICC Research Department

In the above context, leading enterprises can reduce the impact of higher raw material prices on their own profitability by virtue of their strong financial strength, scale production effect, higher operational efficiency and stronger control of the supply chain, and dilute the impact of rising costs by increasing the volume of shipments.

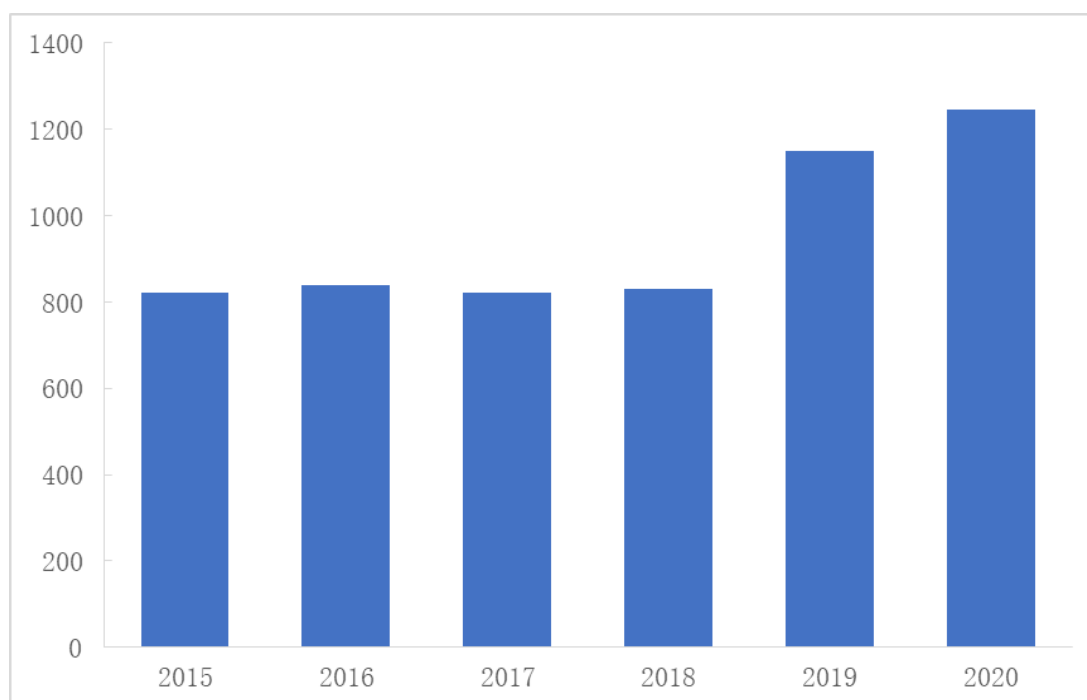
However, a large number of small- and medium-sized enterprises in the industry, after a period of low profitability from 2018 to 2020, may face the adverse situation of raw material shortages and rising costs concurrently under the price hike. Due to extensive industry fragmentation, it is difficult to transmit the pressure of higher upstream costs to downstream customers. The space for adjustment is rather limited.

In summary, the price hike of raw materials such as raw paper and boards in the upstream industry chain in 2021 will help accelerate the further liquidation of low-end production capacity of small- and medium-sized enterprises in the corrugated board packaging industry and facilitate the improvement of industry concentration. The improvement of industry concentration will further facilitate the improvement of market shares by industrial leaders that have major medium and high-end equipment, overall high intelligence and the capability of mass and scaled production and flexible production. This will further stimulate the growth of the capacity of leading enterprises and finally boost the demand for medium and high-end packaging machinery and overall smart factory

solutions in the packaging industry.

In terms of major industry categories, the number of enterprises in the domestic paper and printing industry has continued to shrink since 2015, and the number of unprofitable enterprises has continued to increase. In 2020, there were 1,245 unprofitable enterprises, an increase of 17% year-on-year; the industry loss reached 18.7%, which indirectly demonstrates the continual improvement in the concentration of the paper and printing industry.

Change in the number of unprofitable enterprises in the paper and printing industry from 2015 to 2020



Data source: www.askci.com

3. Due to the pandemic catalyst, the downstream board packaging industry further recognized the model of "smart factories" in 2020, and the development of medium and high-end capacity was accelerated.

As labour costs increase and corrugated box manufacturers further expand their scale, the demand for medium and high-end corrugated packaging machinery with high efficiency, high precision, high quality and multiple functions will rapidly grow. Low-end equipment with low efficiency, low quality and high labour intensity will be eliminated rapidly. In the future, with the development of smart manufacturing in China, the market demand for update of corrugated packaging machinery will continuously increase.

Experiencing the impact of the pandemic, rising prices of labour, land and other factors for years, tightening environmental regulations, difficulties in recruiting young workers, and the continuously higher for box products and services from downstream end customers, leading enterprises in the industry continuously enhance their recognition of smart manufacturing. Besides, it has gradually become the industry's consensus to upgrade production capacity towards "intelligence, digitalization and automation".

As the concentration of the corrugated board packaging industry continues to rise, leading companies will continuously consolidate and increase their market share and invest more resources in "overall smart factory solutions" by virtue of their solid financial strength, so as to continuously improve production efficiency, product quality and management efficiency, and reduce operating costs at the same time.

According to public information, more than 20 companies of corrugated board packaging announced the plans to build new "smart factories" or "intelligent packaging factories" in 2020, including Nine Dragons Paper, Shanying International, Longlide, MYS Group, Great Shengda and other well-known companies in the industry.

As the demand structure of downstream customers changes and undergoes intelligent and digital upgrade, more suppliers of corrugated packaging machinery are seeking to gradually transform themselves into enterprises with collaborative production lines with high precision, high functional integration, high automation and high efficiency. The production and sales volume of corrugator lines and corrugated box printing and packaging machinery will also be further expanded. The market demand for overall smart factory solutions in the industry is likely to increase rapidly.

Driven by the continual growth in production and sales of medium and high-end corrugated packaging machinery with high value, the global corrugated packaging machinery industry is expected to reach an output value of approximately RMB30 billion-RMB40 billion in 2021.

4. The continual improvement in economic and social development, consumption upgrades and the implementation of the "plastic ban" will continuously drive consumer demand for corrugated board packaging and stimulate supply-side reform and upgrade of the industry capacity.

(1) Improvement in economic and social development and consumption upgrades are the

medium- and long-term drivers that stimulate the growth in corrugated board packaging consumption.

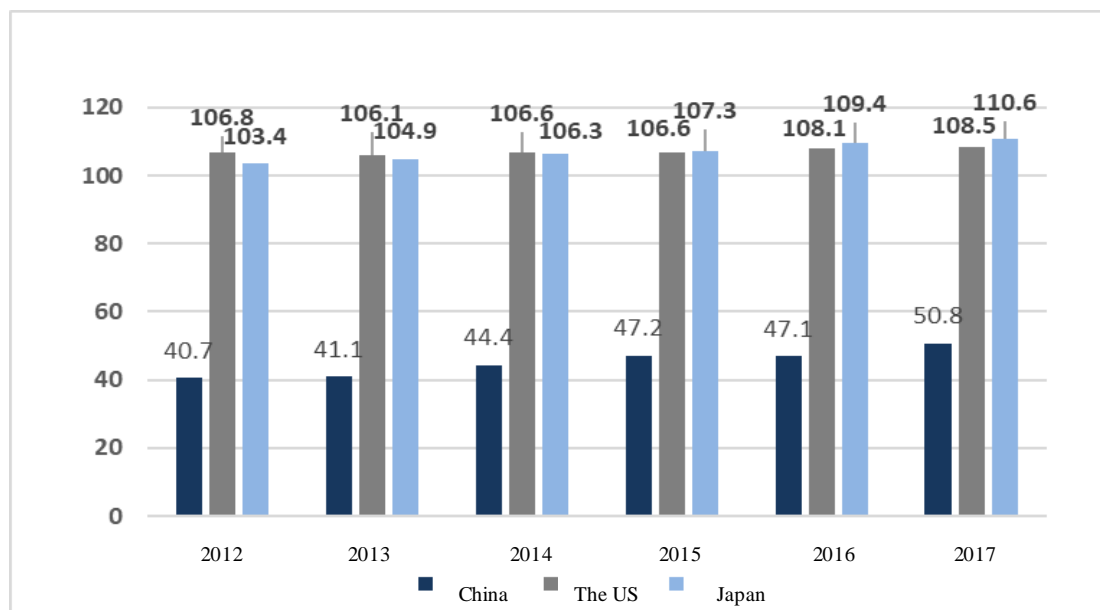
The outline of the 14th Five-Year Plan mentions that during the 14th Five-Year Plan period, China will "collaborate to promote the development of a strong domestic market and trading nation based on the large domestic circulation, rely on the domestic economic circulation system to form a powerful gravitational field for global factor resources, and promote a dual domestic and international circulation." China will establish effective policies for expanding domestic demand and promoting comprehensive consumption". In the post-pandemic era, a new pattern of economic development "with domestic circulation as the mainstay and domestic and international circulations reinforcing each other" is taking shape. With the economic growth and the increase in disposable income of the residents, the consumption upgrade will be the main direction for demand changes in the end market.

According to the data from the National Bureau of Statistics, China's per capita disposable income rose from RMB21,966 in 2015 to RMB30,733 in 2019, a cumulative increase of 39.91%. According to the latest data, the national per capita disposable income in 2020 was RMB32,189, up 4.7% over the previous year. With the economic growth and the increase in disposable income of the residents, the consumption upgrade will be the main direction for demand changes. The continuous improvement in people's living standards and consumption capacity will continue to boost the consumption upgrade in the food and beverage, chemicals for daily use, household and office, home appliance, IT and electronics, online shopping, and express and logistics, which will further drive growth in online retail, and express and logistics. Finally, the end demand for corrugated board packaging of the above-mentioned industries will be boosted.

Compared with developed countries such as Japan and the US, China's per capita consumption of corrugated packaging is still low. In 2017, China's per capita consumption of corrugated packaging reached 50.8 square meters per person, while that of the US reached 108.5 square meters per person and that of Japan reached 110.6 square meters per person. In 2020, China built a moderately prosperous society in all respects. According to the *Outline of the 14th Five-Year Plan and the Long-Range Objectives through the Year 2035* released in March 2021, China will basically achieve socialist modernization in 2035. During the 14th Five-Year Plan period, there will be

sufficient room for improvement in China's per capita consumption of corrugated packaging.

Comparison of per capita corrugated packaging board from 2012 to 2017 (m²/person)



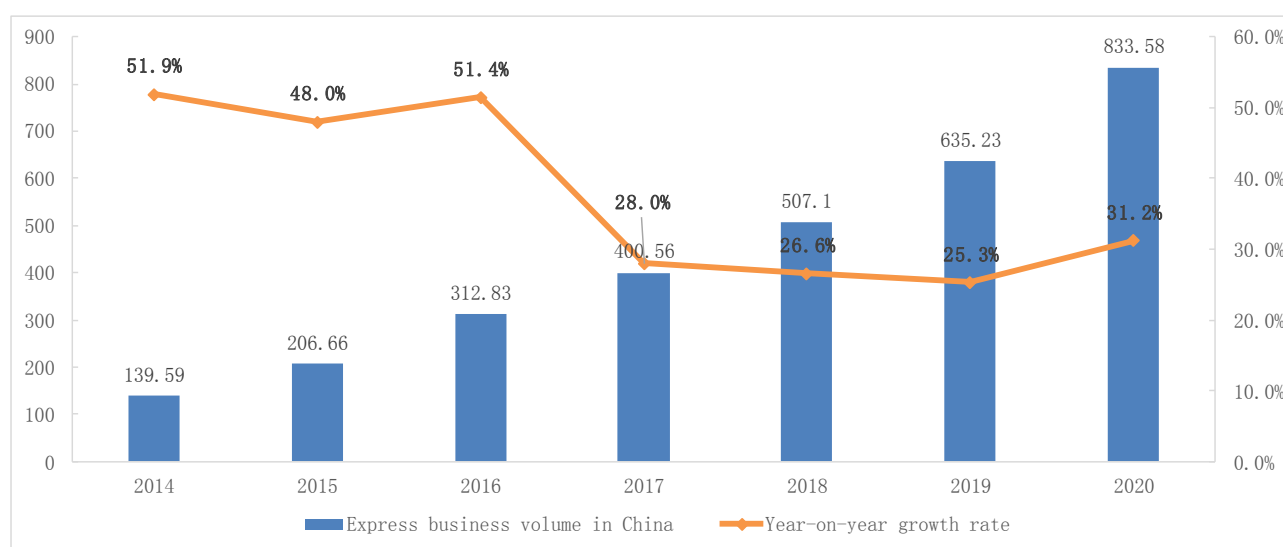
Data source: The International Corrugated Case Association (ICCA), Wonder

(2) The favourable growth of the online retail industry and the express and logistics industry brings an important increment to the corrugated packaging industry.

In recent years, the emergence of new e-commerce business formats and the continual growth in online retail sales and the business volume of express and logistics have demonstrated an increasingly significant pull-on corrugated box packaging. Due to domestic health and safety incidents in 2020, the development in many areas was expedited. Particularly, online retail, and express and logistics are representative examples.

According to the data from the National Bureau of Statistics and the State Post Bureau, the business volume of China's express enterprises above designated size in 2020 grew by 31.2%, a higher growth compared to 25.3% in 2019.

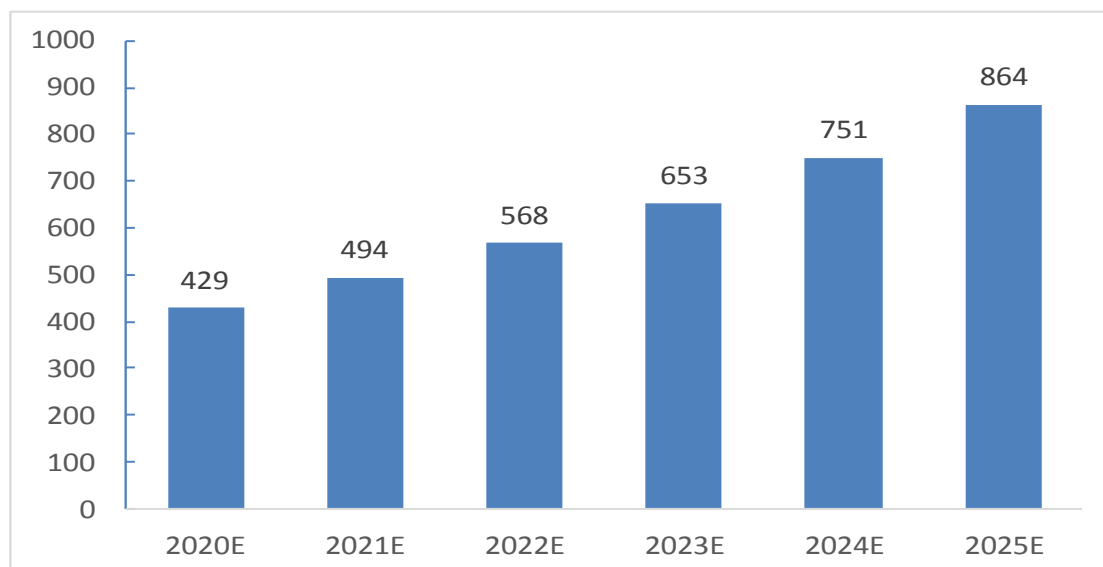
Business volume of express enterprises above designated size in China from 2010 to 2020 (Unit: 100 million pieces, %)



Data source: State Post Bureau

The State Post Bureau estimates that the annual volume of mail (express) business will reach 121.9 billion pieces in 2021, an increase of 12% year-on-year. Specifically, the express business volume will reach 95.5 billion pieces, an increase of 15% approximately year-on-year. According to a report released by the Employment Promotion Committee of the China Association of Labour Economics, by 2025, China's express business volume will reach 150 billion pieces approximately. According to the forecast of the Qianzhan Industry Research Institute, the scale of China's corrugated paper market for express will be continuously expanded from 2020 to 2025, and is expected to reach RMB86.4 billion in 2025.

Estimated market scale of corrugated board for express products in China from 2020 to 2025 (Unit: RMB'00 million)



Data source: Qianzhan Industry Research Institute

(3) Consumption upgrades promote the development of upmarket corrugated boards and stimulate supply-side reform and upgrade of industry capacity.

With the continual consumption upgrade, the demand for corrugated board packaging continues to increase, and the consumption upgrade is promoting the development of upmarket corrugated boards, which have posed higher requirements on the technical products of the packaging industry and motivated the transformation of enterprises of corrugated board packaging from manufacturers to packaging solution providers.

A packaging solution provider should provide comprehensive services for customers, including packaging design, customization, production, distribution and after-sales services. The services start with providing customers with packaging appearance and style design. Then the provider will shorten the design cycle for customers' products, customize the service to provide customers with the best and most economical solution for their products, and provide relevant services at any time according to customers' feedbacks. By integrating internal and external resources, establishing production, logistics and information platforms, and integrating the entire process of transfer, storage and production support for customers' packaging products, in the future, quality packaging companies in the industry will be able to provide customers with comprehensive

and one-stop solutions for all packaging materials required in each procedure, which reduces the overall packaging and logistics costs of customers, increases profit opportunities and brings forth long-term and mutual trust with customers. International packaging giants such as International Paper and WestRock have transformed themselves from manufacturers of packaging products to providers of packaging solutions.

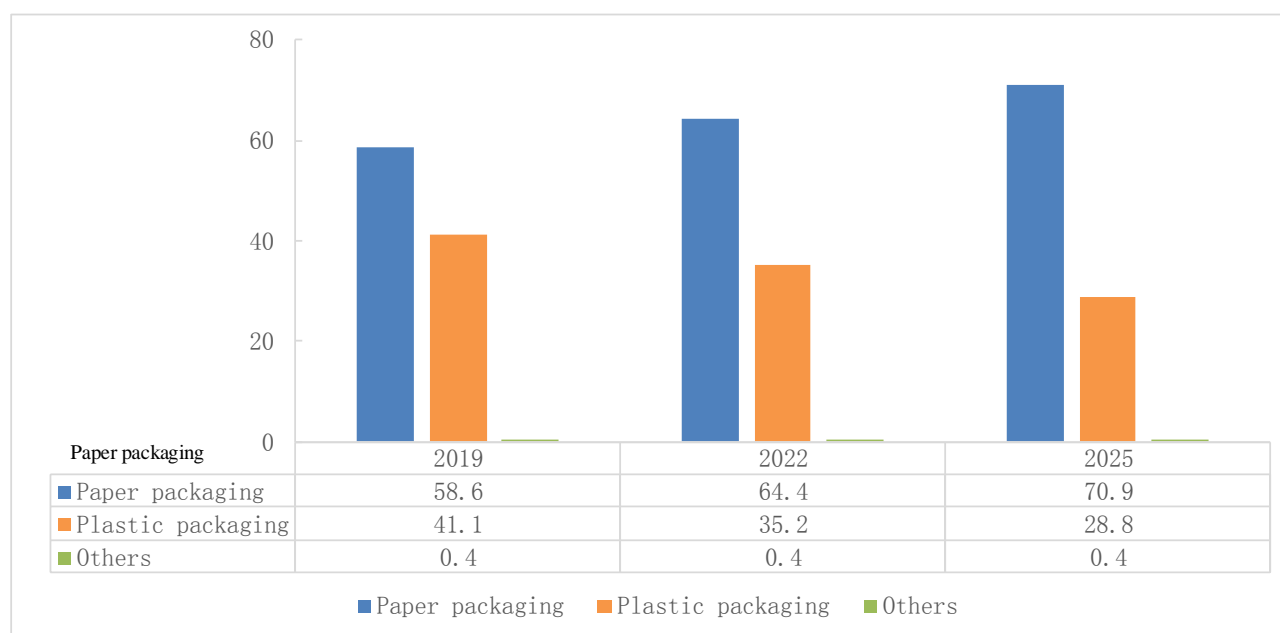
It is expected that consumption upgrades in the end market will drive the development of the upstream corrugated board packaging industry and the corrugated packaging machinery industry, and further stimulate the supply-side reform and upgrade for the production capacity of the packaging industry.

(4) The implementation of the "plastic ban" will improve the margin of end consumers' demand for corrugated board packaging, and further drive the capacity growth and upgrade for corrugated board packaging.

In accordance with the *Opinions on Further Strengthening Plastic Pollution Governance* (the new "plastic ban") implemented in 2020, non-degradable plastics for plastic express packages will be banned in key provinces and cities by 2022, and non-degradable plastics for express services will be fully banned nationwide by 2025.

According to related estimates, the plastic ban will result in an increase of approximately 16.59 billion pieces of paper packaging in 2025 from 2019 (by the proportion). The proportion of corrugated paper in the paper express packages is 96.18% approximately. If a single paper package contains 288.08 grams of corrugated paper approximately, the potential increase in the demand for corrugated paper used in express packaging in 2025 will be 4,596,600 tons approximately.

Estimated proportions of the number of paper packages and that of plastic packages from 2019 to 2025 (Unit: %)



Data source: Qianzhan Industry Research Institute

With the continual implementation of the "plastic ban", the margin of medium- and long-term demands for corrugated boards and boxes for packaging from end users in the society will be continuously improved, which will further stimulate the investment in new capacity development of corrugated boards and boxes for packaging.

The above-mentioned inherent development directions and trends of the packaging industry will necessarily lead to continual growth in the demand for medium and high-end corrugated packaging machinery and the overall smart factory solutions, which will further benefit the equipment manufacturers.

(III) The Company's development strategy

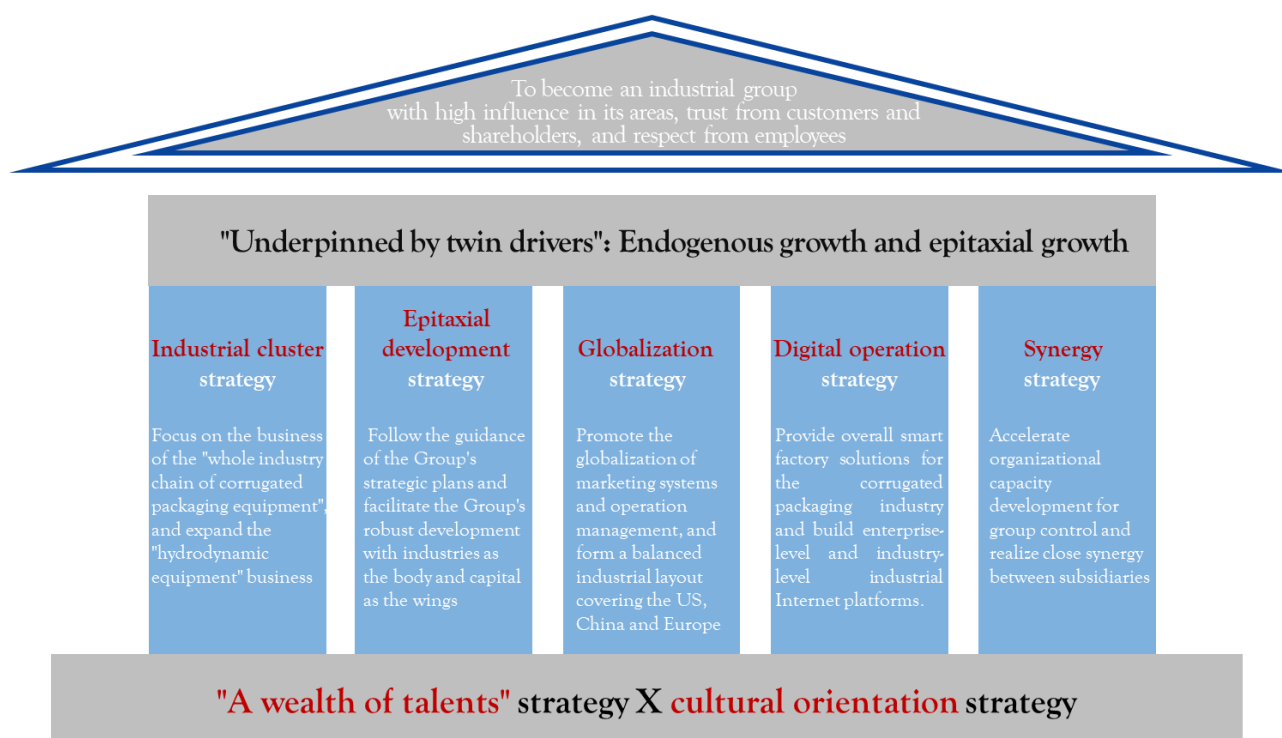
1. Vision

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

2. Development strategy

According to the development plan of the third five-year strategic development period (2018-2022), the Company focuses on the strategy of "intelligent manufacturing" for main business development and deeply promotes the development strategies of "industrial cluster", "epitaxial development", "globalization", "digital operation" and "synergy" to strengthen, refine and expand its existing main business. At the same time, based in China and with a global vision, the Company deepens its resource allocation and gradually extends its business to the whole industrial chain to transform itself from a "supplier of intelligent corrugated packaging machinery" to a "provider of overall smart factory solutions for the corrugated packaging industry".

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



(IV) Business plan for 2021

1. Business model: Comprehensive smart factory solutions

In terms of business models, the Company has developed from a provider of "products" to a planner of "industrial chains", from a manufacturer of single equipment to a provider of one-stop purchase services for complete sets of equipment, and further developed into a provider of overall smart factory solutions for industrial customers. The Company will firmly promote the industrial

application and implementation of smart manufacturing and industrial Internet, and facilitate digital and intelligent upgrade and transformation in the downstream industry.

Corrugated box printing and packaging machinery of Dongfang Precision: In the future, the Company will continue to further develop and promote new products such as intelligent lines, continuously strengthen its ability to provide customers with whole-plant equipment planning, selection and customized production to meet the overall smart factory solutions, and further enhance the software, technical support and spare parts.

Corrugator lines of Dongfang Precision: Fosber Group will continue to consolidate and maintain its leading position as the world's leading provider of products and technologies related to corrugator lines, continuously make technological innovations, promote the application of industrial Internet technology in corrugator lines, and continuously bolster its competitive advantages in mid- and high-end equipment and complete lines. Fosber Asia will maintain its foothold in the Asian market, absorb advanced technologies from Europe, make full use of the advantages in China's local manufacturing industry chain, enhance technological innovation and launch products that meet the needs of customers in the Asia Pacific market. It will make full use of China's quality supply chain, reduce costs of raw materials and delivery while maintaining the quality of European brands, and offer high-cost-performance products with "big brand quality at suitable prices" to develop its core competitive advantages and become a powerful rival in the Asian market.

Comprehensive smart factory solutions of Dongfang Digicom: As the future undertaker of the Company's digital transformation in the corrugated board and packaging industry, Dongfang Digicom, with over 30 years of industrial know-how of Dongfang Precision, will focus on providing customers with overall smart factory solutions ranging from digital production, digital management to intelligent decision-making. It will provide industrial Internet platform services for the whole industry to experience industry chain synergy and value chain creation and enhance its competitiveness in the industry.

2. Technological innovation and digital transformation

Digital transformation is a must for the actualization of intelligent manufacturing. If the industrial Internet is abstract and driven by 5G and AI technologies, then the digital transformation of the manufacturing is endogenous and driven by corporate value creation.

Based on multiple years of manufacturing experience in the field of intelligent corrugated packaging machinery, deep understanding of downstream customers' production processes, and mature practices of the intelligent production management system that has been developed, the Company will promote technological innovation, the development of digital software systems for equipment and the digital upgrade of intelligent corrugated packaging machinery. Through organic combination of the massive data related to the production techniques and procedures to the algorithm analysis and processing, the Company will integrate hardware and software for output, continuously improve the intelligence of its intelligent corrugated packaging machinery, meet the needs of downstream customers in the corrugated packaging industry, and facilitate the continual concentration improvement of the corrugated packaging industry.

3. Services empowering manufacturing

As the number of existing equipment sold increases, the Company will actively grasp the trend of increasing customer demand for spare parts, after-sales maintenance and technical support services, strengthen its service business and provide solid support for customers' better development with professional, high-quality technical services. Fosber Group will continuously improve the technical level and intelligence of the smart production management information system for corrugator lines in the PRO series, and deepen the industrial application of the industrial Internet technology. At the same time, the Company will actively promote the implementation of "industrial smart factory overall solutions", integrate existing technical service capabilities and resources, provide customers with smarter technical support, and stimulate revenue from the Company's solutions, software and technical support services.

Both Fosber Group and Dongfang Precision (China) have upgraded their customer service centers. In the future, the Company will adhere to the strategy of driving sales of equipment and products with services and creating value-added space with services, and strengthen the sales of technical services and spare parts.

4. Global resource allocation

The Company has a global presence in terms of the smart manufacturing equipment business. It has two production bases in Foshan and Suzhou of China, four production bases in Milan, Lucca, Bologna and Loria of Italy, one production base in Pamplona of Spain, and one production base in

Green Bay, Wisconsin of the US. The global layout of production bases provides the Company with production and sales capability that ensures quick response to global demands.

With an international sales and service network, the Company is able to provide equipment and technical services to industrial customers from over 100 countries and regions worldwide. The Company will continuously develop the mainstream markets of China, Europe and North America, and make more efforts to explore the emerging markets of the Belt and Road countries in Africa, South Asia and Southeast Asia as well as Latin America, so as to increase its global market share.

Amid the irreversible pace of globalization, the Company will actively implement and improve its "globalization" strategy, and build a global system of technology, scientific research, products, supply chains and talents, which is conducive to grasping global market opportunities, finding global talents, integrating global technologies and reducing transaction costs. Besides, by actively utilizing global financial resources and supply chains, the Company has enhanced its global competitiveness, improved its risk resistance, gained a broader global vision and facilitated more robust and sustainable development.

Global distribution of the Company's business assets and marketing network



5. Strategic layout and industry chain integration

The Company will enhance the strategic layout of its intelligent corrugated packaging machinery business in China, Europe and North America as well as the global market through strategic mergers and acquisitions, work in a down-to-earth way, strictly control risks, and make

prudent investments. It will focus on high-quality companies in the global and China's industry chains, conduct mergers and acquisitions related to the industry chains according to business development needs and its actualities, and strengthen the horizontal and vertical integration of industry chains.

In 2020, the Company set up a wholly-owned subsidiary, Yineng Investment. With industries as the body and capital as the wings, Yineng Investment is positioned as an institution to undertake the Company's epitaxial development business. Guided by the Company's strategic plan, it focuses on industries related to the main business of Dongfang Precision and fully participates in the industries supported by China's "14th Five-Year Plan" by virtue of the industrial advantages. For equity investment, it focuses on high-end equipment manufacturing and big consumption areas, and aims at enterprises with extensive industrial development opportunities and favorable industrial advantages. It will obtain good investment returns and seek industrial synergy at the same time to create new industrial development opportunities and facilitate the Group's sound development.

(V) Risks that may face the Company in its development

1. Risk of exchange rate fluctuations

The exchange rate of RMB against USD in 2020 decreased at first and then increased, with an overall appreciation of 6.5%. From June 2020 when the interest rate hit the low point of the year to the end of 2020, the exchange rate of RMB against USD appreciated by 8.5% in seven months, a rare rate of appreciation in history. The volatility of the RMB exchange rate in 2020 was related to the asymmetry of the impact of the pandemic on China and foreign countries, the continual liquidity expansion by central banks in developed countries, the sound economic recovery of China and the downward movement of the U.S. Dollar Index.

As the "post-pandemic era" of 2021 approaches, the RMB exchange rate is expected to face larger uncertainty. Exchange rate fluctuations are closely related to the control of the pandemic overseas, the economic recovery of developed countries, especially the US, bilateral relations between China and the US, and policies of global central banks.

The Company's intelligent corrugated packaging machinery business, assets, sales and services are globalized. With overseas business accounting for a relatively large portion, RMB exchange rate fluctuations will have a certain impact on the Company's operating results as reflected in its

financial statements, and changes in exchange gain and loss due to exchange rate fluctuations will also have an impact on the Company's net profit.

Countermeasures: The Company will closely track the global financial market and relevant national exchange rate policies, conduct analysis and judgment, and select appropriate exchange rate management tools to actively manage exchange rate risks under the premise of legal compliance and in accordance with the Company's development needs. It will capitalize on its international layout of business and assets, improve the integrated management of marketing activities carried out by business entities in different countries and regions, and balance and hedge the risk of exchange rate fluctuations at the group level.

2. Integration risk after industrial mergers and acquisitions

In recent years, the Company has continued to extend its industrial layout in the upstream and downstream of the industry chain of intelligent corrugated packaging machinery, expand its business scale and further promote the globalization of its business and assets through the epitaxial development model featuring industrial mergers and acquisitions. The new members among the Company's overseas business entities include companies with a history of nearly 100 years and a profound track record, and international companies with multinational distribution of business and assets and customers around the world. During post-acquisition integration, the differences in management models, cultural backgrounds, business practices, applicable laws and language differences among different business entities have posed certain challenges for the Company in post-investment management and business integration.

Countermeasures: The Company will continuously promote the implementation of the "globalization" strategy, bring in outstanding talents with international business capabilities and build a global team. It will promote the implementation of the "a wealth of talents" strategy, continue to enhance the comprehensive capabilities of the management team and key business teams, and build a team with an international vision and the ability to work excellently in a global environment. It will promote the implementation of the "synergy" strategy, seek common ground while reserving differences with an open mind based on "mutual respect and trust", and achieve integration in philosophy and culture. At the same time, it will deepen the post-investment management mechanism of "strategic control + hierarchical authorization management" to establish

an effective control model in integration and continuously improve the synergy among the business entities, so as to achieve a better synergy effect of the industrial chains and the healthy and sustainable development of each business entity.

3. Risk of fluctuations in the prices of major raw materials

The major raw materials required for the production of intelligent corrugated packaging machinery are electrical components, standard parts, machined parts, and other raw materials and auxiliary materials. During the Reporting Period, the purchase of major raw materials accounted for a significant proportion of the Company's principal operating costs. From the second half of 2020 to the beginning of 2021, the prices of bulk commodities in international markets fluctuated at a high position. If the prices of industrial raw materials fluctuate beyond expectations in 2021, it may cause fluctuations in the Company's production costs and further affect the Company's profitability.

Countermeasures: The Company will strengthen dynamic analysis and judgment of market trends, enhance communication and strategic cooperation with suppliers, stabilize channels of raw material purchase, sign long-term purchase agreements for important raw materials in due course and control the fluctuation of raw material purchase prices as far as possible.

4. Potential risks of securities investment business

During the Reporting Period, the Company conducted securities investment with its own funds. Based on the business attributes, there are certain risks associated with securities investment, including the risk of market fluctuations and uncertainty of returns as macroeconomic situations have significant impacts on the financial market, and the risk that the Company may suffer certain investment losses in case of risk events in the process of entrusting wealth management activities to the trustees in terms of investment strategies and use of funds.

Countermeasures: In accordance with the *Policy for Securities Investment Management*, the Company continuously strengthens the risk control management of securities investment to ensure the safety and effective value-added of investment funds. In accordance with the economic situation and changes in the financial market, it continuously tracks and analyses the progress of securities investment and the investment of funds, the progress of project investment and the performance of the capital market, and timely takes corresponding preservation measures to control investment risks.

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

1. During the Reporting Period

√ Applicable □ Not applicable

Date	Place	Way of communication	Type of the communication party	Communication party	Main discussions and materials provided by the Company	Index to the relevant information
7 May 2020	Conference Room of the Company	By phone	Institution	Investors include: Huang Jinglun from Huatai Securities, Bi Zinan and Xu Tianxiang from Huarong Securities, Li Pingzhu from China Asset Management, Wang Xiaojun from Sunshine Insurance, Du Junsheng from Shenzhen Xinyuanrui Asset Management, Duan Zhian from Shenzhen Jianhua Xingan Investment, Chen Ligang from Shenzhen Huacai Investment Management, Zhou Shizhao and Lei from Shenzhen Qianhai Xingjian Capital Management, Xiao Jian from Honghua Capital, and Long Huaming from Guangzhou Yunxi Private Equity Investment & Fund Management.	Introduced the Company's operations, overall business structure, core competitiveness, operating strategies, etc. and answered questions from the investors	Investor Relations Management File Dated 5 July 2020 of Dongfang Precision (002611.SZ) on http://www.cninfo.com.cn
27 November 2020	Company Headquarters in Foshan City	By visit	Institution	Huaxi Securities: Qi Zhisheng; The Pacific Securities: Zeng Bowen	Introduced the Company's operations, overall business structure, core competitiveness, operating strategies, etc. and answered questions from the investors	Dongfang Precision: Log Sheet of Investor Relations Activities Dated 27 November 2020 on http://www.cninfo.com.cn

Part V Significant Events

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

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

√ Applicable ☐ Not applicable

Article 183 of the Articles of Association of Guangdong Dongfang Precision Science & Technology Co., Ltd. and Shareholder Return Plan of Guangdong Dongfang Precision Science & Technology Co., Ltd. for 2018 to 2020 specify the method of profit distribution and the conditions, schedule and proportion of cash dividend, as well as the procedures to decide and adjust or change profit distribution, in order to fully protect the legitimate rights and interests of investors.

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

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

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

1. The 2018 final dividend plan: As approved by the Board of Directors & shareholders' meeting, the Company determined not to distribute cash dividends, neither give away bonus shares, nor capitalize from public reserve.

According to the Detailed Rules of the Shenzhen Stock Exchange for Share Repurchases by Listed Companies, where a listed company repurchases its shares by way of offer or centralized bidding with cash as the consideration, the amount used to repurchase shares shall be deemed as the cash dividend amount in the year when calculating the cash dividends as a percentage.

In 2018, the Company repurchased a total of 13,113,660 shares (approximately 0.71% of the total share capital) by way of centralized bidding, with a total payment of approximately RMB 63.5975 million (exclusive of transaction costs), which means that the Company implemented a cash dividend payout of RMB 63.5975 million by way of share repurchase for 2018.

2. The 2019 final dividend plan: As approved by the Board of Directors & shareholders' meeting, the Company determined not to distribute cash dividends, neither give away bonus shares, nor capitalize from public reserve.

According to the Detailed Rules of the Shenzhen Stock Exchange for Share Repurchases by Listed Companies, where a listed company repurchases its shares by way of offer or centralized bidding with cash as the consideration, the amount used to repurchase

shares shall be deemed as the cash dividend amount in the year when calculating the cash dividends as a percentage.

In 2019, the Company repurchased a total of 21,886,403 shares (approximately 1.19% of the total share capital) by way of centralized bidding, with a total payment of approximately RMB96.4915 million (exclusive of transaction costs), which means that the Company implemented a cash dividend payout of RMB96.4915 million by way of share repurchase for 2019.

3. The 2020 final dividend plan: As approved by the Board of Directors, the Company planed not to distribute cash dividends, neither give away bonus shares, nor capitalize from public reserve.

According to the Detailed Rules of the Shenzhen Stock Exchange for Share Repurchases by Listed Companies, where a listed company repurchases its shares by way of offer or centralized bidding with cash as the consideration, the amount used to repurchase shares shall be deemed as the cash dividend amount in the year when calculating the cash dividends as a percentage.

In 2020, the Company repurchased a total of 103,968,981 shares (approximately 6.73% of the total share capital) by way of centralized bidding, with a total payment of approximately RMB499.9963 million (exclusive of transaction costs), which means that the Company implemented a cash dividend payout of RMB499.9963 million by way of share repurchase for 2020.

Cash dividends for ordinary shareholders in the past three years (including the Reporting Period):

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (like share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (A+C)	A+C as % of B (%)
2020	0.00	389,180,624.08	0.00%	499,996,259.52	128.47%	499,996,259.52	128.47%
2019	0.00	1,838,018,805.50	0.00%	96,491,469.85	5.25%	96,491,469.85	5.25%
2018	0.00	-3,875,995,219.91	0.00%	63,597,455.75	-1.64%	63,597,455.75	-1.64%

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

☐ Applicable ☒ Not applicable

II Final Dividend Plan for the Reporting Period

☐ Applicable ☒ Not applicable

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

III Fulfilment of Undertakings

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

√ Applicable □ Not applicable

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
Undertakings related to reform of shareholder structure						
Undertakings made in acquisition report of change of equity report						
Undertakings made in asset reorganization	BAIC Capital; CATL	Undertaking on restrictions on sale of shares	If the accumulated actual net profit deducting non-recurring gains and losses of Pride from 2016 to 2018 is equal to or exceeds that it undertakes, or the same fails to reach that it undertakes but Pride has fulfilled the corresponding performance compensation obligation, trading restrictions on the shares of Dongfang Precision subscribed with Pride's equity held may be released 36 months after the shares are marketable, provided that the shares used for the compensation (if any) should be deducted.	25 April 2017	As at 24 April 2020	Completed
	Qinghai Puren	Undertaking on restrictions on sale of shares	If the accumulated actual net profit deducting non-recurring gains and losses of Pride from 2016 to 2018 is equal to or exceeds that it undertakes, or the same fails to reach that it undertakes but Pride has fulfilled the corresponding performance compensation obligation, trading restrictions on 40% of the shares of Dongfang Precision subscribed with Pride's equity held may be released 36 months after the	25 April 2017	As at 24 April 2020	Completed

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			shares are marketable, provided that the shares used for the compensation (if any) should be deducted.			
	Qinghai Puren	Undertaking on restrictions on sale of shares	Trading restrictions on 80% of the shares of Dongfang Precision subscribed with Pride's equity held may be released 48 months after the shares are marketable, provided that the shares used for the compensation (if any) should be deducted.	25 April 2017	As at 20 May 2020	Completed
	Qinghai Puren	Undertaking on restrictions on sale of shares	Trading restrictions on the remaining of the shares of Dongfang Precision subscribed with Pride's equity held may be released 60 months after the shares are marketable.	25 April 2017	As at 20 May 2020	Completed
	Pulead; Foton	Undertaking on restrictions on sale of shares	If the accumulated actual net profit deducting non-recurring gains and losses of Pride from 2016 to 2018 is equal to or exceeds that it undertakes, or the same fails to reach that it undertakes but Pride has fulfilled the corresponding performance compensation obligation, trading restrictions on the remaining of the shares of Dongfang Precision subscribed with Pride's equity held may be released 36 months after the shares are marketable, provided that the shares used for the compensation (if any) should be deducted.	25 April 2017	As at 24 April 2020	Completed
	Pulead; BAIC Capital; Foton; CATL; Qinghai Puren	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The Company will conduct all related-party transactions, unavoidable or arising from a reasonable reason, between the Company, companies controlled by the Company and other companies actually controlled by the controlling shareholders of the Company, and Dongfang Precision and its controlling subsidiaries, in a fair and reasonable manner and on an equal, mutually beneficial, equivalent and compensable basis in strict accordance with market principles. For all related-party transactions between the Company, companies controlled by the Company and other companies actually controlled by the	25 April 2017	As at 8 January 2020	Completed

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			controlling shareholders of the Company, and Dongfang Precision and its controlling subsidiaries, the Company will sign agreements and go through procedures according to law and fulfil the obligation of information disclosure in accordance with relevant laws, regulations, normative documents, Articles of Association of Dongfang Precision and other corporate governance provisions, and undertakes not to damage the legitimate rights or interests of the listed company and small and medium shareholders through related-party transactions. 2. When any related-party transaction involving the Company, companies controlled by the Company and other companies actually controlled by the controlling shareholders of the Company is being deliberated by the authority of Dongfang Precision, the Company will proactively perform the obligation of evading according to law and conduct the transaction only with the approval of the competent authority. 3. The Company undertakes not to obtain any improper benefits or cause Dongfang Precision and its controlling subsidiaries to assume any improper obligations through related-party transactions. In case of any losses to Dongfang Precision or its controlling subsidiaries as a result of any breach of the above undertakings, the Company will be liable for such losses. Pride is independent from the Company and companies controlled by the Company in terms of assets, business, staffing, finance and organizations, and has an independent and complete asset structure and business system. After the completion of this transaction, the Company will continue the independent operation of Pride, ensure compliant conducting of transactions between the Company or its related-parties and Pride, actively implement the internal control procedure and set transaction prices in strict accordance with market			

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			prices, so as to avoid adverse impacts on the independence of the listed company.			
	Pulead; Qinghai Puren	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The Company, companies controlled by the Company and other companies actually controlled by the controlling shareholders of the Company will not engage in, directly or indirectly, any business the same as or similar to the main businesses of Dongfang Precision (China) and its affiliated companies or Pride and its affiliated companies, nor will it do so by means of investment, acquisition, joint venture, merger or entrusted operation within the territory of China. 2. If any subsequent business opportunities obtained by the Company, companies controlled by the Company or other companies actually controlled by the controlling shareholders of the Company from any third party compete or may compete with the main business of Dongfang Precision and its affiliated companies or Pride and its affiliated companies, the Company, companies controlled by the Company or other companies actually controlled by the controlling shareholders of the Company will immediately inform and make every effort to deliver such business opportunities to Dongfang Precision and its affiliated companies or Pride and its affiliated companies. 3. In case of any losses to Dongfang Precision and its related parties as a result of failure of the Company, companies controlled by the Company or other companies actually controlled by the controlling shareholders of the Company to fulfil or to fulfil properly the above undertakings, the Company will bear all such losses in cash.	25 April 2017	As at 8 January 2020	Completed
	Pulead; BAIC Capital; Foton; CATL;	Other undertakings	1. After the completion of this reorganization, the Company and the Company's persons acting in concert will not increase their holdings of Dongfang Precision's shares within 36 months from the date when the	25 April 2017	As at 24 April 2020	Completed

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
	Qinghai Puren		new shares issued by Dongfang Precision to the Company are registered in the name of the Company. 2. After the completion of this reorganization, the Company and the Company's persons acting in concert will not, in any way, seek to gain control of Dongfang Precision within 36 months from the date when the new shares issued by Dongfang Precision to the Company are registered in the name of the Company. 3. These undertakings shall come into effect once made, and shall not be revoked. In case of any breach of the above undertakings, the Company will bear the corresponding legal liabilities.			
	Tang Zhuolin, Tang Zhuomian	Other undertakings	1. I undertake not to give up the actual control right of Dongfang Precision within 60 months from the date of completion of this transaction. 2. In order to continue to share the business results of Dongfang Precision, I have the intention to hold the shares of Dongfang Precision in the long run. Under this premise, I further undertake, while ensuring that the actual controller of Dongfang Precision will not be changed, to increase or reduce the holdings of Dongfang Precision's shares based on my own money holdings and capital demand, and to conduct relevant business in accordance with the provisions of China Securities Regulatory Commission (CSRC) and Shenzhen Stock Exchange. 3. These undertakings shall come into effect once made, and shall not be revoked. In case of any breach of the above undertakings, I will bear the corresponding legal liabilities.	25 April 2017	As at 20 May 2020	Completed
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and	1. I will conduct all related-party transactions, unavoidable or arising from a reasonable reason, between me and companies controlled by me and Dongfang Precision and its controlling subsidiaries in a fair and reasonable manner and on an equal, mutually beneficial, equivalent and compensable basis in strict accordance with market principles. For all	25 April 2017	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
		capital occupation	related-party transactions between me and companies controlled by me and Dongfang Precision and its controlling subsidiaries, I will sign agreements and go through procedures according to law and fulfil the obligation of information disclosure in accordance with relevant laws, regulations, normative documents, Articles of Association of Dongfang Precision and other corporate governance provisions, and undertakes not to damage the legitimate rights or interests of the listed company and small and medium shareholders. 2. When any related-party transaction involving me and companies controlled by me is being deliberated by the authority of Dongfang Precision, I will proactively perform the obligation of evading according to law and conduct the transaction only with the approval of the competent authority. 3. I undertake not to obtain any improper benefits or cause Dongfang Precision and its controlling subsidiaries to assume any improper obligations through related-party transactions. In case of any losses to Dongfang Precision or its controlling subsidiaries as a result of any breach of the above undertakings, I will be liable for such losses.			
	Pulead; BAIC Capital; Foton; CATL; Qinghai Puren	Other undertakings	When the Company is conducting major asset reorganization by acquiring 100% of Beijing Pride's equity, former shareholders of Beijing Pride, namely Pulead, Qinghai Puren, BAIC Capital, Foton and CATL, undertake that: 1. None of them has signed any agreement on concerted action as of the date of signature of the Agreement to Purchase Assets by Issuing Shares and Paying Cash, nor will they do so in the future, although BAIC Capital and Foton are subject to a concerted action relation and so as Pulead and Qinghai Puren. 2. They will not attempt to change any member of the Board of Directors of Dongfang Precision through a general meeting of shareholders.	July 28, 2016	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The undertaker and companies controlled by it are not engaging in any business the same as, similar to or competing with the business of the listed company and companies controlled by it, and they will neither, in any way, engage in or assist others in engaging in any business that competes or may compete with the business of the listed company and companies controlled by it, nor merge or substantially invest in (or jointly hold), directly or indirectly, other companies engaging in any business that competes or may compete with the business of the listed company and companies controlled by it. 2. If the listed company engages in a new business sector, the undertaker will not engage in any business that competes with such a new business of the listed company, except with the prior written consent of the listed company. 3. If any business opportunity obtained by the undertaker from any third party completes or may compete with the business of the listed company and companies controlled by it, the undertaker will immediately inform and make every effort to deliver the business opportunity to the listed company. 4. The undertaker will not, in any way, use the information or other resources obtained from the listed company to conduct any act that harms the interests of the listed company. 5. In case of any losses to the listed company as a result of breach of these undertakings by the undertaker, the undertaker will make thorough, timely and full compensation for all such losses and take active measures to eliminate the adverse effects caused thereby.	25 November 2019	Long-term effective	In normal progress of fulfilment
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party	1. The undertaker will refrain from any illegal occupation of the funds and assets of the listed company, and will never require the listed company to provide any form of guarantee to it or companies controlled by it under any circumstances. 2. The undertaker will, to the	25 November 2019	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
		transactions and capital occupation	extent possible, avoid and minimize related-party transactions with the listed company, and for all related-party transactions unavoidable or arising from a reasonable reason, it will conduct following the principle of voluntary, fair and reasonable market pricing and according to normal market trading conditions, sign agreements and go through procedures according to law, abide by relevant laws, regulations, normative documents and articles of association of the listed company, perform internal decision-making and approval procedures according to law, and timely perform the obligation of information disclosure, so as to ensure that the related-party transactions are fairly and reasonably priced and conducted under fair trading conditions and that it will not damage the legitimate rights or interests of the listed company and its shareholders through related-party transactions. 3. In case of any losses to the listed company as a result of breach of these undertakings by the undertaker, the undertaker will make thorough, timely and full compensation for all such losses and take active measures to eliminate the adverse effects caused thereby.			
	Tang Zhuolin, Tang Zhuomian	Other undertakings	1. I will not overstep my authority to intervene in the operation and management of Dongfang Precision, will not occupy the interests of Dongfang Precision, and will earnestly take corresponding measures to fill up the diluted spot returns of Dongfang Precision. 2. After the CSRC and Shenzhen Stock Exchange otherwise release the measures to fill up diluted spot returns and opinions and implementation rules for its undertakings, if Dongfang Precision's corresponding policies and undertakings fail to meet such provisions, I will immediately submit a supplementary undertaking to the CSRC and Shenzhen Stock Exchange as required in order to be compliant. 3. I undertake to earnestly take the	25 November 2019	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			corresponding measures formulated by the listed company to fill up diluted spot returns and to earnestly fulfil my undertakings. If I violate such undertaking(s) and cause losses to the Company or investors, I am willing to bear the corresponding liability for compensation according to law.			
	Tang Zhuolin, Tang Zhuomian	Other undertakings	1. After this transaction, the undertaker will continue to maintain the independence of the listed company in terms of staffing, asset, business, organization and finance in accordance with relevant laws, regulations and normative documents, and will not conduct any act that affects such independence or damages the interests of the listed company and other shareholders, and will effectively safeguard the independence of the listed company in terms of staffing, asset, business, organization and finance. 2. This letter of undertaking shall be effective and irrevocable as of the date when it is officially signed by the undertaker. The undertaker warrants to fulfil the undertaking(s) in good faith, and the listed company has the right to supervise its fulfilment. Where the undertaker fails to fulfil the undertaking(s) in good faith of undertaking and thus cause actual losses to the listed company, the undertaker shall compensate the listed company for all director or indirect losses caused thereby.	25 November 2019	Long-term effective	In normal progress of fulfilment
	He Weifeng, Mai Zhirong, Peng Xiaowei, Qiu Yezhi, Tang Zhuolin, Xie Weiwei	Other undertakings	I, as a director/senior executive of the Company, will faithfully and diligently perform my duties, safeguard the legitimate rights and interests of the Company and all shareholders, and make the following undertakings to ensure that the Company's measures to fill up returns will be effectively implemented. 1. I will not transfer benefits to other organizations or individuals for	25 November 2019	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
	Zhou Wenhui		free or under unfair conditions, nor will I damage the interests of the Company in other ways. 2. I will constrain my consumption behaviour on the position. 3. I will not use the Company's assets to engage in any investment or consumption activities unrelated to my performance of duties. 4. I will link the remuneration system formulated by the Board of Directors or the Remuneration Committee to the implementation of the Company's measures to fill up returns. 5. If the Company has an equity incentive program, I will link the exercise conditions of the equity incentive program to be announced to the implementation of the Company's measures to fill up returns. 6. After this undertaking is given, if the regulator puts forward other requirements for the measures to fill up returns and the undertaking and the undertaking fails to meet such requirements, I will give a supplementary undertaking according to the latest requirements of the regulator. 7. I will effectively implement the Company's measures to fill up returns and fully fulfil my corresponding undertakings, and I am willing to bear the corresponding liability for compensation according to law if I violate such undertaking(s) and cause losses to the Company or investors.			
Undertakings made in IPO or refinancing	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	Before the fact that I am (or the Company is) a major shareholder of the issuer is changed, I (or the Company) will not, directly or indirectly, in any way (including but not limited to sole proprietorship, joint venture and holding stocks or interests in other companies or enterprises), engage in any business or activity that competes or may compete with the business of the issuer. I (The Company) shall compensate the issuer for any loss caused to it as a result of the failure to fulfil the undertaking to avoid horizontal competition.	18 August 2010	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
	Tang Zhuolin, Tang Zhuomian	Other undertakings	If relevant government or judicial authorities decide that Dongfang Precision or Weike Dongmeng need to make a supplementary payment for employees' public housing provision, or Dongfang Precision or Weike Dongmeng is subject to any late fee, fine or loses for failing to pay the public housing provision for some employees, I will unconditionally and in full bear such supplementary payment, late fees and fines.	14 August 2011	Long-term effective	In normal progress of fulfilment
Undertakings related to equity incentives						
Undertakings made to minority shareholders of the Company						
Whether the undertakings were timely performed	Yes					

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

☒ Applicable ☐ Not applicable

The Proposal on Changes to the Accounting Policies was approved at the 45th Meeting of the 3rd Board of Directors and the 29th Meeting of the 3rd Supervisory Committee respectively on 27 April 2020. As required by the Ministry of Finance, the Company has adopted since 1 January 2020 the Accounting Standard No. 14 for Business Enterprises—Revenue (CK [2017] No. 22) (hereinafter, the “New Revenue Standard”), which was a revised version issued by the Ministry of Finance in 2017. As such, the Company has disclosed its financial statements according to the New Revenue Standard starting from the First Quarterly Report 2020.

VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

☒ Applicable ☐ Not applicable

The consolidated income statement and cash flow statement of 2019 included Pride, while the consolidated financial statements of 2020 did not.

In February 2020, subsidiary Fosber Group completed the acquisition of the relevant assets of BP Agnati S.r.l., a corrugator line manufacturer in Italy with Italy QCorr as the direct acquirer. Upon the transaction, Fosber Group has a 60% interest in Italy QCorr, and Italy QCorr was included in the consolidated financial statements of the Company for the Reporting Period.

In March 2020, subsidiary Tiru ã Brasil Ltda was de-registered and has been excluded from the consolidated financial statements of the Company since the date of de-registration.

In September 2020, the Company acquired the other 50% interest in Yinglian Digital. Upon the acquisition, the Company owns the 100% interest of Yinglian Digital, which has been included in the consolidated financial statements of the Company.

In October 2020, subsidiaries Hainan Yineng and Dongfang Digicom were incorporated and have been included in the consolidated financial statements of the Company since the date of incorporation.

In November 2020, subsidiary Shunyi Investment, as a general partner, participated in the establishment of Suzhou High-Tech Zone Jinqun Business Management Partnership (Limited Partnership). Pursuant to the relevant partnership agreement and China's Accounting Standards for Business Enterprises, the Company included Suzhou High-Tech Zone Jinqun Business Management Partnership (Limited Partnership) in its consolidated financial statements of 2020.

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Ernst & Young Hua Ming LLP
The Company's payment to the domestic independent auditor (RMB'0,000)	305
How many consecutive years the domestic independent auditor has provided audit service for the Company	1 year
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Feng Xingzhi and Lin Hongyan
How many consecutive years the certified public accountants	1 year

have provided audit service for the Company	
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Indicate whether the independent auditor was changed for the Reporting Period.

☒ Yes ☐ No

Indicate whether the independent auditor was changed during the audit period.

☐ Yes ☒ No

Indicate whether an approval procedure was implemented with regard to the change of the independent auditor.

☒ Yes ☐ No

Particulars about the change of the independent auditor:

The Proposal on the Appointment of Independent Auditor for the 2020 Annual Audit was approved respectively at the Second (Extraordinary) Meeting of the Fourth Board of Directors on 16 October 2020 and the Fifth Extraordinary General Meeting of 2020 on 2 November 2020. Due to actual and future development needs, and upon comprehensive surveying and inquiring, as well as sufficient consideration and prudent decision-making, the Company decided to appoint Ernst & Young Hua Ming LLP as the independent auditor for the 2020 annual audit of the Company, with a term of one year.

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

☒ Applicable ☐ Not applicable

Shanghai Realize Investment Consulting Co., Ltd. was hired as the financial advisor for equity incentive matters in the year, with a fee of RMB200,000 paid in the year.

X Possibility of Delisting after the Disclosure of this Report

☐ Applicable ☒ Not applicable

XI Insolvency and Reorganization

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XII Significant Legal Matters

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XIII Punishments and Rectifications

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

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

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

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

XVI Significant Related-Party Transactions

1. Continuing Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Amounts Due to and from Related Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Other Significant Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVII Significant Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Leases

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

☒ Applicable ☐ Not applicable

(1) Particulars about Guarantees

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Not applicable								
Guarantees provided by the Company as the parent for its subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Dongfang Precision (Netherland)	11 January 2020	36,016.2	16 March 2020	36,016.2	Joint liability	From the date when the guarantee took effect to 18 February 2021	Not	Not
Dongfang Precision (Netherland)	5 June 2020	28,087.5	30 June 2020	26,883.75	Joint liability	From the date when the guarantee took effect to 29 June 2023	Not	Not
Total approved line for such guarantees in the Reporting Period (B1)		64,103.7		Total actual amount of such guarantees in the Reporting Period (B2)		62,899.95		
Total approved line for such guarantees at the end of the Reporting Period (B3)		64,103.7		Total actual balance of such guarantees at the end of the Reporting Period (B4)		62,899.95		
Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Italy QCorr	15 May 2020	2,006.25	29 April 2020	2,006.25	Joint liability	From the date when	Not	Not

						the guarantee took effect to 15 February 2021		
Italy QCorr	15 May 2020	2,407.5	30 April 2020	2,407.5	Joint liability	From the date when the guarantee took effect to 30 June 2024	Not	Not
Total approved line for such guarantees in the Reporting Period (C1)		4,413.75		Total actual amount of such guarantees in the Reporting Period (C2)		4,413.75		
Total approved line for such guarantees at the end of the Reporting Period (C3)		4,413.75		Total actual balance of such guarantees at the end of the Reporting Period (C4)		4,413.75		
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)		68,517.45		Total actual guarantee amount in the Reporting Period (A2+B2+C2)		67,313.7		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		68,517.45		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		67,313.7		
Total actual guarantee amount (A4+B4+C4) as % of the Company’s net assets							16.19%	
Of which:								
Balance of guarantees provided for shareholders, the actual controller and their related parties (D)				0				
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)				67,313.7				
Amount by which the total guarantee amount exceeds 50% of the Company’s net assets (F)				0				
Total of the three amounts above (D+E+F)				67,313.7				
Joint liability possibly borne or already borne in the Reporting Period for outstanding guarantees (if any)				Not applicable				
Guarantees provided in breach of prescribed procedures (if any)				Not applicable				

Particulars about complex guarantees:

Not applicable

(2) Irregularities in Provision of Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

☒ Applicable ☐ Not applicable

Overview of wealth management entrustments in the Reporting Period:

Unit: RMB'0,000

Type	Funding source	Amount	Undue amount	Unrecovered overdue amount
Bank's wealth management product	Raised funds	65,000	0	0
Bank's wealth management product	Self-funded	166,300	50,885.69	0
Securities firm's wealth management product	Self-funded	60,000	60,000	0
Trust product	Self-funded	50,000	50,000	0
Total		341,300	160,885.69	0

High-risk wealth management transactions with a significant single amount or with low security, low liquidity and no principal protection:

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

(2) Entrusted Loans

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Significant Contracts Arising in the Ordinary Course of Business

☐ Applicable ☒ Not applicable

5. Other Significant Contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVIII Social Responsibilities

1. Performance of Social Responsibilities

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

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

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

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

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

(5) Environmental protection: Dongfang Precision took samples for testing and issued third-party testing reports each quarter, and has met the zero emission requirement put forward in the replies by environmental authorities and relocated hazardous wastes in strict accordance with the requirements of the state. During the Reporting Period, the Company completed part of its environmental protection facilities (e.g., the waste gas treatment facility and the waste water treatment facility), and passed the qualification

re-examination on OHSAS18001:2007 Occupational Health and Safety Management Systems and ISO14001:2005 Environmental Management System, and Dongfang Precision and Parsun Power were granted the National Pollutant Discharge Permit. The subsidiary Parsun Power divided pollutants and wastes into industrial waste water, waste gas, solid waste, hazardous waste and domestic waste, and disposed of them, and earnestly fulfilled its responsibility of environmental protection. The overseas subsidiary Fosber America established the Green Team committee, which held meetings every quarter and took reform measures to promote its green and low-carbon production.

(6) Epidemic control and fight: After the outbreak of COVID-19 around the Spring Festival in 2020, the Company took active part in social epidemic controls and fights by taking the following actions:

A. The Company effectively carried out internal prevention of the epidemic. It immediately established the epidemic prevention committee led by the general manager to make full arrangement of epidemic prevention works, actively collected and allocated epidemic supplies, provided employees with face masks, temperature guns and disinfectant, especially strengthened epidemic control and management over employees on business trips at home and abroad and temporary migrant workers, timely learned the health status and travel schedules of such employees, and conscientiously implement epidemic prevention and management measures for migrant workers.

B. The Company actively responded to the government's call for an orderly resumption of work and production while doing a good job in epidemic prevention and control, formulated detailed plans for work and production resumption and effectively implemented them, took a variety of effective epidemic prevention and control measures, and successfully realized safe work resumption after the on-site acceptance by government authorities. During this process, it formed regular epidemic prevention and control in light of the development and changes of the epidemic.

C. It actively fulfilled its social responsibilities and supported others in the epidemic. The Company actively performed its social responsibilities as an influential listed company, donated cash and epidemic supplies to Hubei Dawu Maternity and Child Healthcare Hospital, Hunan Lianyuan Red Cross Society, Foshan First People's Hospital, Nanhai District Listing Association and other organizations to take practical actions to support the front line against the epidemic. It also donated epidemic supplies to its subsidiaries and agents in Italy, the US and Spain, and its overseas subsidiaries also made donations to local families and individuals affected by the epidemic.

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

(8) Social honour: In 2020, Dongfang Precision was once again recognized as a state-level high-tech enterprise, which was announced for public acknowledgment, and it won honorary titles including "Foshan Benchmark High-tech Enterprise", "Zealous Public Welfare Team of Shishan Labour Union Volunteer Service Corps", "Outstanding Volunteer team of Shishan Labour Union Volunteer Service Corps", and "Solo Champion in Foshan National High-tech Zone". In the same year, Fosber Asia won honorary titles including "Guangdong Demonstration Enterprise of Intellectual Property", "Demonstrate Base for Joint Postgraduate Training",

"2020 Leading Enterprise in Foshan National High-tech Zone" and "2020 Gazelle Enterprise in Foshan National High-tech Zone", and Parsun Power won honorary titles including "Leading Enterprise in China's Internal Combustion Engine Industry", "International Well-known Brand of Key Cultivation and Development in Jiangsu" and "Philanthropic Enterprise".

2. Performance of Social Responsibility of Targeted Poverty Alleviation

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

3. Relevant Information of Environmental Protection

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

☐ Yes ☒ No

No

(1) Construction and operation of pollution prevention and control facilities: The parent company Dongfang Precision has invested a total of RMB6,466,000 approx. in environmental protection, including the construction of new environmental protection equipment, maintenance and operation of these equipment and relocation and disposal of hazardous wastes, and assigned special persons to manage and operate the environmental protection equipment and maintain them in a regular basis to ensure their proper operation. During the production process, the Company took a variety of measures to control the waste discharge and waste gas disposal, and met the requirements for discharge. The subsidiary Parsun Power upgraded its painting equipment according to the upgrading scheme put forward by the expert team sent by the Environmental Protection Bureau, which has been accepted for environmental friendliness and is in good operation condition.

(2) Administrative permit on environmental protection: Dongfang Precision and its subsidiaries have obtained the EIA approval from competent departments of environmental protection for their main production projects, and have passed EIA inspection. During the Reporting Period, Dongfang Precision and Parsun Power obtained the National Permit for Pollutant Discharge, and met post-licensing regulatory requirements as required.

(3) Contingency plan for environmental emergencies: In 2019, Parsun Power filed the Contingency Plan for Environmental Emergencies it compiled. In December 2020, Dongfang Precision commissioned a qualified third party environmental protection agency to compile the Contingency Plan for Environmental Emergencies, and filed it.

(4) Environment self-monitoring plan: Dongfang Precision commissioned a third party to install and operate 24h online wastewater flow monitoring equipment, and also commissioned a third party testing agency to test wastewater, waste gas and noise every quarter. It also required environmental equipment operators to carry out regular inspections to learn about the pollutants. Besides, Parsun Power tested the activated carbon adsorption equipment before and after maintenance (including replacement of activated carbon).

XIX Other Significant Events

☒ Applicable ☐ Not applicable

(I) Revise the Articles of Association

On 27 March 2020, the Company held the 1st extraordinary general meeting of shareholders in 2020, and deliberated and approved the Proposal on Revising the Articles of Association. As the governing laws, including the Company Law and the Code of Corporate Governance for Listed Companies, were revised in 2018 and 2019, the Company revised the Articles of Association of

Guangdong Dongfang Precision Science & Technology Co., Ltd. in accordance with relevant laws and regulations and the Company's actual situation in order to maintain the Company's long-lasting stable development, ensure the Company's focus on core business and long-term development goals, avoid adverse impacts of potential power struggles and hostile takeover on the normal production and business operation of the Company, ensure the Company's normal operation in the face of hostile takeover, and further protect the interests of medium and small shareholders.

(II) Sign a strategic cooperation agreement with Ininin

In July 2020, Dongfang Precision entered into the Strategic Cooperation Agreement with Ininin Technology (Shenzhen) Co., Ltd. (hereinafter referred to as "Ininin"), a majority-owned subsidiary of Shanying International Holdings Co., Ltd., to establish a strategic cooperation relationship in promoting digital transformation and upgrading of the intelligent packaging industry, jointly set a model for smart factories, and jointly promote the digital transformation and upgrading of the printing and packaging industry, as detailed in the Announcement on Entering into Strategic Cooperation Agreement with Ininin published by the Company on the cninfo website on 20 July 2020.

(III) Complete the general election of the Board of Directors and the Supervisory Committee

On 22 September 2020, the Company held the 4th extraordinary general meeting of shareholders in 2020, at which the Proposal on Election of Non-independent Directors of the Company's 4th Board of Directors, Proposal on Election of Independent Directors of the Company's 4th Board of Directors and Proposal on Election of Supervising Shareholders of the Company's 4th Supervisory Committee were deliberated and approved, and directors of the Company's 4th Board of Directors and supervising shareholder representatives of the Company's 4th Supervisory Committee were elected. The supervising shareholder representatives elected and supervising employee representatives elected at the congress of workers and employees held by the Company on 26 August 2020 formed the Company's 4th Supervisory Committee. On the same day, the Company held the 1st extraordinary meeting of the 4th Board of Directors and the 1st extraordinary meeting of the 4th Supervisory Committee, and deliberated and approved the proposals on election of the chairman, members of special committees of the Board of Directors and the chairman of the Supervisory Committee, as well as the appointment of senior managers, as detailed in the Announcement on Completion of General Election of the Board of Directors and the Supervisory Committee and the Announcement on Election of Chairman, Members of Special Committees of Board of Directors and Chairman of Supervisory Committee and Appointment of Senior Managers published by the Company on the cninfo website on 23 September 2020.

(IV) Change the business scope

On 29 December 2020, the Company held the 4th extraordinary meeting of the 4th Board of Directors and deliberated and approved the Proposal on Change of Business Scope and Revision of Articles of Association. The Company changed its business scope as required by its operation and business development in accordance with the Company Law, Articles of Association and Provisions on the Administration of Business Scope Registration for Enterprises of the State Administration for Industry and Commerce of the People's Republic of China. It has been deliberated and approved at the 1st extraordinary general meeting of shareholders held in 2021, as detailed in the Announcement on Change of Business Scope and Revision of Articles of Association published by the Company on the cninfo website on 30 December 2020.

XX Significant Events of Subsidiaries

☐ Applicable ☒ Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	731,859,476	39.80%	0	0	0	-489,113,346	-489,113,346	242,746,130	15.71%
1.1 Shares held by the government	0	0.00%	0	0	0	0	0	0	0.00%
1.2 Shares held by state-owned corporations	356,869,565	19.41%	0	0	0	-356,869,565	-356,869,565	0	0.00%
1.3 Shares held by other domestic investors	374,989,911	20.39%	0	0	0	-133,543,781	-133,543,781	241,446,130	15.63%
Including: Shares held by domestic corporations	155,304,347	8.45%	0	0	0	-155,304,347	-155,304,347	0	0.00%
Shares held by domestic individuals	219,685,564	11.95%	0	0	0	21,760,566	21,760,566	241,446,130	15.63%
1.4 Shares held by overseas investors	0	0.00%	0	0	0	1,300,000	1,300,000	1,300,000	0.08%
Including: Shares held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas individuals	0	0.00%	0	0	0	1,300,000	1,300,000	1,300,000	0.08%
2. Unrestricted shares	1,106,787,620	60.20%	0	0	0	195,593,207	195,593,207	1,302,380,827	84.29%
2.1 RMB-denominated ordinary shares	1,106,787,620	60.20%	0	0	0	195,593,207	195,593,207	1,302,380,827	84.29%
2.2 Domestically listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
2.3 Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
2.4 Others	0	0.00%	0	0	0	0	0	0	0.00%

3. Total shares	1,838,647,096	100.00%	0	0	0	-293,520,139	-293,520,139	1,545,126,957	100.00%
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Reasons for share changes:√ Applicable ☐ Not applicable**1. Repurchase and retirement of performance compensation shares in the Reporting Period**

The Company carried out a “package solution” in late 2019 to solve the dispute over the commitment regarding Pride’s performance. According to the said solution, the Company repurchased, at the price of RMB1, the 293,520,139 shares of the A-stock of Dongfang Precision, which were payable by the former shareholders of Pride, namely, Pulead, CATL, BAIC Capital, Foton, and Qinghai Puren. And the said shares were repurchased and retired in January 2020.

2. Restricted shares unlocked in the Reporting Period

Upon the application by the Company and the approval by the Shenzhen Stock Exchange, the total of 193,871,164 restricted shares held by shareholders Pulead, CATL, BAIC Capital, Foton, and Qinghai Puren were unlocked for public trading on 27 April 2020 (Monday), and the total of 24,782,609 restricted shares held by shareholders Qinghai Puren, etc. were unlocked for public trading on 3 June 2020 (Wednesday).

3. Completion of the ownership transfer of the first grant under the 2020 Restricted Share Incentive Plan in the Reporting Period

The Company launched the restricted share incentive plan in the first half of 2020, and completed the ownership transfer of the first grant in June 2020. A total of 22,600,000 restricted shares were granted, including 1,300,000 shares in total to three foreign awardees.

4. Lockup of shares held by the shareholder supervisor elected in the Reporting Period

The Proposal on the Election of the Shareholder Supervisor for the Fourth Supervisory Committee was approved at the Fourth Extraordinary General Meeting of 2020 on 22 September 2020. Mr. He Baohua was elected as the Shareholder Supervisor for the Fourth Supervisory Committee. As required by the applicable laws and regulations, 75% of the 614,088 shares held by Mr. He in the Company (equivalent to 460,566 shares) were locked up starting from 24 September 2020.

Approval of share changes:√ Applicable ☐ Not applicable

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

Transfer of share ownership:√ Applicable ☐ Not applicable

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

Progress on any share repurchase:√ Applicable ☐ Not applicable

The 2020 share repurchase plan was approved at the 49th (Extraordinary) Meeting of the 3rd Board of Directors and the Third Extraordinary General Meeting of 2020 on 24 June 2020 respectively. Using self-owned funds, raised funds that had been duly approved to supplement the working capital permanently, and borrowing from financial institution, the Company would carry out a repurchase of a certain number of shares of the RMB-denominated ordinary A-stock by way of centralized bidding (hereinafter, the “2020 Share Repurchase”). The Company intended to use a total amount of no less than RMB500 million (inclusive) and no more than RMB1,000 million (inclusive) to repurchase shares at prices of no more than RMB6.42/share. All the repurchased shares would be retired to reduce the registered capital. The implementation period was within 12 months as the share repurchase plan was approved by the general meeting.

As of 31 December 2020, a total of 103,968,981 shares (6.73% of the Company’s total share capital) were repurchased under the 2020 Share Repurchase Plan, with a total payment of approximately RMB500 million.

As of the date of this Report, a total of 127,215,648 shares (8.23% of the Company’s total share capital) were repurchased by way of centralized bidding under the 2020 Share Repurchase Plan, with a total payment of approximately RMB600 million (exclusive of transaction costs, highest transaction price: RMB 5.10/share; lowest transaction price: RMB 3.88/share).

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Unit: RMB

	Earnings per share for 2019	Earnings per share for 2019 based on the latest share capital	Earnings per share for 2020
Basic earnings per share	1.01	1.24	0.26
Diluted earnings per share	1.01	1.24	0.26
Equity per share attributable to the Company’s ordinary shareholders	2.38	2.93	2.81

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

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

√ Applicable □ Not applicable

Unit: share

Shareholder	Opening restricted shares	Increase in restricted shares in the period	Unlocked in the period	Closing restricted shares	Reason for restriction	Date of unlocking
Pulead	188,347,825	0	188,347,825	0	Participated in a private placement of the Company and made a share lockup commitment	On 8 January 2020, 111,537,653 shares were repurchased and retired as performance compensation. On 27 April 2020, 76,810,172 shares were unlocked.
BAIC Capital	118,956,522	0	118,956,522	0	Participated in a private placement of the Company and made a share lockup commitment	On 8 January 2020, 70,444,833 shares were repurchased and retired as performance compensation. On 27 April 2020, 48,511,689 shares were unlocked.
CATL	114,000,000	0	114,000,000	0	Participated in a private placement of the Company and made a share lockup commitment	On 8 January 2020, 67,509,632 shares were repurchased and retired as performance compensation. On 27 April 2020, 46,490,368 shares were unlocked.
Foton	49,565,218	0	49,565,218	0	Participated in a private placement of the Company and made a share lockup commitment	On 8 January 2020, 29,352,014 shares were repurchased and retired as performance compensation. On 27 April 2020, 20,213,204 shares were unlocked.
Qinghai Puren	41,304,347	0	41,304,347	0	Participated in a private placement of the Company and made a share lockup commitment	On 8 January 2020, 14,676,007 shares were repurchased and retired as performance compensation. On 27 April 2020, 1,845,731 shares were unlocked. On 3 June 2020, 24,782,609 shares were unlocked.
Qiu Yezhi	16,632,388	9,000,000	0	25,632,388	Participated in the 2020 Restricted Share Incentive Plan of the Company	When the unlocking conditions as stated in the 2020 Restricted Share Incentive Plan are met
Xie Weiwei	0	1,000,000	0	1,000,000	Participated in the 2020 Restricted Share	When the unlocking conditions as stated in the 2020 Restricted

Shareholder	Opening restricted shares	Increase in restricted shares in the period	Unlocked in the period	Closing restricted shares	Reason for restriction	Date of unlocking
					Incentive Plan of the Company	Share Incentive Plan are met
Zhou Wenhui	0	1,200,000	0	1,200,000	Participated in the 2020 Restricted Share Incentive Plan of the Company	When the unlocking conditions as stated in the 2020 Restricted Share Incentive Plan are met
The other 37 awardees of the first grant of the 2020 Restricted Share Incentive Plan	0	11,400,000	0	11,400,000	Participated in the 2020 Restricted Share Incentive Plan of the Company	These shares will be unlocked when the unlocking conditions as stated in the 2020 Restricted Share Incentive Plan are met. As two awardees resigned from the Company and were disqualified for the equity incentives, the Company repurchased and retired on 24 February 2021 the 900,000 restricted shares that had been granted to them but were still locked up.
He Baohua	0	460,566	0	460,566	As of the end of the Reporting Period, Supervisor Mr. He Baohua held 614,088 shares in the Company. According to the applicable regulations, 75% of these shares were locked up due to his senior management position.	Continuously locked up as per the statutory lockup ratio for senior management
Total	528,806,300	23,060,566	512,173,912	39,692,954	--	--

II Issuance and Listing of Securities

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

☐ Applicable ☒ Not applicable

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

√ Applicable □ Not applicable

The Company completed the repurchase and retirement of performance compensation shares in the Reporting Period, causing changes to its total share capital.

The Company carried out a “package solution” in late 2019 to solve the dispute over the commitment regarding Pride’s performance. According to the said solution, the Company repurchased the 293,520,139 shares of the A-stock of Dongfang Precision held by the former shareholders of Pride, namely, Pulead, CATL, BAIC Capital, Foton, and Qinghai Puren. And the said shares were retired in January 2020. Upon the retirement, the total share capital of the Company decreased from 1,838,647,096 shares to 1,545,126,957 shares.

A total of 103,968,981 shares (6.73% of the Company’s total share capital) were repurchased under the 2020 Share Repurchase Plan, with a total payment of approximately RMB500 million.

Due to the matters above, the closing total equity decreased compared to the opening amount.

3. Existing Staff-Held Shares

□ Applicable √ Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders at the period-end	38,989	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	39,486	Number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)	0	Number of preference shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0
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5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge or frozen	
							Status	Shares
Tang Zhuolin	Domestic individual	17.52%	270,737,568	0.00	203,053,176	67,684,392	In pledge	187,000,000
Tang Zhuomian	Domestic individual	8.79%	135,885,134	0.00	0	135,885,134		
Pulead Technology Industry Co., Ltd.	State-owned corporation	4.50%	69,454,378	-118,893,447.00	0	69,454,378		
Beijing Automotive Group Industry Investment Co., Ltd.	State-owned corporation	3.14%	48,511,689	-70,444,833.00	0	48,511,689		
Contemporary Ampere Technology Co., Ltd.	Domestic non-state-owned corporation	3.01%	46,490,368	-67,509,632.00	0	46,490,368		
Ruan Huili	Domestic individual	2.92%	45,087,232	-83,100.00	0	45,087,232		
JIC Investment Co., Ltd.	State-owned corporation	2.54%	39,215,685	0.00	0	39,215,685		
Luzhou Industrial Investment Group Co., Ltd.	State-owned corporation	2.06%	31,770,010	0.00	0	31,770,010		
Huarong Securities—China Merchants Securities—Huarong Youzhi Collective Asset Management Plan No. 1	Other	2.03%	31,372,549	0.00	0	31,372,549		
Qiu Yezhi	Domestic individual	2.02%	31,176,518	9,000,000	25,632,388	5,544,130		
Strategic investor or general corporation becoming a top-10 ordinary shareholder in a rights issue (if any) (see note 3)		None						

Related or acting-in-concert parties among the shareholders above	Mr. Tang Zhuolin and Mr. Tang Zhuomian are brothers. On 18 August 2010, they signed the Agreement on Acting in Concert. Apart from that, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.		
Above shareholders entrusting or entrusted with voting rights, or waiving voting rights	None		
Top 10 unrestricted shareholders			
Name of shareholder	Unrestricted shares held at the period-end	Shares by type	
		Type	Shares
Tang Zhuomian	135,885,134	RMB-denominated ordinary stock	135,885,134
Pulead Technology Industry Co., Ltd.	69,454,378	RMB-denominated ordinary stock	69,454,378
Tang Zhuolin	67,684,392	RMB-denominated ordinary stock	67,684,392
Beijing Automotive Group Industry Investment Co., Ltd.	48,511,689	RMB-denominated ordinary stock	48,511,689
Contemporary Amperex Technology Co., Ltd.	46,490,368	RMB-denominated ordinary stock	46,490,368
Ruan Huili	45,087,232	RMB-denominated ordinary stock	45,087,232
JIC Investment Co., Ltd.	39,215,685	RMB-denominated ordinary stock	39,215,685
Luzhou Industrial Investment Group Co., Ltd.	31,770,010	RMB-denominated ordinary stock	31,770,010
Huarong Securities—China Merchants Securities—Huarong Youzhi Collective Asset Management Plan No.	31,372,549	RMB-denominated ordinary stock	31,372,549

1			
Qinghai Puren Intelligent Technology R & D Center (Limited Partnership)	26,628,340	RMB-denominated ordinary stock	26,628,340
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Mr. Tang Zhuolin and Mr. Tang Zhuomian are brothers. On 18 August 2010, they signed the Agreement on Acting in Concert. Pulead Technology Industry Co., Ltd. and Qinghai Puren Intelligent Technology R & D Center (Limited Partnership) are acting-in-concert parties. Apart from that, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	As of 31 December 2020, among the top 10 shareholders, Pulead Technology Industry Co., Ltd. held 69,454,256 shares in the Company in its client account of collateral securities for margin trading in China Securities Co., Ltd.; and Luzhou Industrial Investment Group Co., Ltd. held 31,770,010 shares in the Company in its client account of collateral securities for margin trading in Guotai Junan Securities Co., Ltd.		

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

☐ Yes ☒ No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by an individual

Type of the controlling shareholder: individual

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

Change of the controlling shareholder in the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Acting-in-Concert Parties

Nature of the actual controller: domestic individual

Type of the actual controller: individual

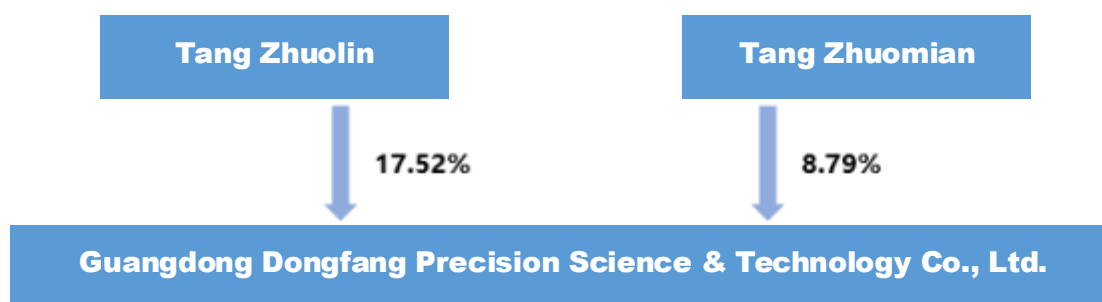
Name of the actual controller	Relationship with the actual controller	Nationality	Residency in other countries or regions or not
Tang Zhuolin	Actual controller himself	Chinese	Not
Tang Zhuomian	Acting-in-concert party (contractual, kinship-based, and common control-based)	Chinese	Not
Main occupation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

Change of the actual controller in the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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



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

☐ Applicable ☒ Not applicable

4. Other 10% or Greater Corporate Shareholders

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Part VII Preference Shares

☐ Applicable ☒ Not applicable

No preference shares in the Reporting Period.

Part VIII Convertible Corporate Bonds

☐ Applicable ☒ Not applicable

No convertible corporate bonds in the Reporting Period.

Part IX Directors, Supervisors, Senior Management and Staff

I Changes in the Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Opening shareholding (share)	Increase in the period (share)	Decrease in the period (share)	Other increase/decrease (share)	Closing shareholding (share)
Tang Zhuolin	Chairman of the Board	Incumbent	Male	58	22 July 2010	22 September 2023	270,737,568				270,737,568
Qiu Yezhi	Director and General Manager	Incumbent	Female	49	22 July 2010	22 September 2023	22,176,518	9,000,000			31,176,518
Xie Weiwei	Director and Deputy General Manager	Incumbent	Male	47	16 June 2016	22 September 2023		1,000,000			1,000,000
Zhou Wenhui	Director, Board Secretary and Vice President	Incumbent	Male	48	29 January 2019	22 September 2023		1,200,000			1,200,000
Mai Zhirong	Independent Director	Incumbent	Male	50	16 June 2016	15 June 2022					
Peng Xiaowei	Independent Director	Incumbent	Male	50	16 June 2016	15 June 2022					
He Weifeng	Independent Director	Incumbent	Male	60	16 June 2016	15 June 2022					
Chen Huiyi	Chairman of the Supervisory	Incumbent	Female	36	19 May 2017	22 September 2023	480				480

	Committee										
Zhao Xiuhe	Employee Supervisor	Incumbent	Male	50	16 June 2016	22 September 2023					
He Baohua	Supervisor	Incumbent	Male	39	22 September 2020	22 September 2023	614,088				614,088
Shao Yongfeng	Chief Financial Officer and Vice President	Incumbent	Male	46	29 December 2020	22 September 2023					
Cen Meiling	Supervisor	Former	Female	42	10 May 2013	22 September 2020					
Total	--	--	--	--	--	--	293,528,654	11,200,000	0	0	304,728,654

II Changes of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Zhou Wenhui	Director	Elected	22 September 2020	The Proposal on the Election of Non-Independent Director of the Fourth Board of Directors was approved at the Fourth Extraordinary General Meeting of 2020 on 22 September 2020. As such, Mr. Zhou Wenhui was elected as a Non-Independent Director of the Fourth Board of Directors.
Cen Meiling	Supervisor	Resignation	22 September 2020	Ms. Cen Meiling ceased to be a Supervisor of the Third Supervisory Committee upon the expiry of her term.
He Baohua	Supervisor	Elected	22 September 2020	The Proposal on the Election of Shareholder Supervisor of the Fourth Supervisory Committee was approved at the Fourth Extraordinary General Meeting of 2020 on 22 September 2020. As such, Mr. He Baohua was elected as the Shareholder Supervisor of the Fourth Supervisory Committee.
Qiu Yezhi	Chief Financial Officer	Disengaged	29 December 2020	In order to further improve the financial team, give full play to the financial department as a window, and provide better support for business development, the Board of Directors decided to change the Chief Financial Officer. As such, Ms. Qiu Yezhi ceased to be the Chief Financial Officer but continued as a Director and the General Manager.
Shao Yongfeng	Chief Financial Officer	Appointed	29 December 2020	The Proposal on the Change of Chief Financial Officer was approved at the Fourth (Extraordinary) Meeting of the Fourth Board of Directors on 29 December 2020. As such, Mr. Shao Yongfeng was appointed as the Chief Financial Officer.

III Biographical Information

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

1. Members of the Board of Directors

Tang Zhuolin, male, Chinese, born in 1963, has no right of permanent residence abroad. Member of Foshan Nanhai District People's Political Consultative Conference, Managing Director of the 9th Council of China Packaging Federation, Managing Director of Guangdong Food and Packaging Machinery Industry Association, Vice President of Foshan Machinery Equipment Industry Association, Honorary President of Nanhai District Machinery Equipment Industry Association, Vice President of Foshan High-tech

Zone Chamber of Commerce, and Vice President of Foshan Nanhai District Listing Association. Served as the Company's General Manager and Chief Engineer since 1996, and currently the Chairman of the Board of the Company, Director of the subsidiary Fosber S.p.A., Director of the subsidiary Suzhou Parsun Power Machine Co., Ltd., and Director of the subsidiary Guangdong Fosber Intelligent Equipment Co., Ltd.

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

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

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

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

Peng Xiaowei, male, Chinese, born in 1971, has no right of permanent residence abroad. Graduated from Shanghai University of Electric Power with a bachelor's degree in industrial chemistry in 1995, assigned to work in the electric power authority in Foshan after graduation, rated as a chemical engineer in 2001, and passed the 1st national judicial examination in 2002. Served as a full-time lawyer and partner in Guangzhou Kingpound Law Firm. Currently a senior partner of Beijingshi Yingke Law Firm Guangzhou Office and Independent Director of Dongfang Precision.

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

2. Members of the Supervisory Committee

Chen Huiyi, female, Chinese, born in 1985, with a university degree, has no right of permanent residence abroad. Once served as the

assistant of the Quality Control Department of Dongfang Plastic Products Co., Ltd. Joined Dongfang Precision in 2010, and currently the Chairman of the Company's Supervisory Committee and Secretary to the Company's General Manager.

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

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

3. Senior management

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

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

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

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

Offices held concurrently in shareholding entities:

☐ Applicable ☒ Not applicable

Offices held concurrently in other entities:

☒ Applicable ☐ Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity or not
Tang Zhuolin	Dongfang Precision (HK)	Director	5 February 2013		Not
Tang Zhuolin	Dongfang Precision (Netherland)	Director	29 October 2013		Not
Tang Zhuolin	Fosber Group	Director	26 March 2014		Yes
Tang Zhuolin	Dongfang Precision (Europe)	Chairman of the Board	15 June 2016		Yes
Tang Zhuolin	Fosber Asia	Director	30 September 2014		Yes
Tang Zhuolin	Parsun Power	Director	24 May 2015		Not
Tang Zhuolin	Shunyi Investment	Legal Representative, Executive Director and	2 July 2015		Yes

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity or not
		General Manager			
Tang Zhuolin	Hainan Yineng	Legal Representative, Executive Director and General Manager	10 October 2020		Not
Tang Zhuolin	Dongfang Digicom	Supervisor	26 October 2020		Not
Tang Zhuolin	Dongfang Digicom (Guangdong)	Supervisor	26 February 2021		Not
Tang Zhuolin	Shenzhen Xianglin Venture Capital Co., Ltd.	Legal Representative, Executive Director and General Manager	26 May 2016		Not
Tang Zhuolin	Shenzhen Zhiquan Venture Capital Co., Ltd.	Supervisor	26 May 2016		Yes
Tang Zhuolin	Shenzhen Shenghui Venture Capital Co., Ltd.	Supervisor	18 May 2016		Not
Qiu Yezhi	Fosber Group	Vice Chairman of the Board and Director	26 March 2014		Yes
Qiu Yezhi	Fosber America	Director	1 September 2017		Yes
Qiu Yezhi	Tirufina Group	Director	30 May 2019		Yes
Qiu Yezhi	Tirufina S.L.U.	Director	30 May 2019		Not
Qiu Yezhi	Italy QCorr	Director	3 February 2020		Yes
Qiu Yezhi	Fosber Asia	Legal Representative and Chairman of the Board	15 July 2020		Yes
Qiu Yezhi	Dongfang Precision (Europe)	Director	15 June 2016		Yes
Qiu Yezhi	Parsun Power	Director	24 May 2015		Not
Qiu Yezhi	Hainan Yineng	Supervisor	10 October 2020		Not
Qiu Yezhi	Dongfang Digicom	Legal Representative, Executive Director and General Manager	26 October 2020		Not
Qiu Yezhi	Dongfang Digicom (Guangdong)	Legal Representative and Executive Director	26 February 2021		Not
Qiu Yezhi	Shenzhen Xianglin Venture Capital Co., Ltd.	Supervisor	26 May 2016		Not

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity or not
Qiu Yezhi	Shenzhen Shenghui Venture Capital Co., Ltd.	Legal Representative, Executive Director and General Manager	18 May 2015		Yes
Xie Weiwei	Parsun Power	Director	24 May 2015		Not
Xie Weiwei	Shunyi Investment	Supervisor	2 July 2015		Not
Xie Weiwei	Jaten Robot	Director	23 March 2016		Yes
Xie Weiwei	Yinglian Digital	Legal Representative and Executive Director	22 September 2020		Not
Mai Zhirong	FoShan JunLang Certified Public Accountants Firm Co., Ltd.	Deputy Director	1 January 2000		Yes
Mai Zhirong	Shenzhen Magic Design & Decoration Engineering Co., Ltd.	Independent Director	20 January 2021		Yes
Mai Zhirong	Foshan Xinshengda Tax Agents Co., Ltd.	Legal Representative, Executive Director and Manager	4 November 2002		Not
Mai Zhirong	Foshan Tianshun Management Consulting Co., Ltd.	Legal Representative, Executive Director and Manager	9 January 2000		Not
Peng Xiaowei	Beijing Yingke (Guangzhou) Law Firm	Senior Partner	1 July 2015		Yes
Peng Xiaowei	Guilin Hengtong Energy Development Co., Ltd.	Vice Chairman of the Board	10 May 2016		Not
He Weifeng	Guangdong University of Technology	Associate Professor	1 July 1985		Yes
He Weifeng	Guangdong Jinma Entertainment Corporation Limited	Independent Director	19 October 2020		Yes
Note	Not applicable				

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

☐ Applicable ☒ Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior

management:

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

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Remuneration from any related party or not
Tang Zhuolin	Chairman of the Board	Male	57	Incumbent	476.17	Yes
Qiu Yezhi	Director and General Manager	Female	48	Incumbent	406.53	Yes
Xie Weiwei	Director and Deputy General Manager	Male	46	Incumbent	89.92	Yes
Zhou Wenhui	Director, Board Secretary and Vice President	Male	47	Incumbent	206.03	Not
Mai Zhirong	Independent Director	Male	49	Incumbent	8.64	Not
Peng Xiaowei	Independent Director	Male	49	Incumbent	8.64	Not
He Weifeng	Independent Director	Male	59	Incumbent	8.64	Not
Chen Huiyi	Chairman of the Supervisory Committee	Female	35	Incumbent	17.45	Not
Zhao Xiuhe	Employee Supervisor	Male	49	Incumbent	16.59	Not
He Baohua	Supervisor	Male	38	Incumbent	5.97	Not
Cen Meiling	Supervisor	Female	41	Former	7.51	Not
Total	--	--	--	--	1,252.09	--

Equity incentives granted to directors and senior management in the Reporting Period:

√ Applicable □ Not applicable

Unit: share

Name	Office title	Exercisable shares in the Reporting Period	Exercised shares in the Reporting Period	Exercise price for exercised shares in the Reporting Period (RMB/share)	Market price at the period-end (RMB/share)	Opening restricted shares	Unlocked shares in the Reporting Period	Restricted shares newly granted in the Reporting Period	Grant price (RMB/share)	Closing restricted shares
Qiu Yezhi	Director and General Manager	0	0	0	4.69	0	0	9,000,000	1.00	9,000,000
Xie Weiwei	Director and Deputy General Manager	0	0	0	4.69	0	0	1,000,000	1.00	1,000,000
Zhou Wenhui	Director, Board Secretary and Vice President	0	0	0	4.69	0	0	1,200,000	1.00	1,200,000
Total	--	0	0	--	--	0	0	11,200,000	--	11,200,000
Note (if any)		The restricted shares held by the directors and senior management above were granted to them in the first grant under the 2020 Restricted Share Incentive Plan on 27 March 2020, that were already listed on 24 June 2020.								

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	503
Number of in-service employees of principal subsidiaries	1,185
Total number of in-service employees	1,688
Total number of paid employees in the Reporting Period	1,968
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	15

Functions	
Function	Employees
Production&Operation	914
Marketing	245
Technical	308
Financial	59
Administrative	162
Total	1,688
Educational backgrounds	
Educational background	Employees
Master's degree and above	117
Bachelor's degree	290
Junior college	405
Senior high school and below	876
Total	1,688

2. Employee Remuneration Policy

Domestic business entities:

The remuneration policy in 2020 continued to be based on posts and performance and subject to total control. A comprehensive remuneration system was established and further improved to retain and attract talents needed for the Company's sustainable development.

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

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

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

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

5. The Production Department changed its remuneration policy from payment by hour to payment by piece, so that first-line workers could be paid more by being more profession and working harder, so as to reflect an internally fair remuneration policy based on differential skill scoring.

Overseas business entities:

Fosber Group and Tiruñ Group formulated remuneration policies in accordance with local laws and regulations and the actual condition of their companies, which fully mobilized the enthusiasm and creativity of employees and promote the sustainable, stable and healthy development of the companies.

3. Training Plan

Domestic business entities:

In 2020, the R&D Training Camp of the Printer Division of Dongfang Precision offered a three-stage training to strengthen the professionalism, creativity and executive ability of core R&D posts. The Printer Division worked with Fosber Asia's Intern Training Camp and offered a three-day intensified training and a one-year field study and tutor-coaching training, which enhanced the reservation of technical talents and continued to support talents cultivation. Meanwhile, Parsun Power offered both outsourced training and internal training, and has carried out 35 courses in total in 2020.

Overseas business entities:

In 2020, Fosber Group attached great importance to employee training, and has offered 12 training on team management, finance and foreign languages, with a total of 225 trainees.

4. Labor Outsourcing

√ Applicable ☐ Not applicable

Total hours of labor outsourced	69,792
Total payment for labor outsourcing (RMB)	2,600,774.99

Part X Corporate Governance

I General Information of Corporate Governance

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

(I) Shareholders and general meeting

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

(II) The Company and controlling shareholders

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

(III) Directors and the Board of Directors

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

(IV) Supervisors and the Supervisory Committee

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

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

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

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

(VI) Information disclosure and transparency

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

(VII) Updates on policies related to the general meeting of shareholders and meetings of the Board of Directors and Supervisory Committee

During the Reporting Period, the Company revised the Articles of Association, Rules of Procedure for Shareholders' Meeting, Rules of Procedure for the Board of Directors and Rules of Procedure for the Supervisory Committee in accordance with the latest spirit and requirements of current laws and regulations and rules and normative documents of departments, which officially took effect after being deliberated and approved by the Board of Directors and shareholders' meeting. Such revisions improved the Company's capability against the risk of hostile takeovers, and are conducive to ensuring the stable and standardized operation of the Company's shareholders' meeting, Board of Directors and Supervisory Committee.

Were there any significant differences between the actual situation of the corporate governance and the regulatory documents published by China Securities Regulatory Commission on the governance of listed companies?

☐ Yes ☒ No

There were not significant differences between the actual situation of the corporate governance and the regulatory documents published by China Securities Regulatory Commission on the governance of listed companies.

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

Since establishment, the Company has been operating in strict accordance with the Company Law, Securities Law and Articles of Association, and has established and improved its corporate governance structure. The Company is completely independent of its controlling shareholders and actual controller in terms of business, staffing, assets, organization and finance, and has an independent and complete business system and capability to operate independently in the market. All production operations and major issues of

the Company were discussed and determined by the Management, the Board of Directors and the general meetings of shareholders in accordance with the Articles of Association and relevant policies, and none of them was controlled by any controlling shareholder or the actual controller.

1. Asset independence

The Company was founded on the overall change of a limited liability company. All its assets and personnel before the share restructuring joined the joint stock company. The Company has independent and complete operating assets. After the overall change, the Company owns all the production and operational assets needed for production and operation, and there is no dispute over property rights. The Company owns production systems, auxiliary production systems and supporting facilities related to its production and operation, and has independent raw material procurement and product selling systems. Assets of the Company are strictly separated from those of shareholders and the actual controller, and no assets of the Company are being occupied by shareholders or the actual controller.

2. Personnel independence

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

3. Finance independence

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

4. Organization independence

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

5. Business independence

The Company has its business independent of controlling shareholders, has independent and complete supply, production and sales systems, and is capable of independent decision-making on business policies and business plans, independent allocation and use of personnel, money and materials, and successful organization and implementation of production and business activities. The Company is completely independent in business and is not relying on the first majority shareholder and the actual controller. The

controlling shareholders are not conducting business of horizontal competition with that of the Company, and have undertaken not to conduct any business that may be of horizontal competition with that of the Company.

III Horizontal Competition

☐ Applicable ☒ Not applicable

IV Annual and Extraordinary General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio ^{Notes}	Date of the meeting	Disclosure date	Index to disclosed information
The First Extraordinary General Meeting of 2020	Extraordinary General Meeting	37.80%	27 March 2020	28 March 2020	Announcement No. 2020-022 on the Resolutions of the First Extraordinary General Meeting of 2020 disclosed on http://www.cninfo.com.cn
The Second Extraordinary General Meeting of 2020	Extraordinary General Meeting	29.28%	13 April 2020	14 April 2020	Announcement No. 2020-029 on the Resolutions of the Second Extraordinary General Meeting of 2020 disclosed on http://www.cninfo.com.cn
The 2019 Annual General Meeting	Annual General Meeting	42.59%	20 May 2020	21 May 2020	Announcement No. 2020-046 on the Resolutions of the 2019 Annual General Meeting disclosed on http://www.cninfo.com.cn
The Third Extraordinary General Meeting of 2020	Extraordinary General Meeting	35.13%	24 June 2020	29 June 2020	Announcement No. 2020-059 on the Resolutions of the Third Extraordinary General Meeting of 2020 disclosed on http://www.cninfo.com.cn
The Fourth Extraordinary General Meeting of 2020	Extraordinary General Meeting	32.70%	22 September 2020	23 September 2020	Announcement No. 2020-077 on the Resolutions of the Fourth Extraordinary General Meeting of 2020 disclosed on http://www.cninfo.com.cn
The Fifth Extraordinary	Extraordinary General Meeting	30.40%	2 November 2020	3 November 2020	Announcement No. 2020-088 on the Resolutions of the Fifth

General Meeting of 2020					Extraordinary General Meeting of 2020 disclosed on http://www.cninfo.com.cn
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Note: As the shares in the share repurchase account of the Company did not carry voting rights at the general meeting, the investor participation ratio was the shareholdings of attending investors as a percentage of the Company's total shares with voting rights net of the repurchased shares.

2. Extraordinary General Meetings Convened at the Request of Preference Shareholders with Resumed Voting Rights

☐ Applicable ☒ Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings or not	General meetings attended
Peng Xiaowei	13	4	9	0	0	Not	6
He Weifeng	13	3	9	1	0	Not	5
Mai Zhirong	13	4	9	0	0	Not	6

Why any independent director failed to attend two consecutive board meetings:

Not applicable

2. Objections Raised by Independent Directors on Matters of the Company

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

☐ Yes ☒ No

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Independent Directors

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

☒ Yes ☐ No

Suggestions from independent directors adopted or not adopted by the Company:

During the Reporting Period, the Company's independent directors earnestly fulfilled their duties according to laws and

regulations, gave independent opinions or ex-ante consent on matters that they should express opinions on, including the Company's application for comprehensive credit granting, securities investment, equity incentive, foreign guarantee, profit distribution, engagement of audit firms and election of members of the Board of Directors and the Supervisory Committee., earnestly performed the responsibilities and obligations as an independent director during the Company's annual reporting, and carried out their work diligently and conscientiously. During the Reporting Period, independent directors gave independent opinions and suggestions based on their professionalism, independence and the standpoint of safeguarding the legitimate rights and interests of small and medium investors, which have been adopted by the Company as appropriate.

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

There are three special committees under the Board of Directors of the Company, namely, the Audit Committee, the Nominations Committee and the Remuneration and Appraisal Committee. During the Reporting Period, all special committees of the Board of Directors actively performed their respective duties in accordance with the Articles of Association, the Implementation Rules for the Audit Committee of the Board of Directors, the Implementation Rules for the Nominations Committee of the Board of Directors and the Implementation Rules for the Remuneration and Appraisal Committee of the Board of Directors.

During the Reporting Period, the Audit Committee held 6 meetings focusing on the Company's regular reporting and disclosure of financial information, communicated with and urged as necessary the external audit firm on matters related to the annual report, and issued a summary report on the annual audit of the external audit firm; the Nominations Committee held 3 meetings to review the candidates of directors and senior managers of the Company during the Reporting Period; and the Remuneration and Appraisal Committee held 4 meetings to review the Company's allowance scheme for independent directors and the annual restricted stock incentive scheme for 2020.

VII Performance of Duty by the Supervisory Committee

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

☐ Yes ☒ No

No such cases in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

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

IX Internal Control Assessment Report

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

☐ Yes ☒ No

2. Internal Control Self-Assessment Report

Date of full disclosure of the internal control assessment report	30 March 2021	
Index of full disclosure of the internal control assessment report	Published on www.cninfo.com.cn	
Ratio of the total assets of the organizations included in the assessment to the total assets in the Company's consolidated financial report	100.00%	
Ratio of the revenue of the organizations included in the assessment to the revenue in the Company's consolidated financial report	100.00%	
Defect identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	1) Indications of significant defects in financial reports include: a. Fraudulent conduct by directors, supervisors and senior management of the Company; b. Correction of a published financial report by the Company; c.	The identification of defects in non-financial reports is mainly based on the degree of impact of the defects on the effectiveness of business procedures and the possibility of their occurrence.

	<p>Significant misstatement in the current financial report identified by a certified public account but not identified during the Company's internal control audit; d. Invalid supervision of the Audit Committee and audit department over the Company's external financial reports and internal control of financial reports.</p> <p>2) Indications of important defects in financial reports included:</p> <p>a. Failure to select or apply accounting policies in accordance with GAAP; b. Failure to implement anti-fraud procedures and take control measures; c. Lack of corresponding control mechanism for accounting treatment of unconventional or special transactions or lack of corresponding compensatory control; d. One or more defects in the control of the period-end financial reporting process and failure to reasonably ensure true and complete financial reports.</p> <p>3) General defects refer to the control defects other than significant and important defects mentioned above.</p>	<p>1) Significant defect</p> <p>If the possibility of the defect is high, it will seriously reduce the work efficiency or effectiveness, seriously increase the uncertainty of the effectiveness, or make the work result seriously deviate from the expected goal, the defect is a significant defect. The following usually indicates a significant defect in the internal control of non-financial reports:</p> <p>a. Violation of national laws and regulations, such as unqualified product quality; b. Outflow of managers or key technicians; c. Frequent negative news from media; d. Failure to correct the results, especially significant or important defects, in internal control assessment; e. Lack of system control or systematic failure of system in important business.</p> <p>2) Important defect</p> <p>If the possibility of the defect is relatively high, it will significantly reduce the work efficiency or effectiveness, significantly increase the uncertainty of the effectiveness, or make the work result significantly deviate from the expected goal, the defect is an important defect. The following usually indicates an important defect in the internal control of non-financial reports:</p> <p>a. Defects in important business policies or systems; b. Important mistakes in the decision-making process; c. Serious outflow of business personnel in key posts; d. Failure to timely remedy the important defects identified in internal supervision of internal control; e. Other circumstances that have a negative impact on the Company. 3) General defects referred to the control defects other than significant and important defects mentioned above.</p>
Quantitative criteria	<p>A quantitative judgment was made based on the pretax profit of the Company. The misstatement exceeding 5% of the total pretax profit was determined as a significant misstatement, that exceeding 3% of the total pretax profit was determined as an important misstatement, and others were determined as general misstatements.</p>	<p>The revenue and total assets were the measuring indicators for the quantitative criteria. If the loss that may result from or results from an internal control defect is related to the profit report, it was measured by the revenue indicator. If the amount of misstatement in the financial report that may result from the defect alone or it together with other defects is less than 0.5% of the revenue, the defect was determined as a general defect. If it exceeds 0.5% and is less than</p>

		<p>1% of the revenue, it was determined as an important defect. If it exceeds 1% of the revenue, it was determined as a significant defect.</p> <p>If the loss that may result from or results from an internal control defect is related to asset management, it was measured by the total asset indicator. If the amount of misstatement in the financial report that may result from the defect alone or it together with other defects is less than 0.5% of the total assets, the defect was determined as a general defect. If it exceeds 0.5% and is less than 1% of the total assets, it was determined as an important defect. If it exceeds 1% of the total assets, it was determined as a significant defect.</p>
Number of significant defects in financial reports		0
Number of significant defects in non-financial reports		0
Number of important defects in financial reports		0
Number of important defects in non-financial reports		0

X Independent Auditor's Report on Internal Control

Independent auditor's report on internal control:

Opinion paragraph in the independent auditor's report on internal control	
In the opinion of Ernst & Young Hua Ming LLP, Guangdong Dongfang Precision Science & Technology Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as at 31 December 2020, based on the Basic Rules on Enterprise Internal Control and other applicable rules.	
Independent auditor's report on internal control disclosed or not	Yes
Disclosure date	30 March 2021
Index to such report disclosed	www.cninfo.com.cn
Type of the auditor's opinion	Unmodified unqualified opinion

Material weaknesses in internal control not related to financial reporting	None
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Indicate whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

☐ Yes ☒ No

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

☒ Yes ☐ No

Part XI Corporate Bonds

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

No.

Part XII Corporate Finance Statement

一、Auditor's Report

Type of Audit Opinion	Standard Unreserved opinion
Signing date of the Auditor's Report	29 March 2021
Name of the Audit Institution	Ernst & Young Hua Ming LLP
Document number of the Auditor's report	Ernst & Young Hua Ming (2021) Auditor's Report No. 61276890_G01
Name of the Chinese Certified Public Accountant	Feng Xingzhi, Lin Hongyan

Auditor's Report

Ernst & Young Hua Ming (2021) Auditor's Report No. 61276890_G01
Guangdong Dongfang Precision Science & Technology Co., Ltd.

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

I. Opinion

We have audited the financial statements of Guangdong Dongfang Precision Science & Technology Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2020, the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2020, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

II. Basis for Opinion

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

III. Key Audit Matter

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

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

Auditor's Report (Cont'd)

Ernst & Young Hua Ming (2021) Auditor's Report No. 61276890_G01
Guangdong Dongfang Precision Science & Technology Co., Ltd.

III. Key Audit Matter (Cont'd)

Key audit matter:	How our audit addressed the key audit matter:
<p>Impairment of goodwill</p> <p>The carrying amount of goodwill amounted to RMB457,212,401.52 as at 31 December 2020 and the impairment allowance for goodwill was RMB132,308,161.55.</p> <p>The Group's management performs goodwill impairment testing at the end of each year. The assessment of goodwill impairment testing was based on the recoverable amount of the relevant asset groups to which the goodwill is allocated, and the recoverable amount of such asset groups was determined by the present value of the asset groups' expected future cash flows. In a goodwill impairment test, the forecasting of future cash flows involved significant judgments and estimates, including sales growth rate, gross margin and discount rate. Because goodwill had a large carrying value and exerted a significant impact on the financial statements, we identified goodwill impairment as a key audit matter.</p> <p>The accounting policies on and disclosures of goodwill were set out in Item 15 of Note III, Item 30 of Note III, and Item 18 of Note V to the financial statements.</p>	<p>The procedures performed to address this matter are as follows:</p> <ol style="list-style-type: none"> (1) Assessing the identification of asset groups by the Group's management and the goodwill allocated to the asset groups. (2) Obtaining reports on the assessment of goodwill impairment issued by the independent third-party asset appraisal institution engaged by the management with securities and futures-related business qualification. (3) Assessing the rationality of the major assumptions and assessment methods used by the Group's management when forecasting the recoverable amount of asset groups, including the discount rate and long-term growth rate. (4) Assessing the forecast sales revenue and operating performance for future years and comparing them with historical operating performance; and (5) Checking the adequacy of the Group's disclosures in the notes to the financial statements.

Auditor's Report (Cont'd)

Ernst & Young Hua Ming (2021) Auditor's Report No. 61276890_G01
Guangdong Dongfang Precision Science & Technology Co., Ltd.

IV. Other Information

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

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

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

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

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

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

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

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

Auditor's Report (Cont'd)

Ernst & Young Hua Ming (2021) Auditor's Report No. 61276890_G01
Guangdong Dongfang Precision Science & Technology Co., Ltd.

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

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

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

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

Auditor's Report (Cont'd)

Ernst & Young Hua Ming (2021) Auditor's Report No. 61276890_G01
Guangdong Dongfang Precision Science & Technology Co., Ltd.

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

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

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

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

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

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

Auditor's Report (Cont'd)

Ernst & Young Hua Ming (2021) Auditor's Report No. 61276890_G01
Guangdong Dongfang Precision Science & Technology Co., Ltd.

(End of the Report)

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Feng Xingzhi
(Engagement Partner)

Chinese Certified Public Accountant: Lin Hongyan

Beijing, China

29 March 2021

Important Notice

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Consolidated Balance Sheet

As at 31 December 2020

Expressed in Renminbi

Yuan

<u>Assets</u>	<u>Note V</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current assets			
Cash and bank balances	1	885,711,053.88	2,356,703,434.60
Financial assets held for trading	2	1,636,296,430.31	1,164,039,381.59
Notes receivable	3	12,744,582.88	-
Accounts receivable	4	469,635,423.58	597,431,210.02
Receivables financing	5	56,737,978.04	55,447,099.32
Prepayments	6	29,109,416.21	25,901,123.85
Other receivables	7	79,103,472.64	79,573,114.49
Inventories	8	734,120,595.26	671,432,701.11
Contract assets	9	29,504,693.97	-
Current portion of non-current assets	10	2,556,000.00	356,983.48
Other current assets	11	22,271,217.65	22,346,314.29
Total current assets		<u>3,957,790,864.42</u>	<u>4,973,231,362.75</u>
Non-current assets			
Long-term receivables	12	1,475,000.00	-
Long-term equity investments	13	72,671,204.73	72,372,355.03
Other non-current financial assets	14	5,948,588.15	20,559,159.34
Fixed assets	15	571,413,480.14	585,754,900.75
Construction in progress	16	9,062,038.52	4,839,241.48
Intangible assets	17	332,387,182.69	249,882,429.53
Goodwill	18	324,904,239.97	306,633,631.93
Long-term prepaid expenses	19	12,096,981.78	8,699,236.33
Deferred tax assets	20	98,947,059.25	49,025,021.61
Other non-current assets	21	936,540,047.40	2,518,818.56
Total non-current assets		<u>2,365,445,822.63</u>	<u>1,300,284,794.56</u>
Total assets		<u><u>6,323,236,687.05</u></u>	<u><u>6,273,516,157.31</u></u>

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Consolidated Balance Sheet (Cont'd)
As at 31 December 2020
Yuan

Expressed in Renminbi

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current liabilities			
Short-term borrowings	22	39,533,281.84	117,888,353.14
Financial liabilities held for trading	23	41,408,109.80	-
Notes payable	24	104,855,187.97	43,973,859.51
Accounts payable	25	503,042,561.05	472,862,744.45
Receipts in advance	26	-	286,511,724.62
Contract liabilities	27	362,792,713.35	-
Employee benefits payable	28	92,623,562.93	106,677,329.95
Tax payable	29	36,369,777.05	48,928,229.51
Other payables	30	81,743,851.64	90,950,443.16
Current portion of non-current liabilities	31	226,597,528.74	353,399,238.29
Other current liabilities	32	20,532,046.04	-
Total current liabilities		<u>1,509,498,620.41</u>	<u>1,521,191,922.63</u>
Non-current liabilities			
Long-term borrowings	33	353,412,388.29	224,146,667.48
Long-term employee benefits payable	34	18,451,652.74	12,252,657.36
Provisions	35	105,450,257.63	78,650,466.48
Deferred income	36	16,861,488.27	18,275,808.90
Deferred tax liabilities	20	19,296,386.16	16,915,692.91
Other non-current liabilities	37	68,737,415.25	-
Total non-current liabilities		<u>582,209,588.34</u>	<u>350,241,293.13</u>
Total liabilities		<u>2,091,708,208.75</u>	<u>1,871,433,215.76</u>

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Consolidated Balance Sheet (Cont'd)
As at 31 December 2020
Yuan

Expressed in Renminbi

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Equity			
Share capital	38	1,545,126,957.00	1,838,647,096.00
Capital surplus	39	4,002,393,061.81	3,862,377,838.84
Less: Treasury stock	40	579,403,185.12	160,088,925.60
Other comprehensive income	41	20,026,089.70	24,971,085.32
Special reserve	42	10,057,438.97	-
Surplus reserves	43	51,830,974.45	51,830,974.45
Retained earnings	44	(891,492,837.06)	(1,280,673,461.14)
Total equity attributable to owners of the parent		4,158,538,499.75	4,337,064,607.87
Non-controlling interests		72,989,978.55	65,018,333.68
Total equity		4,231,528,478.30	4,402,082,941.55
Total liabilities and equity		6,323,236,687.05	6,273,516,157.31

The financial statements have been signed by:

Legal representative: Tang Zhuolin
Head of Accounting Department: Yao Bin

Chief Financial Officer: Shao Yongfeng

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Consolidated Income Statement
2020

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2020</u>	<u>2019</u>
Operating revenue	45	2,916,270,143.13	9,973,503,602.19
Less: Cost of sales	45	2,099,148,826.36	8,286,432,074.92
Taxes and surcharges	46	10,253,512.61	21,756,356.93
Selling expenses	47	181,549,459.69	414,527,474.88
Administrative expenses	48	246,973,016.40	365,218,611.72
R&D expenses	49	82,082,274.75	156,654,915.42
Finance costs	50	7,919,670.28	(16,869,846.12)
Including: Interest expenses		15,535,719.53	31,945,338.53
Interest income		20,887,321.27	55,020,801.87
Add: Other income	51	10,894,164.69	22,814,061.39
Investment income	52	55,115,521.94	1,384,907,790.71
Including: Share of profit or loss of joint ventures and associates		2,889,349.81	2,541,133.81
Gain/loss on changes in fair value	53	45,122,771.27	(302,415.26)
Credit impairment loss	54	(7,964,362.42)	(34,097,839.70)
Asset impairment loss	55	(5,368,019.60)	(109,839,858.68)
Gain/loss on disposal of assets	56	(17,854.18)	538,255.27
Operating profit		386,125,604.74	2,009,804,008.17
Add: Non-operating income	57	35,801,786.91	12,570,847.05
Less: Non-operating expenses	58	1,746,731.36	8,756,961.53
Gross profit		420,180,660.29	2,013,617,893.69
Less: Income tax expenses	60	23,083,339.30	174,271,939.88
Net profit		<u>397,097,320.99</u>	<u>1,839,345,953.81</u>
Net profit classified by continuing operations			
Net profit from continuing operations		397,097,320.99	1,839,345,953.81
Net profit classified by attribution of ownership			
Net profit attributable to owners of the parent		389,180,624.08	1,838,018,805.50
Net profit attributable to non-controlling interests		7,916,696.91	1,327,148.31

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Consolidated Income Statement (Cont'd)
2020

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2020</u>	<u>2019</u>
Other comprehensive income/(loss), net of tax		(4,890,047.66)	4,664,988.99
Other comprehensive income/(loss) attributable to owners of the parent, net of tax		(4,944,995.62)	4,670,175.98
Other comprehensive loss that will not be reclassified to profit or loss		(471,953.04)	(468,239.41)
Changes caused by remeasurements on defined benefit schemes		(471,953.04)	(468,239.41)
Other comprehensive income/(loss) that will be reclassified to profit or loss		(4,473,042.58)	5,138,415.39
Differences arising from the translation of foreign currency-denominated financial statements		(4,473,042.58)	5,138,415.39
Other comprehensive income attributable to non-controlling interests, net of tax		54,947.96	(5,186.99)
Total comprehensive income		<u>392,207,273.33</u>	<u>1,844,010,942.80</u>
Including:			
Total comprehensive income attributable to owners of the parent		384,235,628.46	1,842,688,981.48
Total comprehensive income attributable to non-controlling interests		7,971,644.87	1,321,961.32
Earnings per share	61		
Basic earnings per share		<u>0.26</u>	<u>1.01</u>
Diluted earnings per share		<u>0.26</u>	<u>1.01</u>

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Consolidated Statements of Changes in Equity
2020

Expressed in Renminbi Yuan

2020

		Equity attributable to owners of the parent								Non-controlling	Total equity
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Retained earnings	Subtotal	interests	
I.	At 31 December 2019 and 1 January 2020	1,838,647,096.00	3,862,377,838.84	160,088,925.60	24,971,085.32	-	51,830,974.45	(1,280,673,461.14)	4,337,064,607.87	65,018,333.68	4,402,082,941.55
II.	Changes for the year	(293,520,139.00)	140,015,222.97	419,314,259.52	(4,944,995.62)	10,057,438.97		389,180,624.08	(178,526,108.12)	7,971,644.87	(170,554,463.25)
(I)	Total comprehensive income	-	-	-	(4,944,995.62)	-	-	389,180,624.08	384,235,628.46	7,971,644.87	392,207,273.33
(II)	Owner's contributions and reduction in capital	(293,520,139.00)	140,015,222.97	419,314,259.52	-	-			(572,819,175.55)	-	(572,819,175.55)
1.	Share-based payments included in equity	-	25,070,406.59		-	-	-		25,070,406.59	-	25,070,406.59
2.	Others	(293,520,139.00)	114,944,816.38	419,314,259.52	-	-	-		(597,889,582.14)	-	(597,889,582.14)
(III)	Special reserve	-	-	-	-	10,057,438.97	-		10,057,438.97	-	10,057,438.97
1.	Provision in the period	-	-	-	-	11,315,076.12	-	-	11,315,076.12	-	11,315,076.12
2.	Utilisation in the period	-	-	-	-	(1,257,637.15)	-	-	(1,257,637.15)	-	(1,257,637.15)
III.	At 31 December 2020	1,545,126,957.00	4,002,393,061.81	579,403,185.12	20,026,089.70	10,057,438.97	51,830,974.45	(891,492,837.06)	4,158,538,499.75	72,989,978.55	4,231,528,478.30

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Consolidated Statements of Changes in Equity (Cont'd)

2020

Expressed in Renminbi Yuan

2019

		Equity attributable to owners of the parent							Non-controlling	Total equity
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	Subtotal	interests	
I.	At 31 December 2018 and 1 January 2019	1,838,647,096.00	5,298,075,978.80	63,597,455.75	20,300,909.34	51,830,974.45	(3,118,692,266.64)	4,026,565,236.20	5,667,911.11	4,032,233,147.31
II.	Changes for the year	-	(1,435,698,139.96)	96,491,469.85	4,670,175.98	-	1,838,018,805.50	310,499,371.67	59,350,422.57	369,849,794.24
(I)	Total comprehensive income	-	-	-	4,670,175.98	-	1,838,018,805.50	1,842,688,981.48	1,321,961.32	1,844,010,942.80
(II)	Owner's contributions and reduction in capital	-	(1,435,698,139.96)	96,491,469.85	-	-	-	(1,532,189,609.81)	58,344,033.37	(1,473,845,576.44)
	1. Others	-	(1,435,698,139.96)	96,491,469.85	-	-	-	(1,532,189,609.81)	58,344,033.37	(1,473,845,576.44)
(III)	Others	-	-	-	-	-	-	-	(315,572.12)	(315,572.12)
III.	At 31 December 2019	<u>1,838,647,096.00</u>	<u>3,862,377,838.84</u>	<u>160,088,925.60</u>	<u>24,971,085.32</u>	<u>51,830,974.45</u>	<u>(1,280,673,461.14)</u>	<u>4,337,064,607.87</u>	<u>65,018,333.68</u>	<u>4,402,082,941.55</u>

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Consolidated Statement of Cash Flows (Cont'd)
2020

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2020</u>	<u>2019</u>
I. Cash flows from operating activities			
Proceeds from sale of goods and rendering of services		3,103,763,332.58	5,761,214,275.00
Receipts of taxes and surcharges refunds		124,817,383.44	56,214,687.70
Cash generated from other operating activities	62	<u>45,814,939.62</u>	<u>154,398,867.89</u>
Subtotal of cash generated from operating activities		<u>3,274,395,655.64</u>	<u>5,971,827,830.59</u>
Payments for goods and services		1,711,801,451.73	4,191,776,389.52
Cash payments to and on behalf of employees ¹		556,619,112.99	616,716,506.72
Payments of all types of taxes and surcharges		183,936,558.09	538,853,364.60
Cash used in other operating activities	62	<u>271,042,501.08</u>	<u>343,183,782.74</u>
Subtotal of cash used in operating activities		<u>2,723,399,623.89</u>	<u>5,690,530,043.58</u>
Net cash generated from/used in operating activities	63	<u>550,996,031.75</u>	<u>281,297,787.01</u>
II. Cash flows from investing activities			
Proceeds from disinvestment		2,240,344,499.76	-
Investment income		79,136,616.01	86,362,638.82
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		2,379,184.74	813,403.84
Net proceeds from the disposal of subsidiaries and other business units	63	-	1,441,474,803.51
Cash generated from other investing activities	62	<u>-</u>	<u>3,329,848,750.00</u>
Subtotal of cash generated from investing activities		<u>2,321,860,300.51</u>	<u>4,858,499,596.17</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		150,682,489.97	138,131,940.70
Payments for investments		3,341,970,650.85	36,900,193.48
Net payments for the acquisition of subsidiaries and other business units	63	11,529,999.39	98,967,727.73
Cash used in other investing activities	62	<u>1,203,750.03</u>	<u>4,462,987,540.01</u>
Subtotal of cash used in investing activities		<u>3,505,386,890.24</u>	<u>4,736,987,401.92</u>

2020

Expressed in Renminbi Yuan

Net cash generated from/used in investing activities	(1,183,526,589.73)	121,512,194.25
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		<u>Note V</u>	<u>2020</u>	<u>2019</u>
III.	Cash flows from financing activities			
	Borrowings raised		395,061,988.80	201,906,337.33
	Cash generated from other financing activities	62	<u>162,750,024.15</u>	<u>160,901,245.51</u>
	Subtotal of cash generated from financing activities		<u>557,812,012.95</u>	<u>362,807,582.84</u>
	Repayment of borrowings		470,644,665.84	411,199,705.69
	Interest and dividends paid		15,149,309.55	90,133,272.77
	Cash used in other financing activities	62	<u>825,811,857.34</u>	<u>104,173,489.68</u>
	Subtotal of cash used in financing activities		<u>1,311,605,832.73</u>	<u>605,506,468.14</u>
	Net cash generated from/used in financing activities		<u>(753,793,819.78)</u>	<u>(242,698,885.30)</u>
IV.	Effect of foreign exchange rates changes on cash and cash equivalents		<u>20,200,877.15</u>	<u>8,616,199.08</u>
V.	Net (decrease)/increase in cash and cash equivalents		(1,366,123,500.61)	168,727,295.04
	Add: Cash and cash equivalents, beginning of the period		<u>2,226,724,737.39</u>	<u>2,057,997,442.35</u>
VI.	Cash and cash equivalents, end of the period	63	860,601,236.78	2,226,724,737.39

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Company Balance Sheet
As at 31 December 2020
Yuan

Expressed in Renminbi

<u>Assets</u>	<u>Note XV</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current assets			
Cash and bank balances		134,020,813.88	1,899,380,375.38
Financial assets held for trading		1,539,762,030.97	1,163,000,000.00
Accounts receivable	1	153,517,438.90	151,096,214.10
Receivables financing		53,245,689.47	51,139,322.12
Prepayments		2,641,946.74	3,233,763.27
Other receivables	2	68,388,543.22	36,670,496.12
Inventories		123,156,907.36	111,225,290.10
Contract assets		4,470,173.25	-
Current portion of non-current assets		2,556,000.00	356,983.48
Other current assets		18,942.75	4,961,417.06
Total current assets		2,081,778,486.54	3,421,063,861.63
Non-current assets			
Long-term receivables		1,475,000.00	-
Long-term equity investments	3	464,794,856.81	439,638,782.00
Fixed assets		329,230,669.84	340,791,611.76
Construction in progress		351,261.61	83,070.80
Intangible assets		58,215,631.98	60,733,612.10
Long-term prepaid expenses		3,475,004.06	3,335,014.92
Deferred tax assets		32,570,759.90	4,923,465.18
Other non-current assets		935,660,189.00	585,189.00
Total non-current assets		1,825,773,373.20	850,090,745.76
Total assets		3,907,551,859.74	4,271,154,607.39

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Company Balance Sheet (Cont'd)
As at 31 December 2020
Yuan

Expressed in Renminbi

<u>Liabilities and equity</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current liabilities		
Short-term borrowings	-	90,000,000.00
Notes payable	55,312,772.43	43,843,859.51
Accounts payable	53,044,344.90	70,687,704.41
Receipts in advance	-	17,451,789.10
Contract liabilities	22,116,154.74	-
Employee benefits payable	16,961,090.03	26,144,254.56
Tax payable	5,181,895.95	1,921,575.57
Other payables	50,884,934.80	50,214,415.95
Other current liabilities	2,253,619.05	-
Total current liabilities	205,754,811.90	300,263,599.10
Non-current liabilities		
Deferred income	13,306,971.66	14,423,631.66
Deferred tax liabilities	3,894,304.65	-
Total non-current liabilities	17,201,276.31	14,423,631.66
Total liabilities	222,956,088.21	314,687,230.76

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Company Balance Sheet (Cont'd)
As at 31 December 2020
Yuan

Expressed in Renminbi

<u>Liabilities and equity</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Equity		-
Share capital	1,545,126,957.00	1,838,647,096.00
Capital surplus	3,846,323,477.68	3,608,591,602.42
Less: Treasury stock	579,403,185.12	160,088,925.60
Special reserve	3,835,986.08	-
Surplus reserves	51,830,974.45	51,830,974.45
Retained earnings	(1,183,118,438.56)	(1,382,513,370.64)
	<u>3,684,595,771.53</u>	<u>3,956,467,376.63</u>
Total Equity		
	<u>3,684,595,771.53</u>	<u>3,956,467,376.63</u>
Total liabilities and Equity	<u>3,907,551,859.74</u>	<u>4,271,154,607.39</u>

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Company Income Statement
2020

Expressed in Renminbi Yuan

	<u>Note XV</u>	<u>2020</u>	<u>2019</u>
Operating revenue	4	357,820,756.14	454,758,259.30
Less: Cost of sales	4	216,587,418.89	262,093,105.17
Taxes and surcharges		6,495,820.00	6,236,254.83
Selling expenses		23,483,006.93	34,298,441.55
Administrative expenses		91,133,067.04	138,720,475.22
R&D expenses		19,296,267.24	32,059,854.28
Finance costs		(1,835,233.85)	(12,467,479.41)
Including: Interest expenses		2,455,764.90	2,600,209.85
Interest income		13,510,226.63	15,831,155.76
Add: Other income		5,823,069.02	12,907,310.77
Investment income	5	112,497,262.90	2,131,539,957.20
Including: Share of profit or loss of joint ventures and associates		2,889,349.81	2,492,655.15
Gain/loss on changes in fair value		53,243,450.97	-
Credit impairment loss		(2,413,082.66)	(2,394,961.06)
Asset impairment loss		1,060,243.12	(15,761,304.34)
Gain/loss on disposal of assets		22,458.25	2,282.78
Operating profit		172,893,811.49	2,120,110,893.01
Add: Non-operating income		3,530,930.90	471,217.36
Less: Non-operating expenses		1,282,131.90	1,561,582.33
Gross profit		175,142,610.49	2,119,020,528.04
Less: Income tax expenses		(24,252,321.59)	(1,101,074.04)
Net profit		199,394,932.08	2,120,121,602.08
Including: Net profit from continuing operations		199,394,932.08	2,120,121,602.08
Total comprehensive income		199,394,932.08	2,120,121,602.08

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Company Statement of Changes in Equity

2020

Expressed in Renminbi Yuan

2020

		Share capital	Capital surplus	Less: Treasury stock	Special reserve	Surplus reserves	Retained earnings	Total equity
I.	At 31 December 2019 and 1 January 2020	1,838,647,096.00	3,608,591,602.42	160,088,925.60	-	51,830,974.45	(1,382,513,370.64)	3,956,467,376.63
II.	Changes for the year	(293,520,139.00)	237,731,875.26	419,314,259.52	3,835,986.08	-	199,394,932.08	(271,871,605.10)
(I)	Total comprehensive income	-	-	-	-	-	199,394,932.08	199,394,932.08
(II)	Owner's contributions and reduction in capital	(293,520,139.00)	237,731,875.26	419,314,259.52	-	-	-	(475,102,523.26)
1.	Share-based payments included in equity	-	24,893,737.26	-	-	-	-	24,893,737.26
2.	Others	(293,520,139.00)	212,838,138.00	419,314,259.52	-	-	-	(499,996,260.52)
(III)	Special reserve	-	-	-	3,835,986.08	-	-	3,835,986.08
1.	Provision in the period	-	-	-	3,835,986.08	-	-	3,835,986.08
III.	At 31 December 2020	1,545,126,957.00	3,846,323,477.68	579,403,185.12	3,835,986.08	51,830,974.45	(1,183,118,438.56)	3,684,595,771.53

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Company Statement of Changes in Equity (Cont'd)

2020

Expressed in Renminbi Yuan

2019

		Share capital	Capital surplus	Less: Treasury stock	Surplus reserves	Retained earnings	Total equity
I.	At 31 December 2018 and 1 January 2019	1,838,647,096.00	5,055,665,185.99	63,597,455.75	51,830,974.45	(3,502,634,972.72)	3,379,910,827.97
II.	Changes for the year	-	(1,447,073,583.57)	96,491,469.85	-	2,120,121,602.08	576,556,548.66
(I)	Total comprehensive income	-	-	-	-	2,120,121,602.08	2,120,121,602.08
(II)	Owner's contributions and reduction in capital	-	(1,447,073,583.57)	96,491,469.85	-	-	(1,543,565,053.42)
1.	Others	-	(1,447,073,583.57)	96,491,469.85	-	-	(1,543,565,053.42)
III.	At 31 December 2019	<u>1,838,647,096.00</u>	<u>3,608,591,602.42</u>	<u>160,088,925.60</u>	<u>51,830,974.45</u>	<u>(1,382,513,370.64)</u>	<u>3,956,467,376.63</u>

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

	<u>2020</u>	<u>2019</u>
I. Cash flows from operating activities		
Proceeds from sale of goods and rendering of services	378,382,646.38	444,873,626.35
Receipts of taxes and surcharges refunds	98,380,978.71	19,746,348.95
Cash generated from other operating activities	17,427,644.21	97,820,120.67
Subtotal of cash generated from operating activities	494,191,269.30	562,440,095.97
Payments for goods and services	225,072,281.14	265,624,733.00
Cash payments to and on behalf of employees	87,707,753.20	85,050,092.27
Payments of all types of taxes and surcharges	95,006,648.05	20,194,213.41
Cash used in other operating activities	70,685,343.49	102,153,093.47
Subtotal of cash used in operating activities	478,472,025.88	473,022,132.15
Net cash generated from/used in operating activities	15,719,243.42	89,417,963.82
II. Cash flows from investing activities		
Proceeds from disinvestment	2,227,653,619.05	-
Investment income	96,889,333.09	85,531,992.66
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	498,906.24	13,015.56
Net proceeds from the disposal of subsidiaries and other business units	-	1,500,000,000.00
Cash generated from other investing activities	-	3,339,848,750.00
Subtotal of cash generated from investing activities	2,325,041,858.38	4,925,393,758.22
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	8,426,821.45	6,938,291.51
Payments for investments	3,226,936,725.61	36,900,193.48
Net payments for the acquisition of subsidiaries and other business units	11,529,999.39	-
Cash used in other investing activities	-	4,502,648,750.00
Subtotal of cash used in investing activities	3,246,893,546.45	4,546,487,234.99
Net cash generated from/used in investing activities	(921,851,688.07)	378,906,523.23

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.
Company Statements of Cash Flows (Cont'd)
2020

Expressed in Renminbi Yuan

	<u>2020</u>	<u>2019</u>
III. Cash flows from financing activities		
Borrowings raised	-	90,000,000.00
Cash generated from other financing activities	<u>155,256,887.17</u>	<u>18,702,498.63</u>
Subtotal of cash generated from financing activities	<u>155,256,887.17</u>	<u>108,702,498.63</u>
Repayment of borrowings	90,000,000.00	140,000,000.00
Interest and dividends paid	2,336,895.39	2,307,471.27
Cash used in other financing activities	<u>800,939,572.04</u>	<u>96,510,768.15</u>
Subtotal of cash used in financing activities	<u>893,276,467.43</u>	<u>238,818,239.42</u>
Net cash generated from/used in financing activities	<u>(738,019,580.26)</u>	<u>(130,115,740.79)</u>
IV. Net (decrease)/increase in cash and cash equivalents	(1,644,152,024.91)	338,208,746.26
Add: Cash and cash equivalents, beginning of the period	<u>1,770,491,895.62</u>	<u>1,432,283,149.36</u>
V. Cash and cash equivalents, end of the period	<u><u>126,339,870.71</u></u>	<u><u>1,770,491,895.62</u></u>

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

I. Corporate Background

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

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

Business scope of the Company:

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

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

These financial statements were authorized for issue by the Board of Directors of the Company on 26 March 2021.

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

II. Basis of Preparation of the Financial Statements

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

The financial statements are prepared on a going concern basis.

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

III. Principal Accounting Policies and Accounting Estimates

1. Statement of compliance

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2020, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting year

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

3. Functional currency

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

The Group's subsidiaries and associates determine their functional currencies according to the major economic environment in which they operate the business, and translate into Renminbi when preparing the financial statements.

4. Business combination

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

Business combinations involving entities under common control

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

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

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

2020

Expressed in Renminbi Yuan

earnings.

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

4. Business combination (cont'd)

Business combinations not involving entities under common control

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

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

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

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

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

5. Consolidated financial statements

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

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

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

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

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

6. Cash and cash equivalents

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

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

7. Foreign currency translation

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

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

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

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

8. Financial instruments

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

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

8. Financial instruments (cont'd)

Recognition and derecognition of financial instruments

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

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

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

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

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

Classification and measurement of financial assets

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

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

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

8. Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd)

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

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

Debt instruments measured at amortised cost

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

Debt instruments at fair value through other comprehensive income

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

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

8. Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd)

Financial assets at fair value through profit or loss

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

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

8. Financial instruments (cont'd)

Classification and measurement of financial liabilities (cont'd)

Other financial liabilities

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

Impairment of financial instruments

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

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

For receivables and contract assets that contain a significant financing component, the Group adopts a simplified measurement method to measure allowances for losses based on an amount equivalent to the lifetime expected credit losses.

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

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

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

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

8. Financial instruments (cont'd)

Impairment of financial instruments (cont'd)

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

Financial guarantee contracts

A financial guarantee contract is a contract under which the issuer shall indemnify the contract holder suffering losses with a specified amount in the event that the debtor fails to repay its debt in accordance with the terms of the debt instrument. Financial guarantee contracts are measured at fair value at initial recognition, other than financial guarantee contracts designated as financial liabilities at fair value through profit or loss, other financial guarantee contracts shall be subsequently measured at the higher of the amount of allowance for expected credit loss determined as at the balance sheet date after initial recognition and the amount at initial recognition less the cumulative amortised amount determined in accordance with revenue recognition principles.

Derivative financial instruments

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

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

Transfer of financial assets

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

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

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

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

9. Inventories

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

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

The Group adopts the perpetual inventory system.

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

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

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

10. Long-term equity investments

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

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

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

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

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

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

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

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

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

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

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

On disposal of the long-term equity investments, the difference between carrying value and market price is recognised in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Equity recognised as a result

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of changes in equity other than the net-off of profit and loss, other comprehensive income and profit distribution of the investee shall be transferred in full to current profit and loss. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee and transferred to current profit and loss on a pro-rata basis. Equity recognised as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit distribution of the investee shall be transferred to current profit and loss on a pro-rata basis.

11. Fixed assets

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

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

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

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

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

11. Fixed assets (cont'd)

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

12. Construction in progress

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

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

13. Borrowing costs

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

14. Intangible assets

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

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

Useful life of respective intangible assets is as follows:

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

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

14. Intangible assets (cont'd)

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

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

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

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

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

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

15. Impairment

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

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

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

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

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

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

Previously recognised impairment losses are not reversed in subsequent periods.

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

16. Long-term prepaid expenses

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

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

17. Employee benefits

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

Short-term benefits

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

Retirement benefits (defined contribution schemes)

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

Retirement benefits (defined benefit schemes)

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

Remeasurement arising from defined benefit pension schemes, including actuarial gains or losses,

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

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

17. Employee benefits (cont'd)

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

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

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

18. Provisions

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

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

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

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

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

19. Share-based payments

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

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

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

20. Revenue generating from contracts with customers

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

Contract for the sales of products

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

Contract for the rendering of installation services

The service contract between the Group and its customers includes contractual performance obligations for installation services. As the customer is able to forthwith obtain and consume the

economic benefits brought by the Group's contractual performance when the Group performs a contract, the Group considers such contractual performance obligations to be obligations performed over a period of time, and revenue shall be recognised on each balance sheet date according to the progress of installation.

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

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

Significant financing component

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

Warranty clauses

The Group provides quality assurance for products sold in accordance with contract terms and laws and regulations. The accounting treatment of quality assurance in the form of warranty assuring customers products sold are in compliance with required standards is set out in Note III.18. Where the Group provides a service warranty for a standalone service in addition to the assurance of compliance of products with required standards, such warranty is treated as a standalone contractual performance obligation, and a portion of the transaction price shall be allocated to the service warranty based on a percentage of the standalone price for the provision of product and service warranty. When assessing whether a warranty is rendering a standalone service in addition to providing guarantee to customers that all sold goods are in compliance with required standards, the Group will consider whether or not such warranty is a statutory requirement, the term of the warranty and the nature of the Group's undertaking to perform its obligations.

21. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities on the balance sheet according to the relationship between contractual performance obligations and customer payments. Contract assets and contract liabilities under the same contract are offset against each other and presented in the net amount.

Contract assets

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

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

Contract liabilities

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

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

22. Assets relating to contract cost

The Group's assets relating to contract costs include the contract acquisition costs and contract performance costs.

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

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

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

23 Government grants

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

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

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

23. Government grants (cont'd)

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

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

24. Income tax

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

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

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

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

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

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

24. Income tax (cont'd)

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

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

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

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

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

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

25. Leases

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

As a lessee of operating leases

Rental expenses of operating leases is charged to relevant asset cost or current profit or loss over the respective periods during the lease term on a straight-line basis, while contingent rental is charged to profit or loss as and when incurred.

26. Share repurchase

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

27. Profit distribution

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

28. Expenses for safety production

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

when they reach a predetermined usable state, and the equivalent amount of special reserve will be written down and the equivalent accumulated depreciation will be recognized.

29. Fair value measurement

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

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

29. Fair value measurement (cont'd)

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

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

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

30. Significant accounting judgements and estimates

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

Judgement

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

Determination of standalone contractual performance obligations

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

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

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

Judgement (cont'd)

Business model

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

Characteristics of contract cash flow

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

Estimation uncertainty

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

Impairment of financial instruments and contract assets

The Group has adopted the expected credit loss model to evaluate the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgement and estimates and the consideration of all reasonable and soundly based information, including forward-looking information. In making such judgement and estimates, the

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Group estimates the projected movements of the debtor's credit risk according to past repayment records, economic policies, macro-economic indicators and industry risks. Different estimates may affect impairment allowances, and established impairment allowances may not equal the actual impairment loss amount in the future.

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

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

Estimation uncertainty (cont'd)

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

The Group assesses at each balance sheet date whether there is an indication that a non-current asset other than financial assets may be impaired. For an intangible asset with an indefinite useful life, in addition to the annual impairment test, it is also tested when there is an indication that it may be impaired. Non-current assets other than financial assets are tested for impairment when there is an indication that the carrying amount is irrecoverable. Where the carrying amount of an asset or an asset group exceeds its recoverable amount—the higher of the asset or asset group's fair value less costs to sell and its present value of estimated future cash flows, it is considered impaired. The net amount of the fair value less costs to sell is determined based on the price of a similar asset's sales contract in a fair transaction or the observable market price less the incremental cost directly attributable to the disposal of the asset. When estimating the present value of future cash flows, the management must choose a proper discount rate.

Impairment of goodwill

Goodwill must be tested for impairment at least annually. It requires estimating the present value of future cash flows of an asset group or asset group portfolio allocated with goodwill. When estimating the present value of future cash flows, the Group needs to estimate future cash flows generating from the asset group or asset group portfolio, and at the same time choose a proper discount rate to determine the present value of future cash flows. For details, see Note V.18.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, to the extent that it is likely that taxable profit will be available to utilise these unused tax losses. Significant judgments are needed from management to estimate the timing and amount of taxable profit in the future, with tax planning strategies, to determine the amount of the deferred tax assets that should be recognised.

Guangdong Dongfang Precision Science & Technology Co., Ltd.**Notes to the Financial Statements (Cont'd)****2020****Expressed in Renminbi Yuan****III. Principal Accounting Policies and Accounting Estimates (Cont'd)****31. Changes to accounting policies**Changes to accounting policies

New revenue standard

In 2017, the Ministry of Finance issued the revised “CAS No. 14—Revenue” (hereinafter, the “New Revenue Standard”). The Group has adopted the New Revenue Standard since 1 January 2020. According to the transitional requirements, data of the comparable periods shall not be adjusted, and the difference arising from the adoption of the new standard on the first day and the existing standard is retrospectively adjusted to the opening retained earnings of the Reporting Period.

The New Revenue Standard provides a new revenue recognition model for contracts with customers. According to the New Revenue Standard, how revenue is recognized shall reflect the entity's model of transferring products or rendering services to customers, and the amount of revenue shall reflect the amount of consideration that the entity is expected to receive for transferring products or rendering services to customers. Meanwhile, the New Revenue Standard regulates judgments and estimates needed in every link of revenue recognition. The Group only adjusts cumulative effects of outstanding contracts as at 1 January 2020. For contract changes prior to that date, the Group adopts a simplified approach to identify fulfilled and outstanding contractual performance obligations, determine the transaction price and allocate the transaction price among the fulfilled and outstanding contractual performance obligations according to the ultimate arrangements of the changed contract.

The effects of the adoption of the New Revenue Standard on the financial statements of 2020 are as follows:

Consolidated balance sheet

	Carrying amount	As per the former standard	Effect
Accounts receivable	469,635,423.58	501,922,048.78	(32,286,625.20)
Contract assets	29,504,693.97	-	29,504,693.97
Receipts in advance	-	370,415,490.95	(370,415,490.95)
Contract liabilities	362,792,713.35	-	362,792,713.35
Other payables	61,940,155.84	84,442,324.93	(2,698,473.29)
Other current liabilities	61,781,703.66	54,317,378.24	7,622,777.60
Retained earnings	(891,492,837.06)	(891,409,379.12)	(83,457.94)

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

31. Changes to accounting policies (cont'd)

New revenue standard (cont'd)

Consolidated income statement

	Carrying amount	As per the former standard	Effect
Revenue from principal operations	2,916,270,143.13	2,919,052,074.36	(2,781,931.23)
Costs of principal operations	2,099,148,826.36	2,031,759,870.75	67,388,955.61
Selling expenses	181,549,459.69	251,636,888.59	(70,087,428.90)
Net profit	397,097,320.99	397,180,778.93	(83,457.94)

Company balance sheet

	Carrying amount	As per the former standard	Effect
Accounts receivable	153,517,438.90	157,987,612.15	(4,470,173.25)
Contract assets	4,470,173.25	-	4,470,173.25
Receipts in advance	-	23,484,423.45	(23,484,423.45)
Contract liabilities	22,116,154.74	-	22,116,154.74
Other current liabilities	2,253,619.05	885,350.34	1,368,268.71

Company income statement

	Carrying amount	As per the former standard	Effect
Costs of principal operations	216,587,418.89	214,705,961.41	1,881,457.48
Selling expenses	23,483,006.93	25,364,464.41	(1,881,457.48)

The Group sees its intelligent packaging equipment business as a whole as a commitment of selling products. On 1 January 2020, according to the Group's analysis, this business includes product and service commitments of selling products and rendering installation services. As the customer can benefit from the individual use of the product and service commitments or their use together with other readily available resources and such product and service commitments are distinctly separable from other products or service commitments, the aforesaid product or service commitments constitute standalone contractual performance obligations respectively. The said changes result in a decrease of RMB2,781,931.23 in operating revenue, an increase of RMB67,388,955.61 in cost of sales, and a decrease of RMB70,087,428.90 in selling expenses.

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

31. Changes to accounting policies (cont'd)

Changes to accounting estimates

No changes occurred to the major accounting estimates of the Company in the Reporting Period.

IV. Taxation

1. Principal tax items and tax rates

Value-added tax (VAT) –	The output tax of the taxable income is calculated at the rate of 13% and 6% and VAT is levied according to the difference after deducting the input tax which is allowed to be deducted in the current period.
City maintenance and construction tax –	Levied at 7% of the turnover tax actually paid
Property tax –	Ad valorem tax: levied at 1.2% of the remaining value after deducting 30% from the original value of the property; Tax levied from rent: levied at 12% of the rental income.
Land use tax –	RMB3/square meter
Corporate income tax –	Corporate income tax shall be levied at 25% of the taxable income. Except for the Company and subsidiaries enjoying tax concessions, other domestic subsidiaries shall calculate and pay the business income taxes at 25% of the taxable income; subsidiaries registered abroad shall apply the corporate income tax rate as required by the local tax law.

Guangdong Dongfang Precision Science & Technology Co., Ltd.**Notes to the Financial Statements (Cont'd)****2020****Expressed in Renminbi Yuan****IV. Taxation (cont'd)****1. Principal tax items and tax rates (cont'd)**

2.

Taxpayers with different corporate income tax rates within the Group are as follows:

Serial No.	Company name	Income tax rate
1	Dongfang Precision	15%
2	Dong Fang Precision (HK) Limited (“Dongfang Precision (HK)”)	16.5%
3	Dong Fang Precision (Netherland) Cooperatief U.A. (“Dongfang Precision (Netherland)”)	20%
4	Fosber S.p.A. (“Fosber”)	24%
5	Fosber America, Inc. (“Fosber America”)	21%
6	Fosber Machinery (Tianjin) Co., Ltd. (“Fosber Tianjin”)	25%
7	Suzhou Shunyi Investment Co., Ltd. (“Shunyi Investment”)	25%
8	EDF Europe s.r.l. (“EDF”)	24%
9	Tiru ña Group Industrial, S.L. (“Tiru ña”)	28%
10	Tiru ña S.L.U.	28%
11	Tratamientos Industriales Tiru ña S.A.U.	28%
12	Tiru ña France SARL	15%
13	Tiru ña UK Ltd	19%
14	Tiru ña America inc.	21%

2. Tax concessions

In November 2017, the Company passed the high-tech enterprise review by the Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service of State Taxation Administration and Guangdong Provincial Local Taxation Bureau and obtained a High-tech Enterprise Certificate (certificate no.: GR201744002995) jointly issued by the above authorities, with a validity of three years. Corporate income tax was levied at a reduced rate of 15% during the validity period. In 2020, the Company went through the procedures for high-tech enterprise re-identification and passed the no-objection identification (certificate no.: GR202044007667) on 9 December 2020, so the preferential tax rate of 15% was applicable to the Company's business income tax in 2020.

Suzhou Parsun Power Machine Co., Ltd. ("Parsun Power"), a subsidiary of the Company, passed the high-tech enterprise review by the Department of Science and Technology of Jiangsu Province, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service of State Taxation Administration on 7 November 2019 and obtained a High-tech Enterprise Certificate (certificate no.: GR201932000339) jointly issued by the above authorities, with a validity of three years, during which the subsidiary paid the corporate income tax at a reduced rate of 15%.

Guangdong Fosber Intelligent Equipment Co., Ltd. ("Fosber Asia"), a subsidiary of the Company, passed the high-tech enterprise review by the Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province and Guangdong Provincial Tax Service of State Taxation Administration on 28 November 2018 and obtained a High-tech Enterprise Certificate (certificate no.: GR201844003599) jointly issued by the above authorities, with a validity of three years, during which the subsidiary paid the corporate income tax at a

reduced rate of 15%.

V. Notes to the Consolidated Financial Statements (cont'd)**1. Cash and bank balances**

	2020	2019
Cash on hand	217,540.96	249,951.68
Cash at banks	860,383,695.82	2,224,849,135.20
Other cash balances	<u>25,109,817.10</u>	<u>131,604,347.72</u>
	<u>885,711,053.88</u>	<u>2,356,703,434.60</u>
Of which: total restricted amount as collateral, pledge or frozen	<u>25,109,817.10</u>	<u>129,978,697.21</u>

As at 31 December 2020, cash and bank balances of the Group amounting to RMB514,387,073.67 (31 December 2019: RMB340,057,779.28) were deposited outside Mainland China.

Current bank deposits earn interest income based on interest rates for current deposits. The period for short-term time deposits is usually 7 days. The short-term time deposits earn interest income based on the corresponding interest rates for time deposits.

2. Financial assets held for trading

	2020	2019
Financial assets at fair value through profit or loss		
Asset management plans	619,890,000.00	-
Investments in bank's wealth management products	510,808,068.35	1,163,000,000.00
Investments in trust products	504,767,340.61	-
Derivative financial assets	<u>831,021.35</u>	<u>1,039,381.59</u>
	<u>1,636,296,430.31</u>	<u>1,164,039,381.59</u>

V. Notes to the Consolidated Financial Statements (cont'd)**3. Notes receivable**

	2020	2019
Bank acceptance notes	<u>12,744,582.88</u>	<u>-</u>

Notes receivable that were endorsed or discounted but undue at the balance sheet date are as follows:

	2020	2019
	Un-derecognized	Un-derecognized
Bank acceptance notes	<u>12,744,582.88</u>	<u>-</u>

As at 31 December 2020, there's no need to establish impairment allowances for notes receivable in the management's opinion.

4. Accounts receivable

Accounts receivable are interest-free. The aging of accounts receivable is analyzed as follows:

	2020	2019
Within 1 year	370,599,129.84	538,200,317.40
1-2 years	98,325,978.68	57,597,031.52
2-3 years	11,243,789.03	8,856,560.79
3-4 years	3,745,116.89	2,943,649.11
4-5 years	2,233,437.77	2,150,918.82
Over 5 years	<u>7,280,302.29</u>	<u>5,056,141.07</u>
	493,427,754.50	614,804,618.71
Less: allowances for doubtful accounts receivable	<u>23,792,330.92</u>	<u>17,373,408.69</u>
	<u>469,635,423.58</u>	<u>597,431,210.02</u>

V. Notes to the Consolidated Financial Statements (cont'd)

4. Accounts receivable (cont'd)

	2020				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	6,914,949.57	1.40	6,914,949.57	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	486,512,804.93	98.60	16,877,381.35	3.47	469,635,423.58
	<u>493,427,754.50</u>	<u>100.00</u>	<u>23,792,330.92</u>		<u>469,635,423.58</u>
	2019				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	1,088,998.63	0.18	1,088,998.63	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	613,715,620.08	99.82	16,284,410.06	2.65	597,431,210.02
	<u>614,804,618.71</u>	<u>100.00</u>	<u>17,373,408.69</u>		<u>597,431,210.02</u>

As at 31 December 2020, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 1	981,949.40	981,949.40	100.00	Customer's inability to settle the amount due
Customer 2	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due
Customer 3	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due
Customer 4	515,595.00	515,595.00	100.00	Customer's inability to settle the amount due
Customer 5	283,000.00	283,000.00	100.00	Customer's inability to settle the amount due
Other companies	3,884,005.17	3,884,005.17	100.00	Customer's inability to settle the amount due
	<u>6,914,949.57</u>	<u>6,914,949.57</u>		

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V. Notes to the Consolidated Financial Statements (cont'd)

4. Accounts receivable (cont'd)

As at 31 December 2019, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 6	1,088,998.63	1,088,998.63	100.00	Customer's inability to settle the amount due due to insolvency

Accounts receivable for which allowances are established by group with similar credit risk characteristics are as follows:

	2020				2019			
	Gross amount estimated to be in default	ECL (%)	Lifetime ECL		Gross amount estimated to be in default	ECL (%)	Lifetime ECL	
Within 1 year	370,599,129.84	1.47	5,441,450.45		569,470,250.59	2.48	14,107,722.48	
1-2 years	98,325,978.68	2.77	2,728,063.22		28,435,925.54	0.55	155,721.54	
2-3 years	8,134,737.57	3.76	305,603.55		5,658,734.95	4.14	234,054.25	
3-4 years	2,247,572.49	70.63	1,587,572.49		2,943,649.11	2.02	59,415.90	
4-5 years	2,233,437.77	82.51	1,842,743.05		2,150,918.82	15.59	335,339.38	
Over 5 years	4,971,948.58	100.00	4,971,948.59		5,056,141.07	27.53	1,392,156.51	
	<u>486,512,804.93</u>		<u>16,877,381.35</u>		<u>613,715,620.08</u>		<u>16,284,410.06</u>	

Movements in allowances for doubtful accounts receivable are as follows:

	Opening balance	Established in the period	Reversed in the period	Written off in the period	Increase due to combination	Effect of disposal of subsidiaries	Effect of exchange rate movements	Closing balance
2020	17,373,408.69	9,075,792.17	(239,910.02)	(3,513,686.10)	-	-	1,096,726.18	23,792,330.92
2019	57,941,119.23	28,381,073.14	-	(26,065.47)	2,816,822.80	(71,739,541.01)	-	17,373,408.69

Top 5 of accounts receivable are as follows:

	2020	As a % of the closing balance of total accounts receivable	Allowance
Customer 7	25,622,677.43	5.19	378,382.84
Customer 8	19,590,573.00	3.97	5,877.17
Customer 9	15,235,021.13	3.09	224,983.15
Customer 10	13,085,372.40	2.65	193,238.21
Customer 11	12,611,094.90	2.56	186,234.32
	<u>86,144,738.86</u>	<u>17.46</u>	<u>988,715.69</u>

V. Notes to the Consolidated Financial Statements (cont'd)**5. Receivables financing**

	2020	2019
Bank acceptance notes	<u>56,737,978.04</u>	<u>55,447,099.32</u>

Notes receivable that were endorsed or discounted but undue at the balance sheet date are as follows:

	2020		2019	
	Derecognized	Un-derecognized	Derecognized	Un-derecognized
Bank acceptance notes	<u>25,235,099.85</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. Prepayments

The aging of prepayments is analyzed as follows:

	2020		2019	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	28,618,261.25	98.31	24,221,885.95	93.52
1-2 years	374,977.19	1.29	1,367,636.64	5.28
2-3 years	34,633.52	0.12	56,688.15	0.22
Over 3 years	<u>81,544.25</u>	<u>0.28</u>	<u>254,913.11</u>	<u>0.98</u>
	<u>29,109,416.21</u>	<u>100.00</u>	<u>25,901,123.85</u>	<u>100.00</u>

V. Notes to the Consolidated Financial Statements (cont'd)**6 Prepayments (cont'd)**

Top 5 of prepayments are as follows:

2020

	2020	As a % of total prepayments
Supplier 1	4,128,436.87	14.18
Supplier 2	2,385,384.54	8.19
Supplier 3	2,076,789.75	7.13
Supplier 4	1,927,579.27	6.62
Supplier 5	1,129,647.15	3.88
	<u>11,647,837.58</u>	<u>40.00</u>

7. Other receivables

	2020	2019
Other receivables	78,516,397.83	78,851,179.13
Interest receivable	<u>587,074.81</u>	<u>721,935.36</u>
	<u>79,103,472.64</u>	<u>79,573,114.49</u>

V. Notes to the Consolidated Financial Statements (cont'd)**7. Other receivables (cont'd)**Other receivables

The aging of other receivables is analyzed as follows:

	2020	2019
Within 1 year	30,013,923.50	29,859,345.91
1-2 years	5,888,491.67	43,855,797.79
2-3 years	43,587,563.89	9,043,027.93
3-4 years	2,032,852.58	685,639.96
4-5 years	153,038.14	369,509.02
Over 5 years	202,302.18	277,596.53
	<u>81,878,171.96</u>	<u>84,090,917.14</u>
Less: allowances for doubtful other receivables	3,361,774.13	5,239,738.01
	<u>78,516,397.83</u>	<u>78,851,179.13</u>

Other receivables are classified by nature as follows:

	2020	2019
Amount for transfer of equity investments	42,131,250.00	41,031,375.00
Prepaid service charges	11,152,973.97	6,902,391.34
Security deposits	6,202,941.33	10,743,022.49
Performance compensation	3,864,914.60	8,200,000.00
Export tax refunds	3,079,666.37	2,110,960.29
Employee loans and petty cash	2,579,209.29	986,143.77
Others	12,867,216.40	14,117,024.25
	<u>81,878,171.96</u>	<u>84,090,917.14</u>

V. Notes to the Consolidated Financial Statements (cont'd)**7 Other receivables (cont'd)**

Movements in allowances for doubtful other receivables that are established based on the 12-month ECL and the lifetime ECL are as follows:

2020

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening balance	2,779,738.01	2,460,000.00	-	5,239,738.01
Established in the period	137,497.51	-	-	137,497.51
Reversed in the period	(110,541.29)	(1,960,000.00)	-	(2,070,541.29)
Other changes	55,079.90	-	-	55,079.90
Closing balance	<u>2,861,774.13</u>	<u>500,000.00</u>	<u>-</u>	<u>3,361,774.13</u>

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V. Notes to the Consolidated Financial Statements (cont'd)

7 Other receivables (cont'd)

Movements in allowances for doubtful other receivables are as follows:

	Opening balance	Established in the period	Reversed in the period	Decrease due to disposal of subsidiaries	Effect of exchange rate movements	Closing balance
2020	5,239,738.01	137,497.51	(2,070,541.29)	-	55,079.90	3,361,774.13
2019	2,509,389.25	5,705,756.87	-	(2,975,408.11)	-	5,239,738.01

As at 31 December 2020, top 5 of other receivables are as follows:

	Closing balance	As a % of total other receivables	Nature	Age	Closing balance of allowance
Entity 1	42,131,250.00	51.46	Amount for transfer of equity investments	2-3 years	2,110,947.04
Entity 2	3,233,312.63	3.95	Amount in insurance	Within 1 year	-
Entity 3	1,934,522.55	2.36	Security deposits	Within 1 year	-
Entity 4	1,630,000.00	1.99	Warranty deposits	Within 1 year	-
Entity 5	1,494,884.38	1.83	Compensation	Within 1 year	-
	<u>50,423,969.56</u>	<u>61.59</u>			<u>2,110,947.04</u>

Interest receivable

	2020	2019
Other interest	<u>587,074.81</u>	<u>721,935.36</u>

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8. Inventories

	2020		
	Gross amount	Valuation allowance	Carrying amount
Work-in-progress	347,787,856.58	27,512,393.21	320,275,463.37
Raw materials	313,339,147.74	8,477,773.27	304,861,374.47
Finished goods	80,477,465.24	2,209,825.73	78,267,639.51
Product deliveries	15,786,304.74	-	15,786,304.74
Semi-finished goods	14,676,986.94	114,428.27	14,562,558.67
Materials consigned for processing	367,254.50	-	367,254.50
	<u>772,435,015.74</u>	<u>38,314,420.48</u>	<u>734,120,595.26</u>
	2019		
	Gross amount	Valuation allowance	Carrying amount
Work-in-progress	379,351,397.96	25,945,105.34	353,406,292.62
Raw materials	248,492,417.64	13,394,596.44	235,097,821.20
Finished goods	25,948,936.98	103,897.01	25,845,039.97
Product deliveries	43,439,406.00	-	43,439,406.00
Semi-finished goods	12,014,421.40	244,188.37	11,770,233.03
Materials consigned for processing	1,873,908.29	-	1,873,908.29
	<u>711,120,488.27</u>	<u>39,687,787.16</u>	<u>671,432,701.11</u>

V. Notes to the Consolidated Financial Statements (cont'd)**8 Inventories (cont'd)**

Movements in inventory valuation allowances are as follows:

2020

	Opening balance	Established in the period	Decrease in the period Reversed or written off	Effect of exchange rate movements	Closing balance
Raw materials	13,394,596.44	2,492,323.28	(7,602,705.84)	193,559.39	8,477,773.27
Work-in-progress	25,945,105.34	2,389,567.83	(893,336.11)	71,056.15	27,512,393.21
Finished goods	103,897.01	2,105,928.72	-	-	2,209,825.73
Semi-finished goods	244,188.37	-	(129,760.10)	-	114,428.27
	<u>39,687,787.16</u>	<u>6,987,819.83</u>	<u>(8,625,802.05)</u>	<u>264,615.54</u>	<u>38,314,420.48</u>

9. Contract assets

	2020		
	Gross amount	Impairment allowance	Carrying amount
Contract assets	<u>30,566,218.02</u>	<u>1,061,524.05</u>	<u>29,504,693.97</u>

V. Notes to the Consolidated Financial Statements (cont'd)**9. Contract assets (cont'd)**

Significant changes in the carrying amount of contract assets in the period and why:

	Change	Reason
Contract assets	<u>29,504,693.97</u>	Change to accounting policies

The Group sells equipment to and provides the related installation services for customers, which constitute standalone contractual performance obligations respectively. When the Group hands over equipment to customers and customers accept them upon inspection, the control over the equipment is considered transferred. That's when equipment sales revenue is recognized, forming contract assets. Upon the installation of the equipment, the contract assets become unconditional rights of collection and are transferred to receivables.

Movements in impairment allowances for contract assets are as follows:

	Opening balance	Established in the period	Reversed in the period	Written off in the period	Charged off in the period	Closing balance
2020	<u>-</u>	<u>1,061,524.05</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,061,524.05</u>

10. Current portion of non-current assets

	<u>2020</u>	<u>2019</u>
Current portion of long-term receivables	<u>2,556,000.00</u>	<u>356,983.48</u>

As at 31 December 2020, there's no need to establish impairment allowances for the current portion of non-current assets in the management's opinion.

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

11. Other current assets

	2020	2019
Overpaid value-added tax (VAT)	13,120,049.59	2,209,523.18
Tax repayments	4,547,579.26	14,404,806.23
Input VAT to be deducted	1,041,284.86	-
Prepaid expenses	23,570.22	207,209.64
Prepayment of interest expenses	-	129,649.62
Others	3,538,733.72	5,395,125.62
	<u>22,271,217.65</u>	<u>22,346,314.29</u>

12. Long-term receivables

	2020			2019		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Amounts receivable by installment for selling goods	1,475,000.00	-	1,475,000.00	-	-	-

13. Long-term equity investments

2020

	Opening balance	Change in the period				Closing Carrying amount
		Additional investment	Return on investment under the equity method	Other comprehensive income	Other equity changes	
Joint venture						
Yinglian Digital	10,510,735.47	-	(173,998.13)	-	(10,336,737.34)	-
Associates						
Jaten Robot	60,136,740.98	7,700,000.00	3,063,347.94	-	-	70,900,088.92
Talleres Tapre	1,724,878.58	-	-	-	46,237.23	1,771,115.81
	<u>72,372,355.03</u>	<u>7,700,000.00</u>	<u>2,889,349.81</u>	<u>-</u>	<u>(10,290,500.11)</u>	<u>72,671,204.73</u>

V. Notes to the Consolidated Financial Statements (cont'd)

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

As at 31 December 2020, there's no need to establish impairment allowances for long-term equity investments in the management's opinion.

14. Other non-current financial assets

	2020	2019
Financial assets at fair value through profit or loss	<u>5,948,588.15</u>	<u>20,559,159.34</u>

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

15. Fixed assets

Fixed assets

2020

	Buildings and constructions	Machinery	Transportation equipment	Electronic equipment/ office equipment/ other equipment	Total
Gross amount					
Opening balance	574,397,960.97	445,755,180.38	24,705,378.27	51,277,596.06	1,096,136,115.68
Purchases	18,554,719.59	6,955,576.72	6,139,464.77	4,762,868.47	36,412,629.55
Transfers from construction in progress	217,313.22	1,366,637.17	-	-	1,583,950.39
Increase in business combination	533,490.07	-	57,954.86	335,446.46	926,891.39
Disposal or retirement	(2,095,875.70)	(356,538.41)	(1,067,149.73)	(1,258,232.95)	(4,777,796.79)
Effect of exchange rate movements	(1,855,831.18)	(3,530,372.51)	(209,702.01)	(581,894.91)	(6,177,800.61)
Closing balance	<u>589,751,776.97</u>	<u>450,190,483.35</u>	<u>29,625,946.16</u>	<u>54,535,783.13</u>	<u>1,124,103,989.61</u>
Accumulated depreciation					
Opening balance	152,930,326.96	316,051,462.47	17,885,349.67	23,514,075.83	510,381,214.93
Provision	16,573,413.49	20,824,324.68	1,464,543.61	4,871,188.93	43,733,470.71
Disposal or retirement	(830,361.22)	(222,091.59)	(383,473.93)	(1,163,823.40)	(2,599,750.14)
Effect of exchange rate movements	1,709,607.36	(1,537,946.92)	480,917.74	522,995.79	1,175,573.97
Closing balance	<u>170,382,986.59</u>	<u>335,115,748.64</u>	<u>19,447,337.09</u>	<u>27,744,437.15</u>	<u>552,690,509.47</u>
Carrying amount					
Closing	<u>419,368,790.38</u>	<u>115,074,734.71</u>	<u>10,178,609.07</u>	<u>26,791,345.98</u>	<u>571,413,480.14</u>
Opening	<u>421,467,634.01</u>	<u>129,703,717.91</u>	<u>6,820,028.60</u>	<u>27,763,520.23</u>	<u>585,754,900.75</u>

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

16. Construction in progress

Construction in progress

	2020			2019		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Plants and buildings	384,832.84	-	384,832.84	-	-	-
Equipment installation	8,431,327.70	-	8,431,327.70	4,756,170.68	-	4,756,170.68
Software installation	245,877.98	-	245,877.98	83,070.80	-	83,070.80
	<u>9,062,038.52</u>	<u>-</u>	<u>9,062,038.52</u>	<u>4,839,241.48</u>	<u>-</u>	<u>4,839,241.48</u>

Movements in substantial construction in progress in 2020 are as follows:

	Budget	Opening balance	Increase in the period	Transferred to fixed assets in the period	Closing balance	Funding source	Input as a % of budget
Equipment installation of Fosber Group	12,021,450.00	3,481,834.40	4,944,768.30	-	8,426,602.70	Self-funded	97.27
Electromobile parking canopy	71,825.45	-	71,825.45	71,825.45	-	Self-funded	100.00
Equipment installation and renovation of Dongfang Precision	6,331,807.41	83,070.80	9,230.09	92,300.89	-	Self-funded	101.99
Equipment installation and engineering of Parsun Power	3,501,238.53	1,274,336.28	-	1,274,336.28	-	Self-funded	136.40
Triangle stud advertising board of Dongfang Precision	38,360.21	-	38,360.21	38,360.21	-	Self-funded	100.00
5 flagpoles and base	107,127.56	-	107,127.56	107,127.56	-	Self-funded	100.00
Others	-	-	635,435.82	-	635,435.82	Self-funded	-
	<u>22,071,809.16</u>	<u>4,839,241.48</u>	<u>5,806,747.43</u>	<u>1,583,950.39</u>	<u>9,062,038.52</u>		

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

2020

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V. Notes to the Consolidated Financial Statements (cont'd)

17. Intangible assets

2020

	Land use rights	Land ownership	Patented technologies	Trademarks and	Total
Gross amount					
Opening balance	98,846,238.53	16,721,290.00	64,977,998.71	143,285,687.75	323,831,214.99
Purchases	-	-	16,817,293.95	2,084,555.61	18,901,849.56
Increase in business combination	15,893,491.55	-	10,049,768.04	42,454,332.31	68,397,591.90
Disposal	-	-	-	(1,863,472.69)	(1,863,472.69)
Effect of exchange rate movements	-	448,225.99	2,242,713.17	2,185,476.47	4,876,415.63
Closing balance	<u>114,739,730.08</u>	<u>17,169,515.99</u>	<u>94,087,773.87</u>	<u>188,146,579.45</u>	<u>414,143,599.39</u>
Accumulated depreciation					
Opening balance	17,530,690.04	-	38,222,325.59	18,195,769.83	73,948,785.46
Provision	2,242,021.66	-	13,354,915.20	7,696,803.78	23,293,740.64
Disposal	-	-	-	(1,828,439.08)	(1,828,439.08)
Effect of exchange rate movements	-	-	(6,684,303.99)	(6,973,366.33)	(13,657,670.32)
Closing balance	<u>19,772,711.70</u>	<u>-</u>	<u>44,892,936.80</u>	<u>17,090,768.20</u>	<u>81,756,416.70</u>
Carrying amount					
Closing	<u>94,967,018.38</u>	<u>17,169,515.99</u>	<u>49,194,837.07</u>	<u>171,055,811.25</u>	<u>332,387,182.69</u>
Opening	<u>81,315,548.49</u>	<u>16,721,290.00</u>	<u>26,755,673.12</u>	<u>125,089,917.92</u>	<u>249,882,429.53</u>

As at 31 December 2020, intangible assets arising from internal R&D accounted for 8.13% of the carrying amount of total intangible assets (31 December 2019: 8.18%).

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Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

18. Goodwill

	2020	2019		
Gross amount of goodwill	457,212,401.52	437,102,550.37		
Less: impairment allowances	<u>132,308,161.55</u>	<u>130,468,918.44</u>		
	<u>324,904,239.97</u>	<u>306,633,631.93</u>		
2020				
	Opening balance	Increase in the period	Increase in the period	Closing balance
		Business acquisition	Exchange rate movements	
Fosber Group	160,456,740.18	-	4,301,156.37	164,757,896.55
Parsun Power	208,031,946.10	-	-	208,031,946.10
Italy EDF	68,613,864.09	-	1,839,243.11	70,453,107.20
Business acquisition	<u>-</u>	<u>13,969,451.67</u>	<u>-</u>	<u>13,969,451.67</u>
	<u>437,102,550.37</u>	<u>13,969,451.67</u>	<u>6,140,399.48</u>	<u>457,212,401.52</u>

In February 2020, Fosber Group established new majority-owned subsidiary Quantum Corrugated S.r.l. (hereinafter, "Italy QCorr"), and acquired the business assets of BP Agnati S.r.l., an Italian corrugator line manufacturer, through Italy QCorr as the direct acquirer. Therefore, the Group recognized goodwill of RMB13,969,451.67 based on the 60% interest held by Fosber Group in Italy QCorr.

V. Notes to the Consolidated Financial Statements (cont'd)**18. Goodwill (cont'd)**

Movements in impairment allowances for goodwill are as follows:

2020

	Opening balance	Increase in the period Exchange rate movements	Closing balance
Parsun Power	61,855,054.35	-	61,855,054.35
Italy EDF	68,613,864.09	1,839,243.11	70,453,107.20
	<u>130,468,918.44</u>	<u>1,839,243.11</u>	<u>132,308,161.55</u>

Goodwill acquired in business combinations is allocated to the following asset groups or asset group portfolios for impairment testing:

- Corrugator line business asset group of Fosber Group
- Power machine business asset group of Parsun Power
- Corrugator line business asset group of BP Agnati S.r.l.
- Corrugated carton printer business asset group of Italy EDF

According to the impairment test results of goodwill, the Group did not need to establish impairment allowances for goodwill for the period under review.

V. Notes to the Consolidated Financial Statements (cont'd)

18. Goodwill (cont'd)

Corrugator line business asset group of Fosber Group

The corrugator line business asset group is an asset group owned by Fosber Group, consistent with the asset group combination determined on the purchase date and during impairment tests of the previous years. The carrying amount of the corrugator line business asset group was RMB503.6 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The growth rate of the operating revenue during this period is -6.4%, 0.5%, 7.9%, 5% and 5%, respectively, the growth rate of the revenue during the perpetual period after five years is 0%, and the perpetual cash flows are determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 18.14% (18.00% in 2019).

Power machine business asset group of Parsun Power

The power machine business asset group is the only asset group owned by Parsun Power, consistent with the asset group combination determined on the purchase date and during impairment tests of the previous years. The carrying amount of the power machine business asset group was RMB280.98 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The annualized growth rate of the operating revenue in the next five years is all 10%, the growth rate of the revenue during the perpetual period after five years is 0%, and the perpetual cash flows will be determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 15.22% (14.81% in 2019).

Corrugator line business asset group of BP Agnati S.r.l.

The corrugator line business asset group of BP Agnati S.r.l. is the only asset group owned by Italy QCorr, consistent with the asset group combination determined on the purchase date. The carrying amount of the corrugator line asset group was RMB86.23 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The annualized growth rate of the operating revenue in the next five years is 28.1%, 19.8%, 7.8, 13.6% and 0%, respectively, the growth rate of the revenue during the perpetual period after five years is 0%, and the perpetual cash flows will be determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 17.54% (17.54% on the purchase date).

Corrugated carton printer business asset group of Italy EDF

For the corrugated carton printer business asset group of Italy EDF, impairment allowances for goodwill were established in full amount in 2019.

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Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

18. Goodwill (cont'd)

The following describes the key assumptions made by the management in determining cash flow forecasting for goodwill impairment testing:

Budget gross margin	—	Developed based on the average gross margin of historical operating results and expectations for market development.
Discount rate	—	The discount rate used is the pre-tax discount rate that reflects the specific risks of the relevant asset group or asset group combination.

The amount of the key assumptions allocated to the above asset group or asset group portfolio is consistent with the Group's historical experience and external information.

19. Long-term prepaid expenses

2020

	Opening balance	Increase in the period	Amortization in the period	Other decreases	Closing balance
Plant decoration expenditures	4,902,531.76	1,515,943.84	848,603.11	2,067,681.02	3,502,191.47
Office decoration expenditures	2,966,362.95	356,216.82	525,770.89	-	2,796,808.88
Amortization of moulds	675,195.52	7,655,819.08	2,817,926.21	-	5,513,088.39
Amortization of lease assets	86,864.45	66,849.37	8,930.82	-	144,783.00
Internet access for offices	38,384.58	44,160.03	8,547.50	-	73,997.11
CE certification fee	28,066.04	58,528.62	20,481.73	-	66,112.93
Expenditures on supporting engineering for plants	1,831.03	-	1,831.03	-	-
	<u>8,699,236.33</u>	<u>9,697,517.76</u>	<u>4,232,091.29</u>	<u>2,067,681.02</u>	<u>12,096,981.78</u>

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Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

20. Deferred tax assets/liabilities

Deferred tax assets and liabilities before offsetting:

	2020		2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible loss	186,910,770.30	37,446,876.20	32,046,890.02	8,501,046.65
Provisions—after-sales maintenance service charges	78,705,949.88	21,163,160.85	65,787,362.65	16,007,718.04
Deferred income	56,359,912.05	13,526,378.24	26,277,954.05	6,306,709.91
Accrued expenses	36,599,312.14	6,231,125.47	7,338,871.73	1,834,719.89
Asset impairment allowances	32,623,867.53	5,685,957.19	40,047,445.90	7,625,373.36
Equity incentive expenses	25,006,448.74	3,838,878.64	-	-
Credit impairment loss	10,520,932.53	1,526,582.59	8,003,088.75	501,069.70
Changes in fair value of financial products at fair value through profit or loss	8,785,171.84	1,422,118.28	-	-
Internal unrealized profit	20,339,730.05	5,084,932.51	35,104,949.11	7,347,281.21
Others	22,754,231.10	3,021,049.28	3,081,562.71	901,102.85
	<u>478,606,326.16</u>	<u>98,947,059.25</u>	<u>217,688,124.92</u>	<u>49,025,021.61</u>
	2020		2019	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Increase in value in asset valuation	56,319,751.75	10,574,995.95	55,686,591.83	10,912,760.98
Depreciation difference of fixed assets	10,059,939.38	2,577,333.08	10,397,629.99	2,636,973.15
Financial assets at fair value through profit or loss	25,962,030.97	4,202,658.70	2,378,966.50	580,080.66
Others	8,046,763.80	1,941,398.43	9,878,448.83	2,785,878.12
	<u>100,388,485.90</u>	<u>19,296,386.16</u>	<u>78,341,637.15</u>	<u>16,915,692.91</u>

V. Notes to the Consolidated Financial Statements (cont'd)**20. Deferred tax assets/liabilities (cont'd)**

Deductible temporary differences and deductible losses not recognized as deferred tax assets are as follows:

	2020	2019
Deductible temporary differences	34,063,872.36	14,250,399.21
Deductible losses	<u>1,233,078,267.55</u>	<u>1,498,082,251.60</u>
	<u>1,267,142,139.91</u>	<u>1,512,332,650.81</u>

Deductible losses not recognized as deferred tax assets will expire as follows:

	2020	2019
2024	<u>1,233,078,267.55</u>	<u>1,498,082,251.60</u>

21. Other non-current assets

	2020	2019
Large-amount deposit certificates	640,000,000.00	-
Security deposits for loans	295,075,000.00	-
Prepayments for long-lived assets	623,889.00	38,700.00
Prepayments for service charges related to long-term borrowings	363,799.89	2,480,118.56
Others	<u>477,358.51</u>	<u>-</u>
	<u>936,540,047.40</u>	<u>2,518,818.56</u>

V. Notes to the Consolidated Financial Statements (cont'd)**22. Short-term borrowings**

	2020	2019
Pledge loan	12,037,500.00	-
Guaranteed loan	16,560,239.29	-
Credit loan	<u>10,935,542.55</u>	<u>117,888,353.14</u>
	<u>39,533,281.84</u>	<u>117,888,353.14</u>

As at 31 December 2020, the annual interest rates of the above borrowings ranged from 0.5% to 2.1% (31 December 2019: 0.6%-1.75%).

23. Financial liabilities held for trading

	2020	2019
Non-controlling interests put options	<u>41,408,109.80</u>	<u>-</u>

Non-controlling interests put options related to the non-controlling interests of Fosber Asia. As at 31 December 2020, Dongfang Precision recognized derivative financial liabilities of RMB41,408,109.80 according to the assessment results.

24. Notes payable

	2020	2019
Bank acceptance notes	<u>104,855,187.97</u>	<u>43,973,859.51</u>

As at 31 December 2020, outstanding notes payable upon maturity were nil (31 December 2019: nil).

V. Notes to the Consolidated Financial Statements (cont'd)**25. Accounts payable**

Accounts payable are interest-free.

	2020	2019
Purchases of inventories	489,841,770.00	470,629,176.02
Others	<u>13,200,791.05</u>	<u>2,233,568.43</u>
	<u>503,042,561.05</u>	<u>472,862,744.45</u>

As at 31 December 2020, substantial accounts payable with aging over 1 year were nil.

26. Receipts in advance

	2020	2019
Within 1 year (inclusive)	-	254,027,005.07
1-2 years (inclusive of 2 years)	-	29,263,151.54
2-3 years (inclusive of 3 years)	-	830,688.85
Over 3 years	<u>-</u>	<u>2,390,879.16</u>
	<u>-</u>	<u>286,511,724.62</u>

27. Contract liabilities

	2020	2019
Contract liabilities	<u>362,792,713.35</u>	<u>-</u>

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V. Notes to the Consolidated Financial Statements (cont'd)

28. Employee benefits payable

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term benefits	98,755,045.52	491,379,271.20	505,486,434.55	84,647,882.17
Retirement benefits (defined contribution schemes)	7,922,284.43	64,154,421.47	64,101,025.14	7,975,680.76
	<u>106,677,329.95</u>	<u>555,533,692.67</u>	<u>569,587,459.69</u>	<u>92,623,562.93</u>

Short-term benefits are as follows:

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	94,103,058.39	437,899,372.05	452,429,239.54	79,573,190.90
Employee welfare	3,860,673.44	29,398,912.60	29,041,393.26	4,218,192.78
Social security contributions	89,969.07	20,980,727.76	20,958,250.21	112,446.62
Including: medical insurance	89,969.07	18,744,618.90	18,713,990.52	120,597.45
Work injury insurance	-	1,698,741.96	1,706,892.79	(8,150.83)
Maternity insurance	-	537,366.90	537,366.90	-
Housing funds	-	2,386,750.21	2,386,750.21	-
Labour union funds and employee education funds	701,344.62	713,508.58	670,801.33	744,051.87
	<u>98,755,045.52</u>	<u>491,379,271.20</u>	<u>505,486,434.55</u>	<u>84,647,882.17</u>

Defined contribution schemes are as follows:

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic endowment insurance	7,922,284.43	63,872,178.72	63,818,782.39	7,975,680.76
Unemployment insurance	-	282,242.75	282,242.75	-
	<u>7,922,284.43</u>	<u>64,154,421.47</u>	<u>64,101,025.14</u>	<u>7,975,680.76</u>

V. Notes to the Consolidated Financial Statements (cont'd)**29. Tax payable**

	2020	2019
Corporate income tax	18,169,790.66	27,833,282.53
Individual income tax	14,556,028.94	7,786,676.05
Value-added tax	2,698,793.65	7,909,778.04
City maintenance and construction tax	365,856.73	667,743.61
Education surcharge	261,326.23	476,959.72
Property tax	211,158.56	211,158.54
Stamp duties	51,466.90	810,738.35
Land use tax	34,530.60	34,530.60
Others	20,824.78	3,197,362.07
	<u>36,369,777.05</u>	<u>48,928,229.51</u>

30. Other payables

	2020	2019
Other payables	<u>81,743,851.64</u>	<u>90,950,443.16</u>

	2020	2019
Accrued expenses	31,242,050.82	56,996,497.19
Repurchase obligation of restricted shares	22,600,000.00	-
Payables for settled lawsuit	10,224,904.52	-
Security deposits	1,327,227.21	205,000.00
Acquisition of equity investments	-	25,869,305.00
Others	16,349,669.09	7,879,640.97
	<u>81,743,851.64</u>	<u>90,950,443.16</u>

As at 31 December 2020, substantial other payables with aging over 1 year were nil.

V. Notes to the Consolidated Financial Statements (cont'd)**31. Current portion of non-current liabilities**

	2020	2019
Current portion of long-term borrowings	<u>226,597,528.74</u>	<u>353,399,238.29</u>

32. Other current liabilities

	2020	2019
Endorsed notes receivable	11,800,000.00	-
Output tax to be written off	8,562,086.01	-
Others	<u>169,960.03</u>	<u>-</u>
	<u>20,532,046.04</u>	<u>-</u>

33. Long-term borrowings

	2020	2019
Guaranteed loan	281,708,768.77	191,323,440.00
Mortgage loan	49,087,211.17	9,645,245.56
Credit loan	18,188,413.97	23,177,981.92
Pledge loan	<u>4,427,994.38</u>	<u>-</u>
	<u>353,412,388.29</u>	<u>224,146,667.48</u>

As at 31 December 2020, the annual interest rates of the above borrowings ranged from 0.7% to 2.4% (31 December 2019: 0.4%-2.4%).

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

34. Long-term employee benefits payable

	2020	2019
Net liabilities of defined benefit schemes	<u>18,451,652.74</u>	<u>12,252,657.36</u>

35. Provisions

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Product quality warranty	77,837,671.98	66,245,447.16	39,238,008.78	104,845,110.36
Others	<u>812,794.50</u>	<u>593,929.04</u>	<u>801,576.27</u>	<u>605,147.27</u>
	<u>78,650,466.48</u>	<u>66,839,376.20</u>	<u>40,039,585.05</u>	<u>105,450,257.63</u>

36. Deferred income

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Government grants	<u>18,275,808.90</u>	<u>-</u>	<u>1,414,320.63</u>	<u>16,861,488.27</u>

As at 31 December 2020, liabilities in relation to government grants are as follows:

	Opening balance	Recognized in other income of non-operating income in the period	Closing balance	Asset/income-related
Compensation for demolition of old plant at Jinfeng Road	3,852,177.24	297,660.63	3,554,516.61	Asset-related
Industrial revitalization and technological renovation funds (4 Mitsubishi machining centers and 3 vertical machining centers)	14,423,631.66	1,116,660.00	13,306,971.66	Asset-related
	<u>18,275,808.90</u>	<u>1,414,320.63</u>	<u>16,861,488.27</u>	

V. Notes to the Consolidated Financial Statements (cont'd)**37. Other non-current liabilities**

	2020	2019
Non-controlling interests put options	<u>68,737,415.25</u>	<u>-</u>

Non-controlling interests put options related to non-controlling interests in Tiruñā and Italy QCorr. As at 31 December 2020, Fosber Group recognized other non-current liabilities of RMB14,039,015.25 and RMB54,698,400.00 respectively according to the assessment results.

38. Share capital

2020

	Opening balance	Decrease in the period	Closing balance
Total share capital	<u>1,838,647,096.00</u>	<u>293,520,139.00</u>	<u>1,545,126,957.00</u>

In January 2020, the Company repurchased and retired a total of 293,520,139 shares as performance compensations from Pride's former shareholders. As such, the total share capital of the Company decreased from 1,838,647,096 shares to 1,545,126,957 shares.

V. Notes to the Consolidated Financial Statements (cont'd)**39. Capital surplus**

2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	3,862,090,284.37	293,520,138.00	178,675,321.51	3,976,935,100.86
Others	<u>287,554.47</u>	<u>25,170,406.48</u>	<u>-</u>	<u>25,457,960.95</u>
	<u>3,862,377,838.84</u>	<u>318,690,544.48</u>	<u>178,675,321.51</u>	<u>4,002,393,061.81</u>

Notes:

Increases in the period are as follows:

- (1) In January 2020, the Company repurchased 293,520,139.00 shares at the price of RMB1 as performance compensations, increasing share premium by RMB293,520,138.00.
- (2) The share-based payments by Dongfang Precision in the period increased other capital surplus by RMB24,993,737.15.
- (3) The share-based payments by Parsun Power in the period increased other capital surplus by RMB176,669.33.

Decreases in the period are as follows:

- (1) According to equity incentive schemes, treasury shares were transferred to awardees in the period, reducing share premium by RMB80,682,000.00 and at the same time reducing treasury shares by RMB80,682,000.00.
- (2) The recognition of the present value of the exercise price of non-controlling interests put options in the period reduced share premium by RMB97,893,321.62.
- (3) The share repurchase-related service charges in the period reduced share premium by RMB99,999.89.

Guangdong Dongfang Precision Science & Technology Co., Ltd.**Notes to the Financial Statements (Cont'd)****2020****Expressed in Renminbi Yuan****V. Notes to the Consolidated Financial Statements (cont'd)****40. Treasury shares****2020**

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share repurchase	<u>160,088,925.60</u>	<u>499,996,259.52</u>	<u>80,682,000.00</u>	<u>579,403,185.12</u>

Note: The increase in treasury shares was driven by the consideration of RMB499,996,259.52 paid by the Company in the current period for share repurchases. The decrease in the current period was driven by the transfer of treasury shares as share-based payments to employees.

41. Other comprehensive income

Cumulative balance of other comprehensive income attributable to shareholders of the Company in the consolidated balance sheet:

2020

	1 January 2020	Change	31 December 2020
Changes due to remeasurement of defined benefit schemes	192,829.89	(471,953.04)	(279,123.15)
Differences arising from the translation of foreign currency-denominated financial statements	24,822,227.50	(4,473,042.58)	20,349,184.92
Others	<u>(43,972.07)</u>	<u>-</u>	<u>(43,972.07)</u>
	<u>24,971,085.32</u>	<u>(4,944,995.62)</u>	<u>20,026,089.70</u>

Guangdong Dongfang Precision Science & Technology Co., Ltd.**Notes to the Financial Statements (Cont'd)****2020****Expressed in Renminbi Yuan****V. Notes to the Consolidated Financial Statements (cont'd)****42. Special reserve**

2020

	Opening balance	Provision in the period	Utilisation in the period	Closing balance
Expenses for Safety Production	-	11,315,076.12	(1,257,637.15)	10,057,438.97

43. Surplus reserves

2020

	Opening and closing balance
Statutory surplus reserves	51,830,974.45

2019

	Opening and closing balance
Statutory surplus reserves	51,830,974.45

Pursuant to the Company Law and the Company's Articles of Association, the Company set aside 10% net profit as statutory surplus reserves. Where the cumulative statutory surplus reserves are over 50% of the registered capital, the Company may cease to do so.

44. Retained earnings

	2020	2019
Opening retained earnings	(1,280,673,461.14)	(3,118,692,266.64)
Net profit attributable to owners of the parent	389,180,624.08	1,838,018,805.50
Closing retained earnings	(891,492,837.06)	(1,280,673,461.14)

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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Expressed in Renminbi Yuan

V. Notes to the Consolidated Financial Statements (cont'd)

45. Operating revenue and costs

	2020		2019	
	Revenue	Costs	Revenue	Costs
Principal operations	2,894,873,363.35	2,080,364,453.60	9,847,745,645.54	8,228,523,820.13
Other operations	21,396,779.78	18,784,372.76	125,757,956.65	57,908,254.79
	<u>2,916,270,143.13</u>	<u>2,099,148,826.36</u>	<u>9,973,503,602.19</u>	<u>8,286,432,074.92</u>

46. Taxes and surcharges

	2020	2019
Property tax	4,294,158.43	4,382,315.92
City maintenance and construction tax	2,716,008.16	5,305,701.26
Education surcharge	1,936,200.03	4,575,005.13
Stamp tax	664,645.73	6,215,513.43
Land use tax	502,833.69	479,368.81
Vehicle and vessel tax	18,971.12	635,862.27
Environmental protection tax	14,309.42	77,509.78
Others	106,386.03	85,080.33
	<u>10,253,512.61</u>	<u>21,756,356.93</u>

V. Notes to the Consolidated Financial Statements (cont'd)**47. Selling expenses**

	2020	2019
Product quality warranties	47,189,521.93	190,832,558.76
Commissions and agency fees	46,237,284.80	48,998,758.52
Employee benefits	43,931,435.42	56,567,481.19
Advertising and exhibition expenses	5,721,645.33	13,124,552.50
Travel expenses	5,554,250.47	14,192,497.81
Transportation expenses and miscellaneous expenses associated with import and export	18,155,627.53	69,482,175.84
Office expenses	1,116,817.49	650,335.33
Depreciation and amortization expenses	751,809.90	4,681,809.15
Other expenses	12,891,066.82	15,997,305.78
	<u>181,549,459.69</u>	<u>414,527,474.88</u>

48. Administrative expenses

	2020	2019
Employee benefits	111,656,352.56	174,333,946.78
Equity incentives	25,170,406.50	-
Intermediary expenses	26,178,807.52	86,145,399.31
Depreciation and amortization expenses	22,744,937.96	41,902,217.00
Rental expenses	10,221,040.37	7,556,679.05
Travel and reception expenses	7,528,061.79	12,750,784.75
Office expenses	5,745,654.54	4,168,306.88
Insurance expenses	4,686,339.64	2,431,093.04
Car expenses	4,085,837.67	1,373,682.92
Property management expenses	2,819,585.82	998,199.83
Maintenance insurance expenses	1,381,900.99	4,152,782.33
Materials consumption	333,855.16	7,712,525.44
Other expenses	24,420,235.88	21,692,994.39
	<u>246,973,016.40</u>	<u>365,218,611.72</u>

V. Notes to the Consolidated Financial Statements (cont'd)**49. R&D expenses**

	2020	2019
Employee benefits	46,765,354.71	67,481,755.14
Depreciation and amortization expenses	16,012,422.17	14,869,894.79
Material expenses	9,923,238.87	31,357,724.77
Utilities	966,570.27	2,194,303.18
Assembly testing and debugging expenses	250,665.58	8,287,240.29
Technology licensing expenses	-	23,253,278.02
Other expenses	8,164,023.15	9,210,719.23
	<u>82,082,274.75</u>	<u>156,654,915.42</u>

50. Finance costs

	2020	2019
Interest expenses	15,535,719.53	20,712,697.63
Less: Interest income	20,887,321.27	55,020,801.87
Exchange gains and losses	10,763,678.85	1,288,171.81
Discounted interest	10,780.11	11,232,640.90
Others	2,496,813.06	4,917,445.41
	<u>7,919,670.28</u>	<u>(16,869,846.12)</u>

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

51. Other income

	2020	2019
Government grants related to routine activities	10,699,683.55	22,814,061.39
Refund of handling charges for individual income tax withheld	194,481.14	-
	<u>10,894,164.69</u>	<u>22,814,061.39</u>

Government grants related to routine activities are as follows:

	2020	2019	Asset/income-related
A project of the special funds for foreign economic and trade development in 2019 (small- and medium-sized foreign trade enterprises exploiting the international market) of Nanhai District Economic Promotion Bureau, Foshan City	2,240,000.00	-	Income-related
Foreign government subsidies	1,503,212.44	5,704,532.73	Income-related
Allowances for the unemployment insurance refund project of affected enterprises, Nanhai District Human Resources and Social Security Bureau, Foshan City	1,451,918.40	-	Income-related
4 Mitsubishi gantry processing centres and 3 fixed-beam-type gantry processing centres	1,116,660.00	1,116,660.00	Asset-related
Special funds for information transformation and upgrading	1,000,000.00	-	Income-related
Special funds for the construction of municipal-level advanced manufacturing bases in Suzhou in 2020 (a cultivation project for proprietary, elaborate, unique and innovative enterprises)	400,000.00	-	Income-related
Awards from the Scientific and Technological Innovation Bureau	300,000.00	-	Income-related
Subsidy funds for high-tech enterprise identification in 2019 from the Science and Technology Bureau	300,000.00	-	Income-related
Support incentives for four types of enterprises above designated size or qualification levels or limits	300,000.00	-	Income-related
Compensation for demolition of the old plant in Jinfeng Road	297,660.63	297,660.63	Asset-related
Support funds for Nanhai District Administration for Market Regulation, Foshan City to promote civilized patent work	234,120.00	-	Income-related
2019 subsidy funds after R&D expenses for high-tech enterprises in Foshan City	207,200.00	-	Income-related
Special funds for business development (credit insurance)	196,700.00	-	Income-related
Subsidies for stabilizing employment positions in enterprises	209,237.83	234,166.52	Income-related
Subsidies for import and export credit insurance	126,310.64	-	Income-related
Electricity subsidy from Nanhai District Economic Promotion Bureau, Foshan City	103,040.00	-	Income-related
Special funds for foreign trade and economic development in 2019 under the central finance of Nanhai District Economic Promotion Bureau	69,772.00	-	Asset-related
Business development (4th batch) small and medium-sized development projects	59,700.00	-	Income-related
2019 enterprise rewards for highly skilled leading talent in Suzhou New District	50,000.00	-	Income-related
Intellectual property manufacturing awards	50,000.00	-	Income-related
Scientific research subsidies for Craftsman of the City—Nanhai of Nanhai District Human Resources and Social Security Bureau, Foshan City	50,000.00	-	Income-related
Trademark subsidies of the whole district in 2019	41,600.00	-	Income-related
Intellectual property thematic funds of 2019 patent subsidies of Nanhai District Administration for Market Regulation	40,894.00	-	Income-related
2020 special funds for municipal economic and technological development (the Industry and Information Technology Bureau part) of Nanhai District Economic Promotion Bureau, Foshan City - Energy conservation project	40,000.00	-	Income-related
2019 provincial special funds for business development (3rd batch), small and medium-sized development enterprises	33,000.00	-	Asset-related
Economic Promotion Bureau - 2019 subsidies for R&D expenses of high-tech enterprises	23,200.00	-	Income-related

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Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

51. Other income (cont'd)

Government grants related to routine activities are as follows: (cont'd)

	2020	2019	Asset/income-related
Financial rewards for provincial-level industrial information industry transformation and upgrading in 2019	20,000.00	-	Income-related
Provincial-level short-term insurance premiums transferred by China Export & Credit Insurance Corporation Guangdong Branch	16,200.34	-	Asset-related
Support funds			
Provincial promotion of high-quality economic development in 2020 of Nanhai District Economic Promotion Bureau, Foshan City	7,857.27	-	Asset-related
Special funds for development, for the purposes of foreign economic and trade development and the development of modern service industry			
2019 domestic and foreign patent subsidies of Suzhou New District	5,300.00	-	Income-related
Administration for Market Regulation - Special funds for promoting invention in 2017-2018	5,000.00	-	Income-related
Subsidy funds for enterprise personnel increase of Nanhai District Human Resources and Social Security Bureau, Foshan City	4,000.00	-	Income-related
Trademark subsidies	1,600.00	-	Income-related
Refund of income tax fee	-	120,839.33	Income-related
Support incentives for "Big Dipper" enterprises of Shishan Town			
Treasury Payment Centre, Nanhai District, Foshan City	-	4,800,000.00	Income-related
(Township-level part)			
Intellectual property subsidies	-	12,000.00	Income-related
2018 technological innovation platform of Nanhai District Economic and Technological Promotion Bureau, Foshan City	-	500,000.00	Income-related
Support incentive funds			
2018 foreign trade cooperation of Nanhai District Economic and Technological Promotion Bureau, Foshan City	-	200,000.00	Income-related
Special funds			
Tax incentive funds of Caiyu Town government	-	200,000.00	Income-related
Industrial innovation cluster allocation project of Beijing high-grade, precision and advanced industrial development funds	-	366,869.29	Asset-related
Support incentives for "Big Dipper" enterprises of Shishan Town	-	3,200,000.00	Income-related
Economic Promotion Bureau (district-level)			
Special funds for Class B air pollution prevention and control project in 2018	-	390,000.00	Income-related
Subsidy funds for high-tech enterprise identification in 2018 of the Science and Technology Bureau	-	100,000.00	Income-related
Integration of informationization and industrialization	-	300,000.00	Asset-related
2018 incentives for advanced enterprises of Suzhou Hushuguan Economic Development Zone	-	30,000.00	Income-related
Financial support funds of Nanhai District Economic Promotion Bureau, Foshan City (municipal-level engineering technology research centre)	-	200,000.00	Income-related
Equipment subsidies for Liyang Project Investment of the Administrative Committee of Jiangsu Zhongguancun Science and Technology Industrial Park	-	1,507,691.87	Asset-related
Support funds for small and medium-sized development projects of the Ministry of Commerce	-	58,500.00	Income-related
Provincial-level special funds for intellectual property in 2019	-	3,000.00	Income-related
Special funds for the demonstration enterprise project of "Smart Manufacturing and Intrinsic Safety" of Foshan Municipal Administration of Work Safety	-	480,000.00	Income-related
2018 domestic and foreign patent subsidies of Suzhou New District	-	35,200.00	Income-related
2018 subsidy funds for top 50 benchmark high-tech enterprises of Nanhai District Economic and Technological Promotion Bureau, Foshan City	-	1,000,000.00	Income-related
2018 subsidy funds for key sci-tech projects of top 50 (benchmark high-tech) enterprises of Nanhai District Economic and Technological Promotion Bureau, Foshan City	-	1,000,000.00	Income-related

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V. Notes to the Consolidated Financial Statements (cont'd)

51. Other income (cont'd)

Government grants related to routine activities are as follows: (cont'd)

	2020	2019	Asset/income-related
2017 patent subsidy funds of Economic and Technological Promotion Bureau	-	15,000.00	Income-related
Subsidy funds and government subsidies of Liyang's First Batch of Science and Technology Award in 2019	-	100,000.00	Income-related
Special funds for economic development in 2019 of Nanhai District Economic Promotion Bureau, Foshan City (Promoting export credit insurance)	-	9,491.02	Income-related
Patent subsidies	-	5,950.00	Income-related
Funds declared by high-tech enterprises in 2019	-	30,000.00	Income-related
Incentives to promote scientific and technological innovation in 2018	-	180,500.00	Income-related
Special funds for business development in 2019 (credit insurance subsidies)	-	216,700.00	Income-related
Special subsidy funds after R&D expenses for high-tech enterprises in 2016 and 2017 of Nanhai District Economic and Technological Promotion Bureau, Foshan City	-	246,300.00	Income-related
Special support incentives for the development of high-tech enterprises in 2017 of Nanhai District Economic and Technological Promotion Bureau, Foshan City	-	153,000.00	Income-related
Fiscal subsidies	50,000.00	-	Income-related
Subsidies for work-based training	144,500.00	-	Income-related
Pandemic-related subsidies	1,000.00	-	Income-related
	<u>10,699,683.55</u>	<u>22,814,061.39</u>	

52. Investment income

	2020	2019
Income from financial assets held for trading	50,996,184.47	26,362,638.82
Income from long-term equity investments measured at equity method	2,889,349.81	2,541,133.81
Income from remeasurement of former equity investments at fair value in business combination not under common control	1,229,987.66	-
Loss on disposal of long-term equity investments	-	(91,050,267.19)
Performance compensation	-	1,447,054,285.27
	<u>55,115,521.94</u>	<u>1,384,907,790.71</u>

V. Notes to the Consolidated Financial Statements (cont'd)**53. Gains and losses on changes in fair value**

	2020	2019
Financial assets at fair value through profit or loss	54,407,119.47	(302,415.26)
Changes in fair value of non-controlling interests put options	(9,284,348.20)	-
	<u>45,122,771.27</u>	<u>(302,415.26)</u>

54. Credit impairment loss

	2020	2019
Loss on doubtful accounts receivable	(8,835,882.15)	(28,381,073.14)
Reversed allowances for other receivables	1,933,043.78	(5,710,766.56)
Impairment loss of contract assets	(1,061,524.05)	(6,000.00)
	<u>(7,964,362.42)</u>	<u>(34,097,839.70)</u>

55. Asset impairment loss

	2020	2019
Inventory valuation loss	(5,368,019.60)	(41,086,405.25)
Goodwill impairment loss	-	(68,753,453.43)
	<u>(5,368,019.60)</u>	<u>(109,839,858.68)</u>

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Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

56. Gains and losses on disposal of assets

	2020	2019
Loss on disposal of fixed assets	(17,854.18)	-
Gain on disposal of other non-current assets	-	538,255.27
	<u>(17,854.18)</u>	<u>538,255.27</u>

57. Non-operating income

	2020	2019	Recognized in exceptional gains and losses of 2020
Performance compensation	29,939,067.65	-	29,939,067.65
Negative goodwill arising from acquisition of Yinglian Digital	866,489.40	-	866,489.40
Government grants not related to routine operations	50,000.00	40,000.00	50,000.00
Others	<u>4,946,229.86</u>	<u>12,530,847.05</u>	<u>4,946,229.86</u>
	<u>35,801,786.91</u>	<u>12,570,847.05</u>	<u>35,801,786.91</u>

58. Non-operating expenses

	2020	2019	Recognized in exceptional gains and losses of 2020
Donations	1,570,997.47	105,090.50	1,570,997.47
Loss on disposal of fixed assets	36,036.61	5,233,637.05	36,036.61
Others	<u>139,697.28</u>	<u>3,418,233.98</u>	<u>139,697.28</u>
	<u>1,746,731.36</u>	<u>8,756,961.53</u>	<u>1,746,731.36</u>

V. Notes to the Consolidated Financial Statements (cont'd)

V. Notes to the Consolidated Financial Statements (cont'd)

59. Income tax expenses

	2020	2019
Current income tax expenses	71,205,843.29	215,161,306.67
Deferred tax expenses	<u>(48,122,503.99)</u>	<u>(40,889,366.79)</u>
	<u>23,083,339.30</u>	<u>174,271,939.88</u>

Reconciliation between income tax expenses and gross profit is as follows:

	2020
Gross profit	420,180,660.29
Income tax calculated at applicable tax rates	63,027,099.04
Different tax rates for specific provinces or enacted by local authority	43,500,706.27
Adjustment to current income tax in previous periods	(1,018,718.96)
Utilization of deductible losses of previous periods	(39,750,597.61)
Effect of unrecognized deductible temporary differences and deductible losses	2,961,178.79
Income not subject to tax	(42,505,290.40)
Over-deduction for R&D	(4,685,800.11)
Expenses not deductible for tax	<u>1,554,762.28</u>
Income tax expenses	<u>23,083,339.30</u>

Guangdong Dongfang Precision Science & Technology Co., Ltd.**Notes to the Financial Statements (Cont'd)****2020****Expressed in Renminbi Yuan****V. Notes to the Consolidated Financial Statements (cont'd)****60. Earnings per share**

	2020 RMB/share	2019 RMB/share
Basic earnings per share		
Continuing operations	<u>0.26</u>	<u>1.01</u>
Diluted earnings per share		
Continuing operations	<u>0.26</u>	<u>1.01</u>

Basic earnings per share is computed by dividing the net profit attributable to ordinary shareholders of the Company for the period by the weighted average number of ordinary shares in issue.

In the calculation of diluted earnings per share, the denominator shall be the sum of: (1) weighted average number of ordinary shares of the Company in issue adopted in the calculation of basic earnings per share; and (2) weighted average number of ordinary shares created assuming conversion of potentially dilutive ordinary shares into ordinary shares.

In calculating the weighted average number of ordinary shares created upon conversion of potentially dilutive ordinary shares into ordinary shares, potentially dilutive ordinary shares issued in previous periods are assumed to have been converted at the beginning of the current period, whereas potentially dilutive ordinary shares issued in the current period are assumed to have been converted on the date of issue.

Calculations of basic and diluted earnings per share are as follows:

	2020	2019
Earnings		
Net profit attributable to ordinary shareholders of the Company for the period	<u>389,180,624.08</u>	<u>1,838,018,805.50</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,479,259,197.75</u>	<u>1,821,084,559.92</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	1,479,259,197.75	1,821,084,559.92
Diluting effect—weighted average number of ordinary shares		
Restricted shares	3,331,777.08	-
Adjusted weighted average number of ordinary shares in issue of the Company	<u>1,482,590,974.83</u>	<u>1,821,084,559.92</u>

Guangdong Dongfang Precision Science & Technology Co., Ltd.**Notes to the Financial Statements (Cont'd)****2020****Expressed in Renminbi Yuan****V. Notes to the Consolidated Financial Statements (cont'd)****61. Notes to cash flow statement line items**

	2020	2019
Cash generated from other operating activities		
Interest income	21,022,181.82	51,713,851.09
Government grants	9,827,504.69	27,918,029.60
Letter of guarantee received	4,984,585.99	590,491.85
Current accounts and others	9,980,667.12	74,176,495.35
	<u>45,814,939.62</u>	<u>154,398,867.89</u>
Cash used in other operating activities		
Selling expenses in cash	136,866,214.37	145,334,515.96
Administrative expenses in cash	87,401,319.27	132,074,384.83
R&D expenses in cash	19,304,497.87	20,547,103.04
Letter of guarantee paid	5,520,385.99	526,000.00
Security deposits	3,445,334.38	8,317,055.21
Current accounts and others	18,504,749.20	36,384,723.70
	<u>271,042,501.08</u>	<u>343,183,782.74</u>
Cash generated from other investing activities		
Performance compensation	-	200,000.00
Redemption of investments in wealth management products	-	3,329,648,750.00
	<u>-</u>	<u>3,329,848,750.00</u>
Cash used in other investing activities		
Acquisition of BP Agnati S.r.l.'s business asset group	1,203,750.03	-
Purchases of wealth management products	-	4,462,987,540.01
	<u>1,203,750.03</u>	<u>4,462,987,540.01</u>

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

2020

Expressed in Renminbi Yuan

V. Notes to the Consolidated Financial Statements (cont'd)

61. Notes to cash flow statement line items (cont'd)

	2020	2019
Cash generated from other financing activities		
Refund of security deposits for internal guarantees for external loans	124,024,093.46	16,502,736.75
Share subscription	22,600,000.00	-
Security deposits for bank acceptance notes	16,125,930.69	144,398,508.76
	<u>162,750,024.15</u>	<u>160,901,245.51</u>
Cash used in other financing activities		
Share repurchase	500,096,259.41	96,510,768.15
Security deposits paid for internal guarantees for external loans	290,000,000.00	-
Security deposits for bank acceptance notes	35,715,597.93	7,662,721.53
	<u>825,811,857.34</u>	<u>104,173,489.68</u>

62. Supplemental information on statement of cash flows

(1) Supplemental information on statement of cash flows

Reconciliation of net profit to net cash generated from/used in operating activities:

	2020	2019
Net profit	397,097,320.99	1,839,345,953.81
Add: Asset impairment allowances	5,368,019.60	109,839,858.68
Depreciation of fixed assets	43,733,470.71	68,039,843.73
Amortization of intangible assets	23,293,740.64	26,098,369.17
Credit impairment loss	7,964,362.42	34,097,839.70
Amortization of long-term prepaid expenses	4,232,091.29	15,501,412.42
Loss/(gain) on disposal of fixed assets, intangible assets and other long-lived assets	17,854.18	(538,255.27)
Loss on retirement of fixed assets	34,888.51	5,233,637.05
(Gain)/loss on changes in fair value	(45,122,771.27)	302,415.26
Finance costs	16,797,042.44	31,945,338.53
Investment income	(55,115,521.94)	(1,384,907,790.71)
Increase in deferred tax assets	(49,922,037.64)	(50,201,552.00)
Increase in deferred tax liabilities	2,380,693.25	571,989.59
Increase in inventories	(61,314,527.47)	(546,145,845.44)
Decrease/(increase) in operating receivables	62,978,697.08	(221,590,998.95)
Increase in operating payables	188,515,269.99	356,387,828.69
Others	10,057,438.97	(2,682,257.25)
Net cash generated from/used in operating activities	<u>550,996,031.75</u>	<u>281,297,787.01</u>

V. Notes to the Consolidated Financial Statements (cont'd)**62. Supplemental information on statement of cash flows (cont'd)****(1) Supplemental information on statement of cash flows (cont'd)**

Substantial investing and financing activities not involving cash:

	2020	2019
Transfer of endorsed bank acceptance notes received for selling goods and rendering services	<u>72,886,689.73</u>	<u>140,567,947.10</u>

Net change in cash and cash equivalents:

	2020	2019
Closing balance of cash	860,601,236.78	2,226,724,737.39
Less: Opening balance of cash	2,226,724,737.39	2,057,997,442.35
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,366,123,500.61)</u>	<u>168,727,295.04</u>

(2) Information on subsidiaries and other business units acquired or disposed of

Information on subsidiaries and other business units acquired

	2020	2019
Prices for acquiring subsidiaries and other business units	11,566,725.00	-
Cash and cash equivalents paid to acquire subsidiaries and other business units	11,566,725.00	123,995,066.16
Less: cash and cash equivalents held by subsidiaries and other business units acquired	36,725.61	26,748,538.29
Net payments for the acquisition of subsidiaries and other business units	<u>11,529,999.39</u>	<u>97,246,527.87</u>

V. Notes to the Consolidated Financial Statements (cont'd)**62. Supplemental information on statement of cash flows (cont'd)****(2) Information on subsidiaries and other business units acquired or disposed of (cont'd)**

Information on subsidiaries and other business units disposed of

	2020	2019
Prices for disposing of subsidiaries and other business units	-	-
Cash and cash equivalents received from disposal of subsidiaries and other business units	-	1,500,000,000.00
Less: cash and cash equivalents held by subsidiaries and other business units disposed of	-	58,525,196.49
Net proceeds from the disposal of subsidiaries and other business units	-	1,441,474,803.51

(3) Cash and cash equivalents

	2020	2019
Cash	860,601,236.78	2,226,724,737.39
Including: cash on hand	217,540.96	249,951.68
Bank deposits readily available	857,460,233.91	2,224,849,135.20
Other cash and bank balances readily available	2,923,461.91	1,625,650.51
Cash equivalents		
Closing balance of cash and cash equivalents	860,601,236.78	2,226,724,737.39

The difference between net payments for the acquisition of subsidiaries and other business units of the current period and last year was primarily attributable to currency translation differences.

V. Notes to the Consolidated Financial Statements (cont'd)**63. Assets with restricted ownership or right of use**

	2020	2019	
Cash and bank balances	25,109,817.10	129,978,697.21	Note 1
Fixed assets	211,239,552.11	11,981,751.80	Note 2
Intangible assets	52,551,947.63	-	Note 3
Other non-current assets	295,075,000.00	-	Note 4
	<u>583,976,316.84</u>	<u>141,960,449.01</u>	

Note 1: As at 31 December 2020, cash and bank balances in the carrying amount of RMB25,109,817.10 were used as security deposits for bank acceptance notes and the like; as at 31 December 2019, cash and bank balances in the carrying amount of RMB129,978,697.21 were used as pledge for bank borrowings.

Note 2: As at 31 December 2020, fixed assets of Guangdong Dongfang Precision Science & Technology Co., Ltd. in the carrying amount of RMB211,239,552.11 (31 December 2019: RMB11,981,751.80) were used as collateral for a bank credit line of RMB600,000,000.00. As at 31 December 2020, the borrowing balance under the credit line contract was nil.

Note 3: As at 31 December 2020, property in land of Guangdong Dongfang Precision Science & Technology Co., Ltd. in the carrying amount of RMB52,551,947.63 was also used as collateral for the bank credit line mentioned in Note 2. The amortization of the property in land was RMB1,468,335.83 in 2020.

Note 4: As at 31 December 2020, security deposits in the carrying amount of RMB295,075,000.00 (31 December 2019: nil) were used for loans of subsidiaries, with the term expiring on 29 June 2023.

V. Notes to the Consolidated Financial Statements (cont'd)

64. Monetary items in foreign currencies

		2020	
	Original currency	Exchange rate	RMB equivalent
Cash and bank balances			640,094,525.70
Including: USD	42,130,977.17	6.5251	274,908,839.13
EUR	45,296,299.56	8.0250	363,502,803.97
HKD	162,041.47	0.8416	136,374.10
GBP	173,844.00	8.8903	1,545,525.31
AUD	196.00	5.0163	983.19
Notes receivable			-
Including: EUR	-	-	-
Accounts receivable			466,182,574.97
Including: USD	8,332,673.76	6.5251	54,371,529.56
EUR	51,316,018.12	8.0250	411,811,045.41
Contract assets			29,667,325.25
Including: USD	1,410,488.00	6.5251	9,203,575.25
EUR	2,550,000.00	8.0250	20,463,750.00
Other receivables			71,937,801.62
Including: EUR	8,964,212.04	8.0250	71,937,801.62
Accounts payable			390,383,719.86
Including: USD	-	-	-
EUR	48,645,946.40	8.0250	390,383,719.86
GBP	-	-	-
Short-term borrowings			39,533,281.84
Including: EUR	4,926,265.65	8.0250	39,533,281.84
Current portion of non-current liabilities			226,597,528.74
Including: EUR	28,236,452.18	8.0250	226,597,528.74
Long-term borrowings			353,412,388.29
Including: EUR	44,038,926.89	8.0250	353,412,388.29
Other payables			34,280,083.33
Including: USD	172,390.50	6.5251	1,124,865.25
EUR	4,131,491.35	8.0250	33,155,218.08
Interest payable			-
Including: EUR	-	-	-

V. Notes to the Consolidated Financial Statements (cont'd)**64. Monetary items in foreign currencies (cont'd)**

The principal places of business overseas, the functional currencies and their determination basis of the major overseas business entities included in the consolidated financial statements are as follows:

Major overseas business entities	Principal place of business	Functional currency	Determination basis
Dongfang Precision (HK)	Hong Kong	USD	Settlement currency for local business activities
Dongfang Precision (Netherlands)	Netherlands	EUR	Settlement currency for local business activities
Fosber Group	Italy	EUR	Settlement currency for local business activities
Fosber America	America	USD	Settlement currency for local business activities
EDF	Italy	EUR	Settlement currency for local business activities

VI. Changes to the Scope of Consolidation**1. Business combination not involving entities under common control**

On 19 August 2016, Dongfang Precision and Xiwang Ceramic Machinery Equipment Co., Ltd. Nanhai District, Foshan City set up a joint venture - Foshan Yinglian Digital Printing Equipment Co., Ltd. Dongfang Precision made a paid-in capital contribution of RMB13,060,193.48 and holds a 50% stake in Foshan Yinglian Digital Printing Equipment Co., Ltd. Within the current period, the Company acquired a 50% stake in Foshan Yinglian Digital Printing Equipment Co., Ltd. at RMB11,566,725.00 in cash, and holds 100% of its equity after the completion of this transaction. The date of acquisition is determined as 30 September 2020 based on the actual delivery date. The carrying value of the 50% equity previously held prior to the purchase date was RMB10,336,737.34 on the acquisition date, its fair value was RMB11,566,725.00, and the gain arising from a remeasurement at fair value was RMB1,229,987.66.

The fair value and carrying amounts of the identifiable assets and liabilities of Foshan Yinglian Digital Printing Equipment Co., Ltd. as at the date of acquisition are as follows:

	30 September 2020 Fair value	30 September 2020 Carrying amount
Cash and bank balances	36,772.75	36,772.75
Accounts receivable	4,751,863.00	4,751,863.00
Other receivables	35,980.00	35,980.00
Prepayments	440,000.00	440,000.00
Inventories	4,146,532.08	4,146,532.08
Other current assets	572,847.35	572,847.35
Fixed assets	47,196.94	51,548.69
Intangible assets	15,893,491.65	13,564,501.47
Total assets	<u>25,924,683.77</u>	<u>23,600,045.34</u>
Accounts payable	1,100,000.00	1,100,000.00
Employee benefits payable	1,222.48	1,222.48
Tax payable	45,258.30	45,258.30
Other payables	197,103.98	197,103.98
Deferred tax liabilities	581,159.61	-
Total liabilities	<u>1,924,744.37</u>	<u>1,343,584.76</u>
Net assets	<u>23,999,939.40</u>	<u>22,256,460.58</u>
Amount that exceeds combination cost and is recognized in profit or loss	<u>866,489.40</u>	
Combination consideration	<u>23,133,450.00</u>	Note

Note: The amount included the cash of RMB11,566,725.00 paid by the Company in the business combination and the fair value of RMB11,566,725.00 of the 50% interest held by the Company in Foshan Yinglian Digital Printing Equipment Co., Ltd. before the date of acquisition.

VI. Changes to the Scope of Consolidation (cont'd)**1. Business combination not involving entities under common control (cont'd)**

The operating results and cash flows of Foshan Yinglian Digital Printing Equipment Co., Ltd. for the period from the date of acquisition to the period-end are as follows:

30 Sept.-31 Dec. 2020

Operating revenue	(8,782,051.36)
Net loss	(3,800,729.62)
Net cash flow	(47.14)

2. Changes to the scope of consolidation for other reasons

In March 2020, subsidiary Tiruñã Brasil LTDA was de-registered, and it has been excluded from the scope of consolidation since the date of de-registration.

In October 2020, subsidiaries Hainan Yineng and Dongfang Digicom were incorporated, and they have been included in the scope of consolidation since the dates of their respective incorporation.

In November 2020, the Company's subsidiary Suzhou Shunyi Investment Co., Ltd. (hereinafter referred to as "Shunyi Investment") established a partnership firm - Suzhou High-Tech Zone Jinqun Business Management Partnership (Limited Partnership), which is an employee stock ownership platform of Suzhou Parsun Power Machine Co., Ltd. (hereinafter referred to as "Parsun Power"). Shunyi Investment is a general partner of Suzhou High-Tech Zone Jinqun Business Management Partnership (Limited Partnership), holds 17.60% of property shares, and performs partnership affairs on behalf of Suzhou High-Tech Zone Jinqun Business Management Partnership (Limited Partnership). Besides, according to the relevant regulations in the Equity Incentive Plan of Suzhou Parsun Power Machine Co., Ltd., if the individual performance appraisal of an incentive awardee fails to meet the standards, the property shares held by this awardee in Suzhou High-Tech Zone Jinqun Business Management Partnership (Limited Partnership) will be compulsorily acquired by Shunyi Investment or a third party designated by Shunyi Investment. Therefore, the Group believes that the Group controls Suzhou High-Tech Zone Jinqun Business Management Partnership (Limited Partnership) and includes the latter in its consolidation scope.

VI. Changes to the Scope of Consolidation (cont'd)**2. Changes to the scope of consolidation for other reasons (cont'd)**

On 3 February 2020, subsidiary Fosber Group incorporated a new majority-owned subsidiary Italy QCorr, and completed the acquisition of the relevant business assets of BP Agnati S.r.l., a corrugator line manufacturer in Italy with Italy QCorr as the direct acquirer. Upon the transaction, Fosber Group has a 60% interest in Italy QCorr, and Italy QCorr was included in the consolidated financial statements of the Company for the Reporting Period.

The fair value and carrying amounts of the identifiable assets and liabilities of the relevant business assets of BP Agnati S.r.l. as at the date of acquisition are as follows:

	3 February 2020 Fair value	3 February 2020 Carrying amount
Cash and bank balances	1,900,568.78	1,900,568.78
Accounts receivable	87,143,426.85	87,143,426.85
Other receivables	23,189,625.83	23,189,625.83
Prepayments	2,313,888.38	2,313,888.38
Inventories	51,729,462.98	51,729,462.98
Other current assets	7,482,389.63	7,482,389.63
Fixed assets	921,101.48	921,101.48
Intangible assets	66,816,479.03	66,816,479.03
Total assets	<u>241,496,942.96</u>	<u>241,496,942.96</u>
Accounts payable	82,860,684.98	82,860,684.98
Receipts in advance	84,095,034.30	84,095,034.30
Employee benefits payable	7,133,623.13	7,133,623.13
Other payables	502,365.00	502,365.00
Other current liabilities	66,692,966.25	66,692,966.25
Long-term employee benefits payable	6,072,421.20	6,072,421.20
Provisions	16,218,525.00	16,218,525.00
Total liabilities	<u>263,575,619.86</u>	<u>263,575,619.86</u>
Net assets	<u>(22,078,676.90)</u>	<u>(22,078,676.90)</u>
Goodwill arising from the acquisition	<u>23,282,426.93</u>	
Acquisition consideration	<u><u>1,203,750.03</u></u>	

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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VII. Interests in Other Entities

1. Interests in subsidiaries

Particulars of the subsidiaries of the Company are as follows:

	Principal place of business	Place of registration	Business nature	Registered capital	The Company's interest (%)	
					Direct	Indirect
Subsidiaries acquired by way of incorporation or investment						
Dongfang Precision (HK)	HK	HK	Trading	USD300,000	100.00	-
Dongfang Precision (Netherlands)	Netherlands	Netherlands	Trading	EUR40,000	90.00	10.00
Fosber Asia	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	EUR4 million	56.40	-
Italy QCorr	Italy	Italy	Investment	EUR375,000	-	60.00
Suzhou High-Tech Zone Jinqian Business Management Partnership (Limited Partnership)	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Investment	RMB9.65 million	-	17.60
Dongfang Digicom	Haikou, Hainan, China	Haikou, Hainan, China	Industrial Internet	RMB100 million	100.00	-
Hainan Yineng	Haikou, Hainan, China	Haikou, Hainan, China	Investment	RMB100 million	100.00	-
Subsidiaries acquired in business combinations not under common control						
Fosber Group	Italy	Italy	Manufacturing	EUR1.56 million	-	100.00
Fosber America	America	America	Manufacturing	USD1.10 million	-	100.00
Fosber Tianjin	Tianjin, China	Tianjin, China	Manufacturing	USD500,000	-	100.00
Parsun Power	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Manufacturing	RMB85.3 million	35.00	65.00
Shunyi Investment	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Investment	RMB10 million	100.00	-
Italy EDF	Italy	Italy	Manufacturing	EUR100,000	-	100.00
Tiru ña Group	Spain	Spain	Manufacturing	EUR10 million	-	70.00
Tiru ña S.L.U.	Spain	Spain	Manufacturing	EUR1.44 million	-	70.00
Tratatamientos Industriales Tiru ña S.A.U.	Spain	Spain	Manufacturing	EUR270,000	-	70.00
Tiru ña France SARL	France	France	Manufacturing	EUR100,000	-	70.00
SCI Candan	France	France	Manufacturing	EUR10,000	-	70.00
Tiru ña UK Ltd	UK	UK	Manufacturing	GBP233,000	-	70.00
Tiru ña America	America	America	Manufacturing	USD3 million	-	85.00
Yinglian Digital	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	RMB50 million	100.00	-

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

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VII. Interests in Other Entities (cont'd)

1. Interests in subsidiaries (cont'd)

Subsidiaries with substantial non-controlling interests are as follows:

2020

	Non-controlling interests (%)	Net profit/(loss) attributable to non-controlling interests	Dividends for non-controlling interest	Closing cumulative amount of non-controlling interests
Fosber Asia	43.60%	9,400,368.74	-	20,365,964.98
Tiruña Group	30.00%	2,784,169.23	-	56,891,854.63
Italy QCorr	40.00%	(4,266,423.66)	-	4,266,423.66

The table below presents key financial information of the aforesaid subsidiaries. And the information is before intraGroup offsetting.

	Fosber Asia	Tiruña Group	Italy QCorr
2020			
Current assets	234,958,647.84	163,298,154.40	85,678,911.94
Non-current assets	7,397,590.50	102,212,623.71	89,107,086.16
Total assets	242,356,238.34	265,510,778.11	174,785,998.10
Current liabilities	180,646,968.18	45,073,392.11	96,103,930.63
Non-current liabilities	11,984,150.68	10,962,079.01	78,913,562.80
Total liabilities	192,631,118.86	56,035,471.12	175,017,493.43
Operating revenue	203,822,010.26	201,033,491.76	227,098,165.68
Net profit	21,560,478.75	10,540,714.99	(11,055,920.82)
Total comprehensive income	21,560,478.75	8,102,058.54	(11,055,920.82)
Net cash generated from/used in operating activities	54,994,242.05	51,870,539.53	(7,763,897.55)

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements (Cont'd)

2020

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VII. Interests in Other Entities (cont'd)

2. Interests in associates

	Principal place of business	Place of registration	Business nature	Registered capital	The Company's interest (%)		Accounting method
					Direct	Indirect	
Associates							
Guangdong Jaten Robot & Automation Co., Ltd.	Foshan	Foshan, Guangdong, China	manufacturing	RMB12.844 million	21.00	-	Equity method
Talleres Tapre,S.L.	Spain	Spain	manufacturing	-	-	14.00	Equity method

The table below presents financial information of Guangdong Jaten Robot & Automation Co., Ltd. Such information is accounting policy difference-adjusted and reconciled to the carrying amounts of the financial statements.

	2020	2019
Current assets	237,153,222.57	219,472,243.57
Including: cash and cash equivalents	9,320,324.83	10,188,543.73
Non-current assets	<u>112,043,388.53</u>	<u>113,320,858.41</u>
Total assets	<u><u>349,196,611.10</u></u>	<u><u>332,793,101.98</u></u>
Current liabilities	148,070,950.71	136,413,860.90
Non-current liabilities	<u>27,571,880.84</u>	<u>28,053,156.84</u>
Total liabilities	<u><u>175,642,831.55</u></u>	<u><u>164,467,017.74</u></u>
Equity attributable to owners of the parent	173,553,779.55	168,326,084.24
Share of net assets based on the Company's interest	36,446,293.71	33,665,216.85
Carrying amount of the investment	70,900,088.92	60,136,740.98

	2020	2019
Operating revenue	102,479,717.84	153,097,991.65
Income tax expenses	2,574,241.97	-
Net profit	14,587,371.13	14,017,719.34
Total comprehensive income	14,587,371.13	14,017,719.34

The table below presents the aggregate financial information of associates insignificant to the Group:

	2020	2019
Associates (Talleres Tapre, S.L.)		
Total carrying amount of investments	1,771,115.81	1,724,878.58
Total amounts based on the Company's interests:		
Net profit	76,960.49	189,406.64
Other comprehensive income/(loss)	-	(384.56)
Total comprehensive income	76,960.49	189,022.08

VIII. Risks Associated with Financial Instruments**1. Classification of financial instruments**

The carrying amounts of various financial instruments as at the balance sheet date are as follows:

2020

Financial assets

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	As required by standard		As required by standard	
Cash and bank balances	-	885,711,053.88	-	885,711,053.88
Financial assets held for trading	1,636,296,430.31	-	-	1,636,296,430.31
Notes receivable	-	12,744,582.88	-	12,744,582.88
Accounts receivable	-	469,635,423.58	-	469,635,423.58
Current portion of non-current assets	-	2,556,000.00	-	2,556,000.00
Long-term receivables	-	1,475,000.00	-	1,475,000.00
Other non-current assets	-	935,075,000.00	-	935,075,000.00
Receivables financing	-	-	56,737,978.04	56,737,978.04
Other receivables	-	79,103,472.64	-	79,103,472.64
Contract assets	-	29,504,693.97	-	29,504,693.97
Other non-current financial assets	5,948,588.15	-	-	5,948,588.15
	<u>1,642,245,018.46</u>	<u>2,415,805,226.95</u>	<u>56,737,978.04</u>	<u>4,114,788,223.45</u>

Financial liabilities

	At fair value through profit or loss	At amortized cost	Total
	As required by standard		
Short-term borrowings	-	39,533,281.84	39,533,281.84
Financial liabilities held for trading	41,408,109.80	-	41,408,109.80
Notes payable	-	104,855,187.97	104,855,187.97
Accounts payable	-	503,042,561.05	503,042,561.05
Other payables	-	81,743,851.64	81,743,851.64
Current portion of non-current liabilities	-	226,597,528.74	226,597,528.74
Long-term borrowings	-	353,412,388.29	353,412,388.29
Other current liabilities	158,452.18	11,811,507.85	11,969,960.03
Other non-current liabilities	68,737,415.25	-	68,737,415.25
	<u>110,303,977.23</u>	<u>1,320,996,307.38</u>	<u>1,431,300,284.61</u>

VIII. Risks Associated with Financial Instruments (cont'd)**1. Classification of financial instruments (cont'd)**

The carrying amounts of various financial instruments as at the balance sheet date are as follows: (cont'd)

2019

Financial assets

		At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	As required by standard	Designated		As required by standard	
Cash and bank balances	-	-	2,356,703,434.60	-	2,356,703,434.60
Financial assets held for trading	1,039,381.59	1,163,000,000.00	-	-	1,164,039,381.59
Notes receivable	-	-	-	-	-
Accounts receivable	-	-	597,431,210.02	-	597,431,210.02
Receivables financing	-	-	-	55,447,099.32	55,447,099.32
Other receivables	-	-	79,573,114.49	-	79,573,114.49
Current portion of non-current assets	-	-	356,983.48	-	356,983.48
Other non-current financial assets	20,559,159.34	-	-	-	20,559,159.34
	<u>21,598,540.93</u>	<u>1,163,000,000.00</u>	<u>3,034,064,742.59</u>	<u>55,447,099.32</u>	<u>4,274,110,382.84</u>

Financial liabilities

	Financial liabilities at amortized cost
Short-term borrowings	117,888,353.14
Notes payable	43,973,859.51
Accounts payable	472,862,744.45
Other payables	90,950,443.16
Current portion of non-current liabilities	353,399,238.29
Long-term borrowings	224,146,667.48
	<u>1,303,221,306.03</u>

VIII. Risks Associated with Financial Instruments (cont'd)

2. Transfer of financial assets

Financial assets already transferred but not wholly derecognized

On 31 December 2020, the carrying value of the bank acceptance notes (BAs) endorsed by the Group to suppliers for the settlement of accounts payable was RMB11,800,000.00 (31 December 2019: nil). The Group believed that the Group retained almost all their risks and rewards, including the risk of default associated therewith, so the Group continued to confirm them and the settled accounts payable associated therewith in full amount. After the endorsement, the Group will no longer reserve the right to use them, including the right to sell, transfer, or pledge them to other third parties. On 31 December 2020, the carrying value of the accounts payable settled with them totaled RMB11,800,000.00 (31 December 2019: nil).

Transferred financial assets that have been wholly derecognized but continue to be involved

On 31 December 2020, the carrying value of the BAs endorsed by the Group to suppliers for the settlement of accounts payable was RMB56,737,978.04 (31 December 2019: RMB55,447,099.32). On 31 December 2020, their maturity date varied from one to 12 months. As stipulated in the Negotiable Instruments Law, if the accepting bank refuses to pay, their holders have the right to recourse from the Group ("continue to be involved"). The Group believed that the Group had transferred almost all their risks and rewards, so the Group derecognized the carrying value of them and the settled accounts payable associated therewith. The maximum loss and undiscounted cash flows from continuing involvement and repurchase were equal to their carrying value. The Group believed that it was insignificant to continue to involve in fair value.

In 2020, the Group did not confirm the gains or losses on the transfer day. The Group had no income or expenses recognized in the current year and cumulatively due to continued involvement in derecognized financial assets. Endorsements occurred roughly evenly during the year.

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks

The Group is faced with various financial instrument risks in its routine activities, mainly including credit risk, liquidity risk and market risk (including exchange rate risk and interest rate risk). The Group mainly has the following instruments: cash and bank balances, equity investment, borrowings, notes receivable, accounts receivable, notes payable and accounts payable. The risk management strategies adopted by the Group to lower risks associated with these financial instruments are described below.

The Group's Board of Directors is fully responsible for the determination of risk management objectives and policies and assumes ultimate responsibility for such risk management objectives and policies, but the Board of Directors has authorized the Chief Executive's Office of the Group to design and implement procedures to ensure the effective execution of risks management objectives and policies. The Board of Directors reviews the effectiveness of the executed procedures and the rationality of the risk management objectives and policies through the monthly reports submitted by the treasury supervisor. The internal auditors of the Group will also audit the risk management policies and procedures and will report relevant findings to the Audit Committee.

The Group's overall goals for risk management are to develop risk management policies to minimize risks without unduly affecting the competitiveness and strain capacity of the Group.

Credit risk

The Group transacts only with recognized and reputable third parties. According to the Group's policies, credit checks are needed for all customers that require transactions should be conducted by means of credit. Additionally, the Group performs continuous monitoring of the balance of accounts receivable to ensure that the Group will not face major bad debt risk. For transactions not settled in the accounting standard currency of the relevant business unit, unless specifically approved by the credit control department of the Group, the Group will not provide credit transaction conditions.

Since the counterparties of cash and bank balances and notes receivable are banks with a good reputation and high credit rating, the credit risk of such financial instruments is low.

Other financial assets of the Group mainly include accounts receivable, other receivables and contract assets, the credit risk of which arises from counterparty default, and the maximum risk exposure is equal to the carrying value of these instruments.

The Group transacts only with recognized and reputable third parties, so no collateral is required. Credit risk concentration is managed by customer/counterparty, geographic region and industry. Because the customer base of accounts receivable of the Group is widely dispersed in different departments and industries, there is no major credit risk concentration within the Group. The Group does not hold any collateral or other credit enhancement on the balance of accounts receivable.

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks (cont'd)

Credit risk (cont'd)

Criteria for judging significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Company takes into account the reasonable and substantiated information that is accessible without exerting undue extra cost or effort, including qualitative and quantitative analysis based on the historical data of the Company, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to determine changes in the risk of default during the expected lifetime of financial instruments.

Definition of credit-impaired financial assets

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the principal factors considered are as follows:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) Debtors' breach of contract, such as defaulting or becoming overdue on interest or principal payments;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurrence of credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

Based on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information.

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Credit risk (cont'd)***Parameters of ECL measurement (cont'd)*

The relevant definitions are as follows:

- (1) PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the expected credit loss model, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;
- (2) LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- (3) EAD is the amount that the Company should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL.

As at 31 December 2020, there were no significant increases in the credit risk of the Group.

Credit risk exposures

2020

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
Accounts receivable	-	23,792,330.92	-	-
Contract assets	-	1,061,524.05	-	-
Other receivables	2,861,774.13	500,000.00	-	-

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Credit risk (cont'd)***Credit risk exposures (cont'd)*

2019

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
Accounts receivable	-	17,373,408.69	-	-
Other receivables	2,779,738.01	2,460,000.00	-	-

Liquidity risk

The Group monitors its risk to the shortage of funds using a recurring liquidity planning tool. This tool considers the maturity profile of its financial instruments and projected cash flows from operations.

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarised as follows:

2020

	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	4,023,064.35	12,877,525.22	22,859,189.31	-	-	39,759,778.88
Financial liabilities held for trading	-	-	41,408,109.80	-	-	41,408,109.80
Notes payable	-	-	104,855,187.97	-	-	104,855,187.97
Accounts payable	-	-	503,042,561.05	-	-	503,042,561.05
Other payables	-	-	81,743,851.64	-	-	81,743,851.64
Current portion of non-current liabilities	26,404,832.93	513,616.88	227,400,672.81	-	-	254,319,122.62
Long-term borrowings	-	-	-	9,825,103.77	354,814,594.04	364,639,697.81
Other current liabilities	-	-	11,969,960.03	-	-	11,969,960.03
Other non-current liabilities	-	-	-	68,737,415.25	-	68,737,415.25
	30,427,897.28	13,391,142.10	993,279,532.61	78,562,519.02	354,814,594.04	1,470,475,685.05

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Liquidity risk (cont'd)**

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarised as follows: (cont'd)

2019

	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	-	-	117,888,353.14	-	-	117,888,353.14
Notes payable	-	-	43,973,859.51	-	-	43,973,859.51
Accounts payable	-	-	472,862,744.45	-	-	472,862,744.45
Other payables	-	-	90,950,443.16	-	-	90,950,443.16
Current portion of non-current liabilities	-	-	353,399,238.29	-	-	353,399,238.29
Long-term borrowings	-	-	-	203,034,208.34	21,112,459.14	224,146,667.48
	-	-	1,079,074,638.55	203,034,208.34	21,112,459.14	1,303,221,306.03

Market riskInterest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's loans with floating interest rates.

The sensitivity analysis of interest rate risks is set out in the following table, reflecting the impact of reasonable and probable change in interest rates on net profit or loss (through the impact on floating rate loans) and other comprehensive income (net of tax) assuming that other variables remain constant.

2020

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Loans	0.5	(1,246,077.19)	-	(1,246,077.19)
Loans	(0.5)	1,246,077.19	-	1,246,077.19

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Market risk (cont'd)**Interest rate risk (cont'd)

2019

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Loans	0.5	(22,906.37)	-	(22,906.37)
Loans	(0.5)	22,906.37	-	22,906.37

Exchange rate risk

The Group is exposed to trading exchange rate risks. Such exposures arise from sales or purchases by business units in currencies other than the units' functional currencies. Approximately 76% (2019: 77%) of the Group's sales are priced in currencies other than the functional currencies of the business units that incur the sales, and approximately 24% (2019: 23%) of costs are priced in the functional currencies of the business units.

The sensitivity analysis of exchange rate risks is set out in the following table, reflecting the impact of reasonable and probable change in the exchange rates of EUR and USD on net profit or loss and other comprehensive income (net of tax) assuming that other variables remain constant.

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Market risk (cont'd)**Exchange rate risk (cont'd)

2020

	Increase/ (decrease) in exchange rate (%)	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Stronger RMB against EUR	2	847,781.70	-	847,781.70
Weaker RMB against EUR	(2)	(847,781.70)	-	(847,781.70)
Stronger RMB against USD	2	(291,145.12)	-	(291,145.12)
Weaker RMB against USD	(2)	291,145.12	-	291,145.12

2019

	Increase/ (decrease) in exchange rate (%)	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Stronger RMB against EUR	2	3,595,794.73	-	3,595,794.73
Weaker RMB against EUR	(2)	(3,595,794.73)	-	(3,595,794.73)

4. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and in the risk profiles of relevant assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during 2020 and 2019.

IX. Disclosure of Fair Values**1. Assets and liabilities measured at fair value**

2020

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial assets held for trading	1,636,296,430.31	-	-	1,636,296,430.31
Financial assets at fair value through profit or loss	1,636,296,430.31	-	-	1,636,296,430.31
Receivables financing	-	56,737,978.04	-	56,737,978.04
Other non-current financial assets	-	5,948,588.15	-	5,948,588.15
	<u>1,636,296,430.31</u>	<u>62,686,566.19</u>	<u>-</u>	<u>1,698,982,996.50</u>

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial liabilities held for trading	-	-	41,408,109.80	41,408,109.80
Other current liabilities	-	158,452.18	-	158,452.18
Other non-current liabilities	-	-	68,737,415.25	68,737,415.25
	<u>-</u>	<u>158,452.18</u>	<u>110,145,525.05</u>	<u>110,303,977.23</u>

2. Unobservable inputs

Below is a summary of the significant unobservable inputs to the fair value measurement of Level 3:

	Closing fair value	Valuation technique	Unobservable inputs	Range
Financial liabilities held for trading	41,408,109.80	Discounted cash flow method	Weighted average cost	2.53%-3.61%
Other non-current liabilities	68,737,415.25	Discounted cash flow method	Weighted average cost	2.00%-5.80%

IX. Disclosure of Fair Values (cont'd)**3. Reconciliation in fair value measurement**

Reconciliation of continuous fair value measurements categorised within Level 3 of the fair value hierarchy:

2020

	Openi ng	Transfer into	Transfer out of	Total current gains and losses		Purchase	Closing	Change in unrealized gains and losses for the period of liabilities held at end of period through profit or loss
	balanc e	Level 3	Level 3	Through profit or loss	Through other comprehensive income		Balance	
Financial liabilities held for traing	-	-	-	-	-	41,408,109.80	41,408,109.80	-
Other non-current l iabilities	-	-	-	9,284,348.20	2,967,855.23	56,485,211.82	68,737,415.25	9,284,348.20
	-	-	-	9,284,348.20	2,967,855.23	97,893,321.62	110,145,525.05	9,284,348.20

In the continuous fair value measurement at Level 3, gains and losses through profit or loss relating to financial assets and non-financial assets is analyzed as follows:

	2020	
	Gains and losses relating to financial assets	Gains and losses relating to non-financial assets
Total gains and losses through profit or loss	2,255,137.35	-
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	2,255,137.35	-
	2019	
	Gains and losses relating to financial assets	Gains and losses relating to non-financial assets
Total gains and losses through profit or loss	-	-
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	-	-

4. Transfers between levels of fair value measurement

No such transfers in the Reporting Period.

X. Relationships and Transactions with Related Parties**1. Parent Company**

	Relationship with the Company	Interest in the Company (%)
Tang Zhuolin (individual)	One of the Company's controlling shareholders and actual controllers	17.52
Tang Zhuomian (individual)	One of the Company's controlling shareholders and actual controllers	8.79

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

2. Subsidiaries

See Note VII.1.

3. Associates

See Note VII.2.

4. Other related parties

	Relationship with the Company
Qiu Yezhi	Director and General Manager
Zhou Wenhui	Director, Board Secretary and Vice President
Xie Weiwei	Director and Deputy General Manager
Mai Zhirong	Independent Director
Peng Xiaowei	Independent Director
He Weifeng	Independent Director
Chen Huiyi	Chairman of the Supervisory Committee
Cen Meiling	Supervisor during the Reporting Period
Zhao Xiuhe	Supervisor
He Baohua	Supervisor
Shao Yongfeng	Chief Financial Officer and Vice President
Smart Shot Inc Limited (hereinafter, "Smart Shot")	Non-controlling shareholder of the Company's majority-owned subsidiary

X. Relationships and Transactions with Related Parties (cont'd)**5. Major transactions between the Group and related parties****(1) Transaction of goods and services with related parties**

Purchases of goods and services from related parties

	Note	2020	2019
CATL	1)	-	5,382,482,492.26

Sales of goods and services to related parties

	Note	2020	2019
BAIC BJEV	1)	-	7,017,964,740.18
Foton	1)	-	183,966,713.54
Beijing Borgward	1)	-	13,557,432.64
		-	7,215,488,886.36

1) These companies were related parties of the Group in 2019. Upon the disposal of Pride by the Group in 2019, they ceased to be related parties of the Group. And the Group had no transactions with them in the current period.

(2) Remuneration of key management

	2020	2019
Remuneration of key management	12,521,009.78	13,526,996.13

6. Balances of amounts due from related parties**(1) Accounts receivable**

	2020		2019	
	Gross amount	Allowance	Gross amount	Allowance
Yinglian Digital	-	-	660,000.00	66,000.00

(2) Other receivables

	2020		2019	
	Gross amount	Allowance	Gross amount	Allowance
Smart Shot	-	-	58,227.04	5,822.70

X. Relationships and Transactions with Related Parties (cont'd)**7. Balances of amounts due to related parties****(1) Other payables**

	2020	2019
Yinglian Digital	-	200,876.88

XI. Share-based Payments**1. Overview**

	2020	2019
Total equity instruments granted	22,600,000.00	-
	2020	2019
Total employee services exchanged with share-based payments	25,170,406.50	-

Equity-settled share-based payments are as follows:

	2020	2019
Cumulative amount of equity-settled share-based payments recognized in capital surplus	25,170,406.50	-
Total costs of equity-settled share-based payments	25,170,406.50	-

The fair value of equity instruments at the date of grant was determined based on the stock price of RMB4.38/share at that date. The fair value of restricted shares granted in 2020 was RMB60.07 million (RMB4.38/share). The number of exercisable equity instruments at each balance sheet date during the vesting period is determined taking into account the separation rate, the company performance requirements and the individual performance requirements.

XI. Share-based Payments (cont'd)**2. Share-based payment plan**

On 27 March 2020, the Company convened the 44th (Extraordinary) Meeting of the Third Board of Directors, where the Proposal on Granting Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant 22.85 million restricted shares to 42 awardees. The grant date for the first grant of restricted shares was 27 March 2020. On 8 June 2020, the Company approved the Proposal on Adjusting Matters Related to the 2020 Restricted Share Incentive Plan, the number of awardees was adjusted to 40, and the number of granted restricted shares was adjusted to 22.6 million. The exercise price of this restricted share grant was RMB1. As at 31 December 2020, the accumulated amount of subscription funds received by the Company for the first grant of restricted shares under this incentive plan totaled RMB22,600,000.00.

The arrangements for unlocking the restricted shares under the restricted share incentive plan are as follows:

Unlocking arrangements	Time of unlocking	Percentage of unlocking
1 st unlocking period	From the first trading day 12 months after the date of listing of the first grant of restricted shares to the day of the last trading day within 24 months after the date of listing of the first grant of restricted shares	20%
2 nd unlocking period	From the first trading day 24 months after the date of listing of the first grant of restricted shares to the day of the last trading day within 36 months from the date of listing of the first grant of restricted shares	40%
3 rd unlocking period	From the first trading day 36 months after the date of listing of the first grant of restricted shares to the day of the last trading day within 48 months from the date of listing of the first grant of restricted shares	40%

XI. Share-based Payments (cont'd)**2. Share-based payment plan (cont'd)**

The unlocking conditions of the restricted share incentive plan are as follows:

In addition to meeting the relevant requirements for granting, awardees must also meet the following unlocking conditions on the sale of granted restricted shares:

Performance appraisal requirements at the company level:

Unlocking period	Performance appraisal objectives
1 st unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2020 shall not be less than 20%
2 nd unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2021 shall not be less than 35%
3 rd unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2022 shall not be less than 55%

The net profit during the appraisal period from 2020 to 2022 mentioned above refers to the audited consolidated statement of net profit attributable to the shareholders of the Company excluding the impact of share-based payments under this and other equity incentive plans. The base of performance appraisal is the average net profit (the net profit attributable to shareholders of the listed company in consolidated statements) of the Company for 2018 and 2019 after deducting the relevant financial impacts of Beijing Pride New Energy Battery Technology Co., Ltd.

Performance appraisal requirements at the personal level:

The performance appraisal results of the awardees are divided into Levels A, B, C and D. The non-resalable restricted shares of those awardees with appraisal results of Level D will be repurchased and retired by the Company, and the repurchase price is the grant price.

XII. Commitments and Contingent Events**1. Significant commitments**

As at the balance sheet date, the Group had no significant commitments which were required to be disclosed.

2. Contingent Events

As at the balance sheet date, the Group had no contingent events which were required to be disclosed.

XIII. Events after the Balance Sheet Date

As at the balance sheet date, the Group had no events after the balance sheet date which were required to be disclosed.

XIV. Other Significant Matters**1. Segment reporting****Operating segment**

For management purposes, the Group divides its business in to two operating segments—domestic and overseas.

2020

Item	Domestic entities	Overseas entities	Offset	Total
Operating revenue	897,355,883.51	2,225,366,265.77	(206,452,006.15)	2,916,270,143.13
Cost of sales	621,843,057.98	1,671,361,093.30	(194,055,324.92)	2,099,148,826.36
Total assets	4,554,466,542.78	2,226,726,088.74	(457,955,944.47)	6,323,236,687.05
Total liabilities	649,833,167.78	1,592,859,685.18	(150,984,644.21)	2,091,708,208.75

2. LeasesAs lessee

Significant operating leases: According to the lease contracts signed with the lessors, minimum lease payments under irrevocable operating leases falling due are as follows:

	2020	2019
Within 1 year (inclusive)	5,712,078.60	5,276,493.00
1-2 years (inclusive of 2 years)	6,073,200.60	5,540,403.00
2-3 years (inclusive of 3 years)	6,314,631.00	5,901,525.00
Over 3 years	8,473,995.00	14,788,626.00
	<u>26,573,905.20</u>	<u>31,507,047.00</u>

XV. Notes to Major Items in the Company Financial Statements**1. Accounts receivable**

Accounts receivable are interest-free. The aging of accounts receivable is analyzed as follows:

	2020	2019
Within 1 year	113,429,366.77	114,803,763.84
1-2 years	41,024,601.08	32,275,536.72
2-3 years	438,024.56	4,448,266.21
3-4 years	3,014,635.01	173,942.57
4-5 years	170,190.80	670,678.75
Over 5 years	2,094,629.83	1,392,156.51
	<u>160,171,448.05</u>	<u>153,764,344.60</u>
Less: allowances for doubtful accounts receivable	6,654,009.15	2,668,130.50
	<u><u>153,517,438.90</u></u>	<u><u>151,096,214.10</u></u>

	2020				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	3,030,944.40	1.89	3,030,944.40	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	157,140,503.65	98.11	3,623,064.75	2.31	153,517,438.90
	160,171,448.05	100.00	6,654,009.15		153,517,438.90

	2019				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	-	-	-	-	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	153,764,344.60	100.00	2,668,130.50	100.00	151,096,214.10
	153,764,344.60	100.00	2,668,130.50		151,096,214.10

XV. Notes to Major Items in the Company Financial Statements (cont'd)**1. Accounts receivable (cont'd)**

As at 31 December 2020, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 1	981,949.40	981,949.40	100.00	Customer's inability to settle the amount due
Customer 2	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due
Customer 3	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due
Customer 4	515,595.00	515,595.00	100.00	Customer's inability to settle the amount due
Customer 5	283,000.00	283,000.00	100.00	Customer's inability to settle the amount due
	<u>3,030,944.40</u>	<u>3,030,944.40</u>		

As at 31 December 2019, the Company had no accounts receivable for which allowances are established individually.

Accounts receivable for which allowances are established by group with similar credit risk characteristics are as follows:

	2020			2019			
	Gross amount estimated to be in default	ECL (%)	Lifetime ECL	Gross amount estimated to be in default	ECL (%)	Lifetime ECL	
Within 1 year	113,429,366.77	1.03	1,170,806.97	146,073,697.03	0.34	498,786.40	
1-2 years	41,024,601.08	1.71	699,477.21	3,114,430.74	5.00	155,721.54	
2-3 years	438,024.56	37.50	164,269.33				
3-4 years	1,517,090.61	56.50	857,090.61				
4-5 years	170,190.80	100.00	170,190.80	2,339,439.00	10.00	233,943.90	
Over 5 years	561,229.83	100.00	561,229.83	2,236,777.83	79.56	1,779,678.66	
	<u>157,140,503.65</u>		<u>3,623,064.75</u>	<u>153,764,344.60</u>		<u>2,668,130.50</u>	

Movements in allowances for doubtful accounts receivable are as follows:

	Opening balance	Established in the period	Closing balance
2020	2,668,130.50	3,985,878.65	6,654,009.15
2019	1,988,510.18	679,620.32	2,668,130.50

XV. Notes to Major Items in the Company Financial Statements (cont'd)**1. Accounts receivable (cont'd)**

Top 5 of accounts receivable are as follows:

	2020	As a % of the closing balance of total accounts receivable	Allowance
Dongfang Precision (HK)	72,788,759.87	45.44	-
Dongfang Precision (Netherland)	45,490,692.42	28.40	-
Customer 12	3,500,000.00	2.19	65,100.00
Customer 13	3,155,678.99	1.97	58,695.63
Customer 14	2,890,454.67	1.80	53,762.46
	<u>127,825,585.95</u>	<u>79.80</u>	<u>177,558.09</u>

2. Other receivables

	2020	2019
Other receivables	28,388,543.22	36,670,496.12
Dividends receivable	<u>40,000,000.00</u>	<u>-</u>
	<u>68,388,543.22</u>	<u>36,670,496.12</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**2. Other receivables (cont'd)**Other receivables

The aging of other receivables is analyzed as follows:

	2020	2019
Within 1 year	26,448,285.13	28,833,971.68
1-2 years	278,657.36	1,518,890.62
2-3 years	732,604.03	8,640,379.72
3-4 years	1,871,615.53	414,540.49
4-5 years	37,693.48	-
Over 5 years	174,712.23	250,000.00
	<u>29,543,567.76</u>	<u>39,657,782.51</u>
Less: allowances for doubtful other receivables	<u>1,155,024.54</u>	<u>2,987,286.39</u>
	<u>28,388,543.22</u>	<u>36,670,496.12</u>

Other receivables are classified by nature as follows:

	2020	2019
Internal transactions with related parties	16,386,270.48	24,488,538.25
Prepaid service charges	2,663,309.52	1,724,133.15
Security deposits	1,818,495.96	1,522,182.68
Employee loans and petty cash	806,740.89	843,783.19
Performance compensation	500,000.00	8,200,000.00
Export tax refunds	-	1,051,258.91
Others	<u>7,368,750.91</u>	<u>1,827,886.33</u>
	<u>29,543,567.76</u>	<u>39,657,782.51</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**2. Other receivables (cont'd)**Other receivables (cont'd)

Movements in allowances for doubtful other receivables that are established based on the 12-month ECL and the lifetime ECL are as follows:

2020

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening balance	527,286.39	2,460,000.00	-	2,987,286.39
Established in the period	133,781.06	-	-	133,781.06
Reversed in the period	6,042.91	1,960,000.00	-	1,966,042.91
Closing balance	<u>655,024.54</u>	<u>500,000.00</u>	<u>-</u>	<u>1,155,024.54</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**2. Other receivables (cont'd)**Other receivables (cont'd)

Movements in allowances for doubtful other receivables are as follows:

	Opening balance	Established in the period	Reversed in the period	Closing balance
2020	2,987,286.39	133,781.06	1,966,042.91	1,155,024.54
2019	1,271,945.65	1,715,340.74	-	2,987,286.39

As at 31 December 2020, top 5 of other receivables are as follows:

	Closing balance	As a % of total other receivables	Nature	Age	Closing balance of allowance
Dongfang Precision (Netherland)	11,970,591.46	40.52	Current account	Within 1 year	-
Guangdong Fosber Intelligent Equipment Co., Ltd.	2,479,766.39	8.39	Current account	Within 1 year	-
Suzhou Shunyi Investment Co., Ltd.	1,698,000.00	5.75	Current account	Within 1 year	-
Entity 5	1,494,884.38	5.06	Current account	Within 1 year	-
Entity 6	768,814.00	2.60	Security deposits	2-3 years	38,440.70
	<u>18,412,056.23</u>	<u>62.32</u>			<u>38,440.70</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)

3. Long-term equity investments

2020

	Opening		Change in the period			Period-end	
	balance	Opening impairment allowance	Additional investment	Reduction in investment	Impairment allowance	Closing carrying amount	Closing impairment allowance
Subsidiaries							
Dong Fang Precision (HK) Limited	1,856,010.00	-	-	-	-	1,856,010.00	-
Dongfang Precision (Netherland)	307,666.80	-	-	-	-	307,666.80	-
Guangdong Fosber Intelligent Equipment Co., Ltd.	16,738,279.20	-	-	-	-	16,738,279.20	-
Suzhou Shunyi Investment Co., Ltd.	305,584,828.17	-	-	-	-	305,584,828.17	-
Suzhou Parsun Power Machine Co., Ltd.	106,359,575.73	(61,855,054.35)	-	-	-	106,359,575.73	(61,855,054.35)
Foshan Yinglian Digital Printing Equipment Co., Ltd.	-	-	21,903,462.34	-	-	21,903,462.34	-
Hainan Yineng Data Technology Co., Ltd.	-	-	3,000,000.00	-	-	3,000,000.00	-
Hainan Yineng Investment Co., Ltd.	-	-	-	-	-	-	-
	<u>430,846,359.90</u>	<u>(61,855,054.35)</u>	<u>24,903,462.34</u>	<u>-</u>	<u>-</u>	<u>455,749,822.24</u>	<u>(61,855,054.35)</u>
	Opening		Change in the period			Period-end	
	balance	Opening impairment allowance	Additional investment	Reduction in investment	Investment income under equity method	Closing carrying amount	Closing impairment allowance
Associates/joint ventures							
Foshan Yinglian Digital Printing Equipment Co., Ltd.	10,510,735.47	-	-	10,510,735.47	-	-	-
Guangdong Jaten Robot & Automation Co., Ltd.	60,136,740.98	-	7,700,000.00	-	3,063,347.94	70,900,088.92	-
	<u>70,647,476.45</u>	<u>-</u>	<u>7,700,000.00</u>	<u>10,510,735.47</u>	<u>3,063,347.94</u>	<u>70,900,088.92</u>	<u>-</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**4. Operating revenue and costs**

	2020		2019	
	Revenue	Costs	Revenue	Costs
Principal operations	347,742,217.13	215,188,639.98	439,412,077.02	262,077,447.56
Other operations	10,078,539.01	1,398,778.91	15,346,182.28	15,657.61
	<u>357,820,756.14</u>	<u>216,587,418.89</u>	<u>454,758,259.30</u>	<u>262,093,105.17</u>

Information about contractual performance obligations is as follows:

Sale of manufactured goods

Contractual performance obligations are fulfilled when delivering manufactured goods to customers, which usually requires a prepayment of the contractual price.

Installation services

Contractual performance obligations are fulfilled during the rendering of services.

The expected time for recognizing in revenue the total transaction price allocated to outstanding (or partly outstanding) contractual performance obligations as at the period-end is as follows:

	2020
Within 1 year	<u>22,116,155</u>

5. Investment income

	2020	2019
Dividends under cost method	58,868,681.95	60,000,000.00
Income from financial assets held for trading	50,739,231.14	25,531,992.66
Income from long-term equity investments measured at equity method	2,889,349.81	2,492,655.15
Disposal of equity investments	-	596,461,024.12
Performance compensation	-	<u>1,447,054,285.27</u>
	<u>112,497,262.90</u>	<u>2,131,539,957.20</u>

1. Schedule of exceptional gains and losses

2020

Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	(52,742.69)
Government grants through profit or loss (exclusive of government grants given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	10,749,683.55
Gain equal to the amount by which investment costs for the Company to acquire subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	866,489.40
Gain or loss on fair-value changes on held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other debt investments (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	96,118,955.74
Non-operating income and expenses other than the above	33,173,454.66
Other gains and losses that meet the definition of exceptional gain/loss	<u>1,229,987.66</u>
	<u>142,085,828.32</u>
Income tax effects	<u>(15,906,631.40)</u>
	<u>126,179,196.92</u>
Non-controlling interests effects (net of tax)	<u>(425,002.71)</u>
	<u><u>125,754,194.21</u></u>

2. Return on equity (ROE) and earnings per share (EPS)

2020

	Weighted average ROE (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6.20	0.26	0.26
Net profit attributable to ordinary shareholders of the Company before exceptional gains and losses	4.10	0.18	0.18

Part XIII Documents Available for Reference

1. The financial statements signed and sealed by the Company's legal representative, Chief Financial Officer and the person-in-charge of the financial organ.
2. The original copy of the Independent Auditor's Report signed and sealed by the certified public accountants and sealed by the CPA firm.
3. All the originals of the Company's announcements and documents that were disclosed to the public during the Reporting Period on the media designated by the CSRC for information disclosure.
4. The 2020 Annual Report carrying the signature of the legal representative.
5. The documents above are lodged in the Securities Department of the Company on 25/F, Hisense Southern Building, 1777 Chuangye Road, Nanshan District, Shenzhen City, Guangdong Province, China.