



Guangdong Dongfang Precision Science & Technology Co., Ltd.

Annual Report 2022

【Date of Disclosure】 28 March 2023

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 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 “(III) Possible Risks and Countermeasures” in “XI Prospects” of “Part III Management Discussion and Analysis” herein. And investors are kindly advised to read through the aforesaid contents.

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

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

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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 of the Auditor's Report sealed by the CPA firm as well as signed and sealed by the certified public accounts.
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 2022 Annual Report carrying the signature of the legal representative.
5. The documents above are lodged in the Securities Department of the Company, 18A, China Merchants Plaza, 1166 Wanghai Road, Shekou, Shuiwan Community, Zhaoshang Street, Nanshan District, Shenzhen City, Guangdong Province, China.

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 Italy	Fosber S.p.A.
Fosber Asia	Guangdong Fosber Intelligent Equipment Co., Ltd.
Fosber America	Fosber America, Inc.
Fosber Tianjin	Fosber Machinery (Tianjin) Co., Ltd.
Fosber Group	The business group including subsidiaries Fosber Italy, Fosber America, Qcorr, Tiru ña Group, etc.
Tiru ña Group	Tiru ña Grupo Industrial S.L.
Tiru ña America	Tiru ña America Inc.
Tiru ña China	Tiru ña (Guangdong) Intelligent Equipment Manufacturing Co., Ltd.
QCorr	QuantumCorrugated S.r.l.
Dongfang Precision (Europe)/EDF	EDF Europe S.r.l.
Dongfang Precision (Netherland)	Dong Fang Precision (Netherland) Cooperatief U.A.
Dongfang Precision (HK)	Dong Fang Precision (HK) Limited
Wonder Digital	Shenzhen Wonder Digital Technology Co., Ltd. (formerly known as “Shenzhen Wonder Printing System Co., Ltd.”)
Parsun Power	Suzhou Parsun Power Machine Co., Ltd.
Suzhou Jinquan	Suzhou High-Tech Zone Jinquan Business Management Partnership (Limited Partnership)
Shunyi Investment	Suzhou Shunyi Investment Co., Ltd.
Yinglian Digital	Foshan Yinglian Digital Printing Equipment Co., Ltd.
Jaten Robot	Guangdong Jaten Robot & Automation Co., Ltd.
Yineng Investment	Hainan Yineng Investment Co., Ltd.
Yineng International	Dongfang Yineng International Holding Co., Ltd.
Dongfang Digicom	Dongfang Digicom Technology Co., Ltd.
Dongfang Digicom (Guangdong)	Dongfang Digicom Technology (Guangdong) Co., Ltd.

Corrugated cardboard	Corrugated cardboard 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 production line equipment	Corrugated box printing and packaging production line equipment 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.
Corrugated cardboard production lines	<p>Corrugated cardboard production 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 corrugated cardboard production line has two independent process sections as the wet section and the dry section. The wet section, composed of the base paper stand, auto splicer, preheat pre-regulator, single-face corrugator, feeding bridge, glue machine and double facer, is used to make corrugated based paper into three-layer, five-layer, and seven-layer corrugated boards of different corrugated combinations. The dry section, composed of the rotary shear, slitter indenter, cut-off knife and stacker, is used to slit, indent, cut off and stack corrugated boards as ordered.</p> <p>Corrugated cardboard production lines are key production equipment for corrugated board and box manufacturers.</p>
Pre-printing and post-printing intelligent automatic packaging machinery	Pre-printing and post-printing intelligent automatic packaging machinery refers to equipment that is compatible with the corrugated box printing line or stand-alone products and can provide functions related to pre-printing and post-printing processes of corrugated box printing and packaging. It includes the pre-feeder, stripper conveyor, intelligent stacker, and folder gluer.
Outboard motors	Outboard motors are a kind of detachable power units that are mounted on the stern plate of a boat to drive the boat to sail.
General utility small gasoline motors	General utility small gasoline motors are a kind of thermo-dynamic machinery of 20kW power or less with a wide range of applicability. It is characterized by small size, light weight, and easy operation, and is usually used as a power engine for a variety of terminal products. By the structure of engine and principle of work, general utility small gasoline motors can be divided into two-stroke general utility small gasoline motors and four-stroke general utility small gasoline motors.

CSRC	China Securities Regulatory Commission
SZSE, or the “Stock Exchange”	Shenzhen Stock Exchange
RMB yuan, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
The “Reporting Period” or “Current Period”	The period from 1 January 2022 to 31 December 2022

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		
Previous registered address	N/A		
Zip code	528225		
Office address	18A, China Merchants Plaza, 1166 Wanghai Road, Shekou, Shuiwan Community, Zhaoshang Street, Nanshan District, Shenzhen City, Guangdong Province, China		
Zip code	518000		
Company website	http://www.df-global.cn/		
Email address	ir@vmtdf.com		

II Contact Information

	Board Secretary	Securities Representative
Name	Feng Jia	Zhu Hongyu
Office address	18A, China Merchants Plaza, 1166 Wanghai Road, Shekou, Shuiwan Community, Zhaoshang Street, Nanshan District, Shenzhen City, Guangdong Province, China	18A, China Merchants Plaza, 1166 Wanghai Road, Shekou, Shuiwan Community, Zhaoshang Street, 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 information disclosure	China Securities Journal, Shanghai Securities News, and Securities Times
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, 18A, China Merchants Plaza, 1166 Wanghai Road, Shekou, Shuiwan Community, Zhaoshang Street, Nanshan District, Shenzhen City, Guangdong Province, China

IV Change to Company Registered Information

Unified social credit 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 Hu Chuan

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

Applicable Not applicable

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

Applicable Not applicable

VI Key Financial Information

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

Yes No

	2022	2021	2022-over-2021 change (%)	2020
Operating revenue (RMB)	3,892,708,509.64	3,524,734,783.94	10.44%	2,916,270,143.13
Net profit attributable to the listed	447,177,897.38	467,333,661.79	-4.31%	389,180,624.08

company's shareholders (RMB)				
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	398,376,648.08	380,806,233.00	4.61%	263,426,429.87
Net cash generated from/used in operating activities (RMB)	506,294,460.95	306,659,276.02	65.10%	550,996,031.75
Basic earnings per share (RMB/share)	0.37	0.35	5.71%	0.26
Diluted earnings per share (RMB/share)	0.37	0.35	5.71%	0.26
Weighted average return on equity (%)	11.72%	11.72%	0.00%	6.20%
	31 December 2022	31 December 2021	Change of 31 December 2022 over 31 December 2021 (%)	31 December 2020
Total assets (RMB)	6,928,577,115.10	6,357,168,835.19	8.99%	6,323,236,687.05
Equity attributable to the listed company's shareholders (RMB)	4,063,966,310.23	3,681,970,298.39	10.37%	4,158,538,499.75

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

Yes No

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

Yes No

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

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

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

Applicable Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	636,006,580.11	899,609,054.15	895,261,467.25	1,461,831,408.13
Net profit attributable to the listed company's shareholders	37,109,411.15	111,090,506.68	24,117,374.49	274,860,605.06
Net profit attributable to the listed company's shareholders before exceptional gains and losses	45,662,017.31	74,234,007.98	51,027,976.21	227,452,646.58
Net cash generated from/used in operating activities	85,523,348.92	66,727,357.81	16,185,021.02	337,858,733.20

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

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2022	2021	2020	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-351,386.78	-65,995.13	-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)	20,933,377.44	14,700,007.84	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	35,196,327.83	73,435,063.51	96,118,955.74	

portion of hedges that arise in the Company's ordinary course of business)				
Non-operating income and expenses other than the above	1,761,273.49	4,779,490.65	33,173,454.66	
Other gains and losses that meet the definition of exceptional gain/loss			1,229,987.66	
Less: Income tax effects	7,277,576.78	6,017,410.70	15,906,631.40	
Non-controlling interests effects (net of tax)	1,460,765.90	303,727.38	425,002.71	
Total	48,801,249.30	86,527,428.79	125,754,194.21	--

Details of other profit and loss items that meet the definition of non-recurring profit or loss.

Applicable Not applicable

No such cases in the Reporting Period.

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 in the Reporting Period.

Part III Management Discussion and Analysis

I Industry Overview for the Reporting Period

(I) Industries in which the Company principally operates

The principal operations of Dongfang Precision include four major business divisions: smart corrugated packaging equipment, industrial Internet industry solutions, digital printing solutions, and water powersports products.

Among them, the smart corrugated packaging equipment business and the industrial Internet industry solutions business are positioned as the core business divisions of Dongfang Precision. The digital printing solutions business is operated by the majority-owned subsidiary Wonder Digital, while the water powersports products business is run by the majority-owned subsidiary Parsun Power.

According to the Classification of Strategic Emerging Industries (2018) and the Industrial Classification for National Economic Activities (GB/T 4754-2017), the industries in which the Company principally operates are shown below:

The Company's Principal Business Divisions and Their Industries

Strategic emerging industry	Industry	Principal business division	Primary products and their applications
Intelligent manufacturing equipment	Specialised equipment manufacturing	Smart corrugated packaging equipment	<p>1. Corrugated cardboard production lines: The corrugated cardboard production lines are used for the production of corrugated cardboards of different specifications, are the core machinery for corrugated packaging production, and are widely used by medium and large enterprises (cardboard plants) that produce corrugated cardboards in the corrugated packaging industry.</p> <p>2. Corrugated box printing and packaging production line equipment: The corrugated box printing and packaging production line equipment is used to produce and process corrugated cardboards into corrugated boxes of different specifications and is the back-end machinery of the corrugated cardboard production lines. Of the machinery, the printing unit is the core machinery, of which the peripheral equipment units includes the paper feeder unit, slotting and die cutter unit, stripper transfer unit, FFG and stitching unit, and the counting and palletizer unit. The corrugated box printing and packaging production line equipment is widely used by various enterprises (box plants) that produce corrugated boxes in the corrugated packaging industry.</p>

Strategic emerging industry	Industry	Principal business division	Primary products and their applications
		Digital printing solutions	<p>Digital printing is a printing method that generates sheet-by-sheet variable graphic images from digital information. With the help of printhead ink, digital printing enables the formation of the image directly on the printing stocks and can indirectly transmit the colour and auxiliary substances to the print stocks to form the presswork. Digital printing can meet the requirement for industrial production.</p> <p>Wonder Digital, one of the subsidiaries controlled by Dongfang Precision, is an industry-leading and professional supplier of digital printing solutions. It is committed to providing digital printing solutions for customers from industries such as corrugated packaging, advertising, and home building materials.</p>
Industrial Internet and supporting services	Software and information services	Industrial Internet industry solutions	<p>Build the Industrial Internet Platform for industry, provide end-to-end solutions and operational services that range from intelligent machinery, integrated management of production and operations of enterprises, intelligent business decision-making, to agile corporate reforms and innovation for corporate customers from more than the paper packaging industry, and promote the step-by-step digital transformation of the business with a focus on essentials such as “connecting + data processing and modeling + data intelligence applications”.</p>
Manufacturing of ship auxiliary equipment	Railway, shipping, aviation and other transport equipment manufacturing industries	Water powersports products	<p>Outboard motors are a kind of detachable power units that are mounted on the stern plate of a boat to drive the boat to sail and can be applied to boats shorter than 24m in inland rivers, lakes, and coastal waters. They are widely used in water recreation, fishing, water traffic, emergency rescue, shore landing and maritime patrol.</p>

(II) Industry overview

1. Industry of the smart corrugated packaging equipment and digital printing solutions business

(1) Demand side:

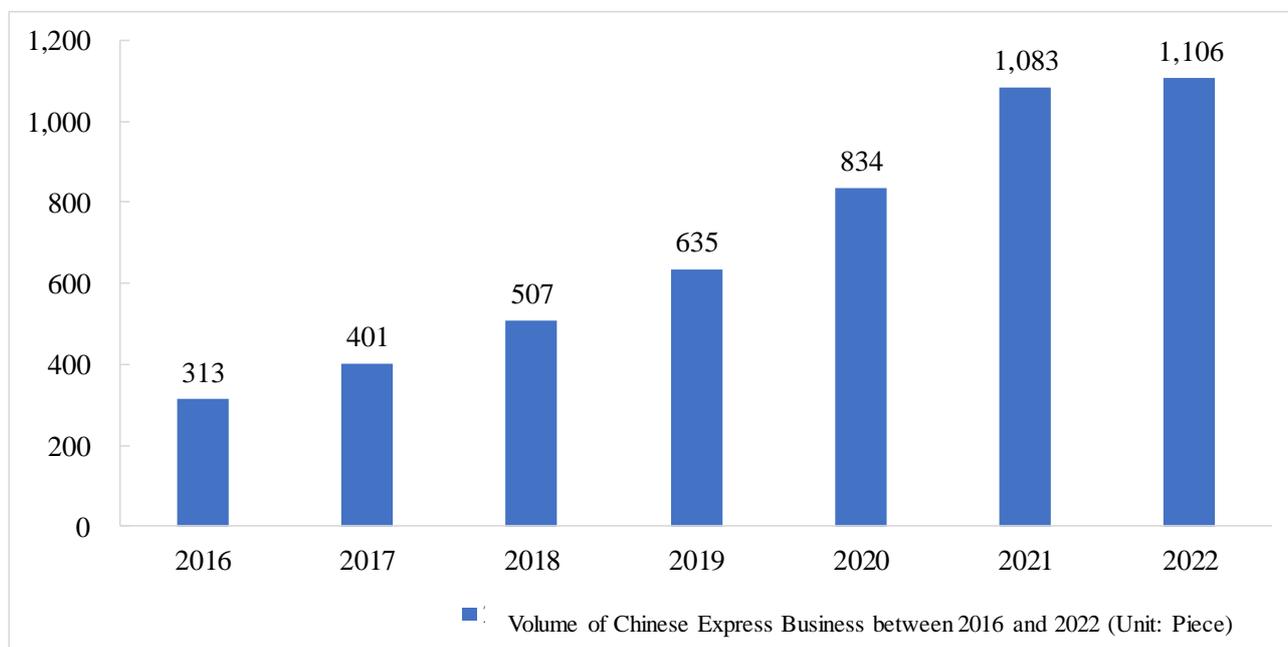
The downstream industry of the Company’s core business, “smart corrugated packaging equipment”, is the corrugated packaging industry, and the main customers include cardboard plants, box plants, and other business-end (B-end) customers. As a machinery supplier, the Company provides various single machine and complete production line products for cardboard and box production and manufacturing, which is relevant to the

development of the downstream paper packaging industry.

The corrugated box field is one of the major fields of the paper packaging industry, of which the terminal demand is relevant to the prosperity of consumption and business activities. Corrugated packaging products are used in a vast number of fields, including food and beverage, household chemicals, e-commerce, and express, and are inelastically demanded by consumers. Concerning the growth rate of demand in these fields for corrugated packaging, the express and logistics field has grown rapidly, with its share in the total downstream corrugated box share continuously increasing between 2017 and 2021.

Between 2017 and 2021, the domestic express business recorded rapid growth, with a compound annual growth rate (CAGR) of approximately 28%. Despite a slight drop in growth in 2022, the volume of express business across China still maintained growth. By estimation, with the recovery of GDP growth in 2023, the growth of the volume of express business is expected to get back onto the rapid growth track. This will boost the development of the corrugated packaging industry.

Movements in the Business Volume of Express Enterprises above the Designated Size in China between 2016 and 2022



According to the monitoring data released by the State Post Bureau of the People's Republic of China, as at 8 March 2023, the volume of Chinese express business has reached 20.09 billion pieces, which is achieved 72 days earlier than the volume of 20 billion in 2019 and six days earlier than the volume in 2022. This year, it takes 39 days to achieve the first 10 billion pieces in the express business volume in China and 28 days to achieve the second 10 billion pieces, shortened by 10 days. This has displayed the vitality and momentum of the express industry and vividly indicates that China maintains strong resilience and sufficient potential in the consumer market as well as the long-term upward fundamental of consumption development.

The terminal market demand is constantly unleashed, increasing the demand for the expansion of the industry's capacity: Over the past few years, the scale of China's express corrugated packaging market has been

on the rise. According to the data released by the China Paper Association, the express corrugated packaging market is continuously scaled up in China. By the forecast of Qianzhan Industry Research Institute, the scale of China's express corrugated packaging market will continue to rise in the upcoming years and is estimated to reach RMB86.4 billion by 2025 (CAGR for 2019 to 2025: Approximately 15%). Terminal markets, including the express, electronics, and household chemicals terminal markets, show an increasing demand for corrugated box and board packaging, which will drive the expansion of the capacity of corrugated packaging enterprises and thus increase the demand for corrugated packaging machinery, benefiting the machinery manufacturers.

Phase and clear out machinery with backward capacity and continue to upgrade machinery: China's paper packaging industry market shows a low concentration degree. In 2021, the CR5 of paper packaging enterprises above the designated size was only 14%. Additionally, the industry has a number of low-end small and medium box plants, presenting a highly decentralized competitive landscape. With the brand-based development and upgrading of the downstream terminal consumer industry, the requirements of corporate customers for corrugated boxes gradually increase. Concurrently, the supply-side upgrading of the industry is an inevitable trend, and the industry will boost its concentration through market competition, capacity upgrading, and M&A. This trend will boost the upgrading and iteration of technologies and machinery and accelerate industry integration. Additionally, it is estimated that the line machinery that is more intelligent and productive will replace the existing corrugated cardboard production lines and corrugated box printing and packaging production line equipment in the upcoming five to ten years. By statistics, there are over 6,000 existing corrugated cardboard production lines in the domestic market, and more corrugated box printing and packaging machinery, which will be replaced by more intelligent ones with higher production efficiency in the next five to ten years.

Digital and intelligent upgrading of the paper packaging and printing industry bring new development opportunities: The traditional production mode has caused domestic paper packaging and printing enterprises to be overly dependent on skilled technicians at critical positions and slow to identify the outdated management mode. The "strategy of robot assembling line" and "smart factory" are increasingly recognized by the industry. Amid intelligent manufacturing, the paper packaging and printing industry will usher in industrial upgrading and transformation. Additionally, leading packaging enterprises, including Xiamen Hexing Packaging Printing Co., Ltd. (HXPP), MYS Group Co. Ltd. (MYS), Shenzhen YUTO Packaging Technology Co., Ltd., and Shenzhen Jinjia Group Co., Ltd., have pushed ahead with Internet-based development in recent years by entering into intelligent manufacturing, cloud printing, or other markets, expected to launch a revolution in the Internet-based development of the paper packaging and printing industry and injecting new impetus into industry integration. Concurrently, amid intelligent manufacturing and Internet-based packaging, leading enterprises engaged in corrugated packaging machinery are also expected to embrace new development opportunities.

By estimate, the scale of the global corrugated packaging machinery market is approximately RMB30 to 40 billion.

(2) Supply side:

A. World-leading comprehensive strength

Corrugated cardboard production lines: Major manufacturers of corrugated cardboard production lines

around the world include Fosber Group, BHS (Germany), Marquip (a wholly-owned subsidiary of the American Barry-Wehmiller), and J.S. Machine. Among them, Fosber Group and its major rival from Germany, BHS, lead the others and are leaders in the global middle- and high-end corrugated cardboard production line field. Fosber Group holds approximately 30% of the global middle- and high-end corrugated cardboard production line market and more than 50% of the North American market.

Corrugated rollers, key components of corrugated cardboard production lines: The subsidiary Tiru ña Group is a time-honoured and prestigious corrugated roller supplier, specializing in the production of corrugated rollers and pressure rollers for industrial corrugated cardboards. It leads the global market.

Corrugated box printing and packaging production line equipment: Major manufacturers in this field include Dongfang Precision, Bobst (Switzerland), Gopfert (Germany), Ward (a wholly-owned subsidiary of the American Barry-Wehmiller), Ding Long (Shanghai), and Guangzhou Keshenglong. Dongfang Precision is an industry leader in China and is competitive with the global industry leader, Bobst, from Switzerland. With an advantage in global resource coordination, leading design concept, excellent overall R&D strength, and a product system featuring complete categories and rich specifications, the Company can produce products that meet dozens of specifications and different market positioning, covering fixed/open-close type, top printing/bottom printing, and complete production line (inline) products/single machine, and has the completest product lines and richest product base of the corrugated box printing and packaging production line equipment worldwide.

Digital printing: Major manufacturers include Wonder Digital, Hanway (China), Atexco, HP (the US), and EFI (the US). The subsidiary, Wonder Digital, takes the lead among global suppliers of digital printing solutions in applying high-speed inkjet printing technology to corrugated packaging and is committed to extending digital printing technology to such fields as home building materials, label printing, and advertising. Digital printers under the brand Wonder has been sold at home and abroad since Wonder Digital was established in 2011. Statistically, more than 1,400 pieces of machinery have been sold to over 80 countries around the world.

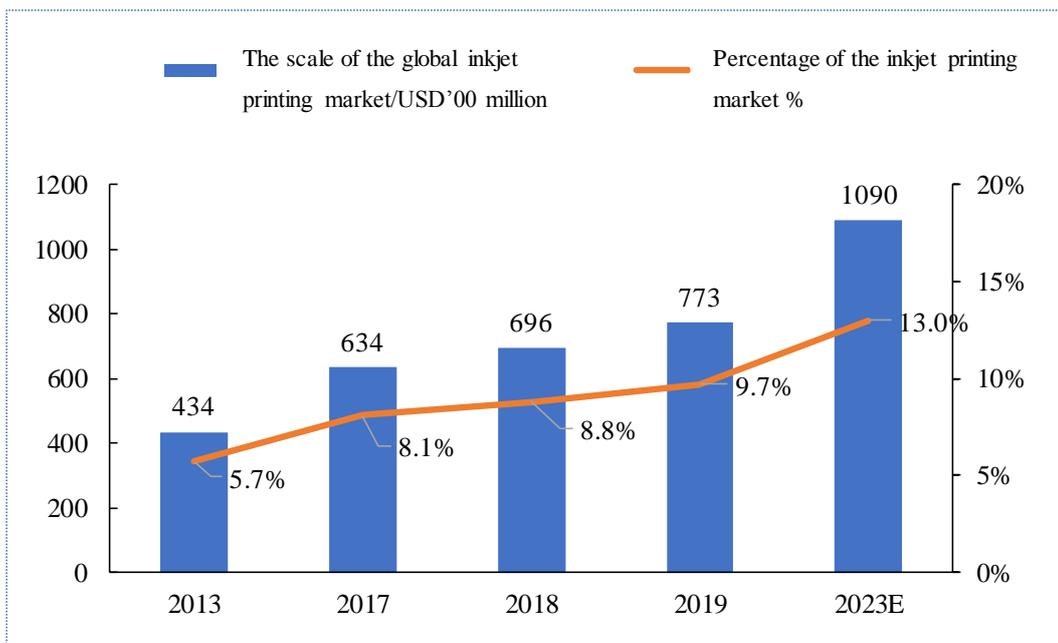
In conclusion, Dongfang Precision leads the world in terms of its comprehensive strength in smart corrugated packaging equipment business and can provide downstream customers such as cardboard plants and box plants with “one-stop” machinery and service support that covers each production process, including corrugated cardboard production, corrugated box production, and pre-printing and post-printing production processes, and different technology roadmaps, including flexographic printing and digital printing. In terms of the size of revenue, **Dongfang Precision’s corrugated packaging machinery business accounts for approximately 10% of the global industry market, ranking first among domestic enterprises of the same type and second in the global market.**

B. The rapid development of digital printing technology brings more development opportunities for the industry.

According to the report *The Future of Inkjet Printing to 2023* released by the research institution, Smithers Pira, in the global presswork and packaging field, the market scale of inkjet printing technology between 2013 and 2018 increased from USD43.4 billion to USD69.6 billion and is expected to reach USD109 billion in 2023, with a CAGR of nearly 10%. The percentage of inkjet printing in the entire printing market is expected to increase to

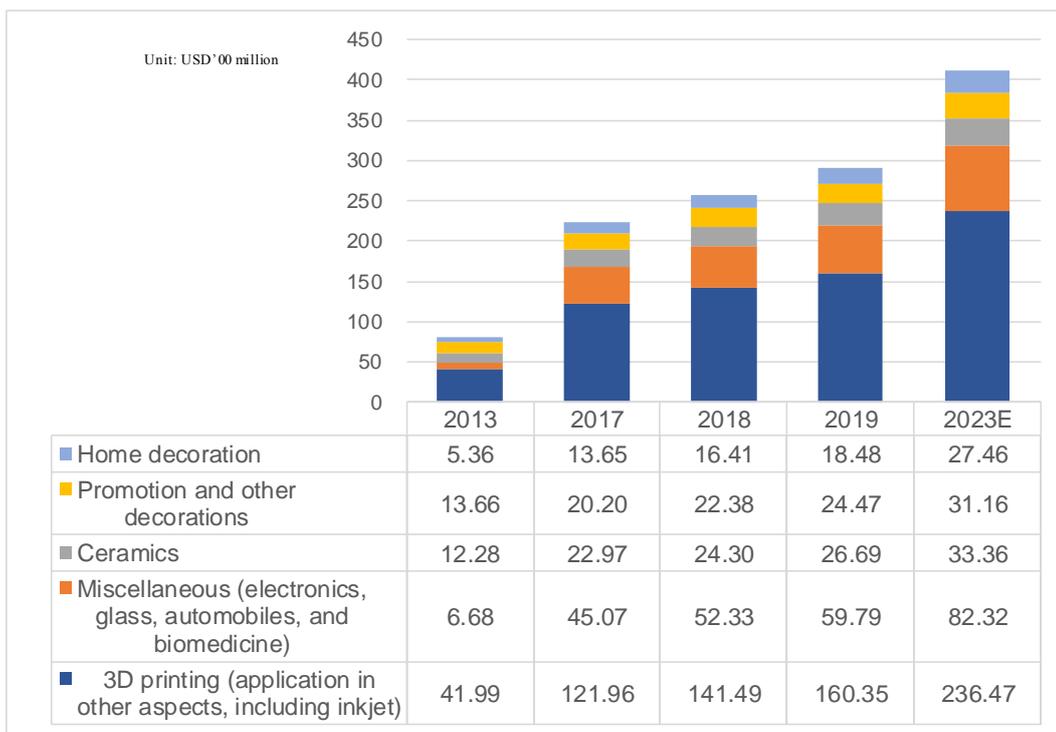
13.0% in 2023.

Scale of the Inkjet Printing Market in the Global Presswork and Packaging Field



Other fields where digital printing technology is applied: Home decoration, textile printing, ceramics, electronics, glass, automobiles, biomedicine, and 3D printing. According to the report released by Smithers Pira, the overall scale of markets of other application fields is expected to increase from USD25.691 billion in 2018 to USD41.076 billion in 2023, with a CAGR of approximately 9.8%.

Market Scales in the Global Digital Inkjet Printing Application Fields



Wonder Digital is committed to dealing with small batches of online shopping and FMCG orders of different categories. Specifically, end customers could transmit documents for printing and commands to the digital machinery through remote control via computers/mobile phones, enabling PDF patterns to be printed on the packaging materials. Concurrently, the seamless exchange between orders provides flexible and personalized packaging solutions for end brand customers. Concerning the explosive stock keeping unit (SKU) as a result of traditional e-commerce and live-streaming e-commerce and the drastic order fluctuation faced by end brand customers, to remove the pressure and pain points regarding the management of the supply chain of end-brand packaging supplies, Wonder Digital provides a complete set of solutions to the management of packaging supplies featuring high turnover, zero stock, low cost, and super high flexibility. In the subsequent development, Wonder will constantly strengthen the driving force of innovation and refine its R&D mechanism to expand digital printing technology into more fields.

Wonder Digital’s digital printing technology enables the documents on the computer/mobile phone to be directly printed on corrugated cardboards, offset cartons, and other packaging materials. The technology allows one-sheet printing and can present the effects of the finished products without platemaking, imposition, and colour calibration. Additionally, the technology enables immediate problem remediation, variable printing, and printing on demand. The major advantages of the technology are shown as follows:

(1) Convenient and fast

Digital printing enjoys an absolute advantage in small and medium batches of printing and urgent printing needs as it saves tedious processes, such as platemaking, imposition, and colour calibration. It enables electronic documents generated via typesetting software, design software, and office applications to be directly output to digital printers.

(2) Cost-saving

Digital printers require no platemaking, so no platemaking fees will be incurred. Additionally, there are multi-pass and single-pass digital printers, and the volume of waste ink every month is only 1 L to 20 L.

(3) Flexible and efficient

The full digitization of digital printing enables a more flexible printing method that is, modifying while printing, and vice versa, enabling zero stock. Such a flexible and quick printing method has strengthened the competitiveness of customers in a competitive environment where every minute counts. With regard to pattern design, platemaking in traditional printing is not required in digital printing, allowing more freedom for design and enabling designers to give full play to their professionalism and tailor products to customers' needs.

(4) One-sheet printing

Although it does not take long to complete small batches of printing orders, such orders still share the same complex and time-consuming printing commissioning process with large batches of printing orders. Therefore, box printing and colour printing usually have standards for the base number of sheets for printing. If the base number cannot be met, the printing cost of a single sheet will be increased. Digital printing enables one-sheet printing and immediate availability. Additionally, it can flexibly perform small and medium batches of production. Moreover, one piece of neutral machinery can be fully operated by one person and covers less production space.

(5) Product quality

Digital printing adopts inkjet printing technology. It can be divided into water-based ink printing and UV printing in terms of the ink type and printing effects. As digital printing technology constantly improves, Wonder Digital's WD200 series can rival traditional HD water-based ink printing in terms of printing effects, while Wonder Digital's WDUV series achieves the spot colour effects of traditional offset printing.

(6) Production efficiency

Inkjet printing technology enables immediate availability in just three steps, substantially boosting production efficiency.

Wonder Digital has introduced special digital printers in advertising, home decoration, and other fields, including flatbed printing and roll to roll printing technologies. The flatbed models can be used for digital printing on materials such as aluminum panels, glass, ceramic tiles, metal plates, acrylic sheets, and alucobond panels, while the roll-to-roll models are applicable for digital printing on materials such as corrugated cardboard, vehicle paste paper, lamp box fabric, PVC film, decorated paper, and metal coils.

2. Industry of the industrial Internet industry solutions business

According to the Classification of Strategic Emerging Industries (2018), Dongfang Precision's "industrial Internet industry solutions" business division falls under the "industrial Internet and supporting services" industry.

Policy side: The Guiding Opinions of the State Council on Deepening the "Internet plus Advanced Manufacturing" and Developing the Industrial Internet released by the State Council in 2017 marked China's official entry into digital development from information-based development in terms of industries. "Accelerate the development of the industrial Internet" was proposed for the first time in the report on government work in 2018 and became a frequent visitor in the reports on government work for the next five years. In 2020, the National

Development and Reform Commission stated that, as one of the new network infrastructure types, the industrial Internet is a part of the new infrastructure. Under the guidance of a range of policies, the industrial Internet and smart factory have become the strategic development orientation of the transformation and upgrading of China's manufacturing.

Checklist of Supportive Policies on the Industrial Internet Introduced by the Government between 2020 and 2022

Time	Agency	Policy	Description
October 2022	Standardization Administration	Official release of the national standard for Industrial Internet-General Network Architecture	The Standardization Administration released an announcement on the 13th National Standard of the People's Republic of China for 2022 and approved and released the National Standard GB/T 42021-2022: Industrial Internet-General Network Architecture. This is China's first national standard in the industrial Internet network field and marks a solid step made by China in the construction of the industrial Internet system. With a focus on the industrial Internet network planning, design, construction, upgrading, and transformation, the Industrial Internet-General Network Architecture national standard standardized the target architecture and function requirements for the internal and external network architecture of plants in the industrial Internet field and put forward the implementation framework and safety requirements for the industrial Internet network. This can facilitate the construction of high-quality industrial Internet network infrastructure and the improvement of the digital, network-based, and intelligent development of all industries and expedite the digital transformation of the industry.
August 2022	Ministry of Industry and Information Technology and Ministry of Finance	Notification on Launching the Pilot Digital Transformation of Small and Medium Enterprises with Financial Support	Financial support will be channelled by the central government in three batches between 2022 and 2025 to support local small and medium enterprises in launching digital transformation, which will improve the capability of digital public service platforms (including digital transformation service platforms and industrial Internet platforms) in serving small and medium enterprises and give rise to a range of small, rapid, light, and precise digital system solutions.
June 2022	Five ministries, including the Ministry of Industry and Information Technology	Guidelines on Advancing High-quality Development of Light Industries	Give full play to the role of the industrial Internet platforms and identity resolution systems to boost the cooperation between upstream and downstream enterprises along the industrial chain. Support leading enterprises in developing intelligent manufacturing platforms and compete for national industrial Internet and integrated information technology and industrialization projects.
January 2022	State Council	Plan for the Development of a Digital Economy during the "14th Five-Year Plan" Period	Develop reliable, flexible, and safe industrial Internet infrastructure and support the wide connection, flexible supply, and efficient configuration of manufacturing resources. Strengthen technological integration and production innovation in diversified application scenarios, improve the competitiveness of critical processes of the industrial chain, and refine the supply chain systems in key industries, such as the industrial Internet.
2022	State Council	Report on Government Work for 2022	Accelerate the development of the industrial Internet, develop and expand digital industries such as integrated circuits and artificial intelligence, and improve technological innovation and supply capability in critical software and hardware; refine the governance of the digital economy, cultivate the market for data elements, unleash the potential of data elements, and improve application capabilities, in order to empower economic growth and enrich people's lives.
December 2021	Eight ministries, including the Ministry of Industry and Information Technology	Plan for the Development of Intelligent Manufacturing during the "14th Five-Year Plan" Period	A two-step plan was proposed. Specifically, by 2025 most manufacturing enterprises above the designated size will achieve digital and network-based development, and critical enterprises in key industries will achieve the preliminary intelligent application. By 2035, digital and network-based development will be fully popularized among manufacturing enterprises above the designated size, and critical enterprises in key industries will basically achieve intelligent development.

Time	Agency	Policy	Description
November 2021	Ministry of Industry and Information Technology	Plan for In-depth and Integrated Development of Information Technology and Industrialization during the “14th Five-Year Plan” Period	By 2025, the application penetration rate of the industrial Internet platforms will reach 45%, and the service capability of system solutions will be obviously strengthened, forming a new development pattern featuring empowerment by platform enterprises and integration of small, medium, and large enterprises.
2021	State Council	Report on Government Work for 2021	Strengthen the self-supporting capability and controllability of industrial and supply chains, implement projects for upgrading foundational industrial infrastructure, and give full play to large enterprises’ capacity to provide leadership and support and to the collaborative and supporting role of micro, small, and medium enterprises; develop the industrial Internet, promote the integration of industrial and innovation chains, and build additional platforms for generic technology R&D to enhance the capacity of micro, small, and medium enterprises for making innovations and engaging in specialized production.
November 2021	Ministry of Industry and Information Technology and Standardization Administration	2020 Work Plan of the Special Industrial Internet Group	The plan proposed constantly refining the industrial Internet standard system until 2023. Specifically, the special industrial Internet group would formulate more than 15 basic and generic standards would be formulated, involving term definition, generic demand, supply chain/industrial chain, and talent, over 40 standards for critical technologies, such as “5G + industrial Internet”, information model, big data on industries, and safe protection, and more than 25 application standards for critical industries and fields, including automobiles, electronic information, and iron and steel. It intended to encourage enterprises to comply with standards in processes such as R&D, production, and management by promoting the application of standards in critical industries and fields. Additionally, the Group planned to formulate more than 100 standards for critical technologies, products, management, and applications regarding the industrial Internet and developed a unified, integrated, and open industrial Internet standard system, thereby forming a sound momentum where standards are widely applied and in alignment with world-leading ones, by 2025.
June 2021	Six ministries, including the Ministry of Industry and Information Technology	Guidelines on Expediting the Cultivation and Development of High-quality Enterprises in the Manufacturing Industry	Launch intelligent manufacturing projects, the campaign of digital transformation of the manufacturing industry, and the campaign of 5G application innovation, organize and implement the plan for the campaign of the digital transformation of state-owned enterprises, develop a range of benchmark enterprises in the manufacturing industry in terms of digital transformation, cultivate a range of highly comprehensive and widely influential demonstrative scenarios, build and promote industrial Internet platforms, initiate the campaign of developing one million industrial apps, carry out classified and hierarchical network safety management, and vigorously develop a new model and business form of service-oriented manufacturing.
May 2021	Ministry of Industry and Information Technology	2021 Work Plan of the Special Industrial Internet Working Group	The plan proposed cultivating 15 comprehensive industrial Internet platforms that cover different industries and fields, selecting approximately 40 featured industrial Internet platforms oriented toward key industries, such as power devices, energy, food, and textile, and developing three to five demonstrative plant benchmarks with a full 5G connection in 2021, thereby boosting the development of the industrial Internet. Everything in a digital era is interconnected. Applying information technology in the industrial field not only can improve production and management efficiency but also can create a new mode and unleash new impetus.
April 2021	Ministry of Industry and Information Technology	Plan for the Development of Intelligent Manufacturing during the “14th Five-Year Plan” Period (Exposure Draft)	Build a number of international-level industrial Internet platforms and digital transformation promotion centres in key industries and regions, deepen the digitalized application of R&D and design, manufacturing, operations management, market services, and other processes, cultivate and develop new models such as personalized customization and flexible manufacturing, and accelerate the digital transformation of industrial parks.
March 2021	State Council	“14th Five-Year” Plan	Implement “Migrating to the Cloud, Using Digital Tools, and Enabling Intelligence” actions and promote data-enabled coordinated transformations of entire production chains; build a number of international-level industrial Internet platforms and digital transformation

Time	Agency	Policy	Description
			promotion centres in key industries and regions, deepen the digitalized application of R&D and design, manufacturing, operations management, market services, and other processes, cultivate and develop new models such as personalized customization and flexible manufacturing, and accelerate the digital transformation of industrial parks.
2020	State Council	Report on Government Work for 2020	Develop the industrial Internet, advance intelligent manufacturing, and cultivate clusters of emerging industries.
December 2020	Ministry of Industry and Information Technology	Action Plan for the Innovative Development of the Industrial Internet (2021-2023)	The plan proposed continuing to refine and cover the industrial Internet infrastructure in each region and industry and developing 30 plants with a full 5G connection in ten key industries. It also put forward the basic completion of the national big data centre system on industrial Internet and the development of 20 regional sub-centres and ten industrial sub-centres.
October 2020	Ministry of Industry and Information Technology	Action Plan for “Industrial Internet + Safe Production” (2021-2023)	The plan proposed basically forming a pattern of coordinated promotion and development of the industrial Internet and safe production and substantially boosting the intrinsic safety level of industrial enterprises by the end of 2023, in order to raise awareness of safe industrial production and thoroughly implement the innovative development strategy for the industrial Internet.
June 2020	Ministry of Industry and Information Technology	2020 Work Plan of the Special Industrial Internet Working Group	The key tasks for 2020 include supporting industrial enterprises in developing and transforming their industrial intranets, encouraging industrial enterprises to upgrade and transform industrial intranets, and transforming industrial intranets using 5G in cooperation with basic-telecom enterprises.
April 2020	Ministry of Industry and Information Technology	Guidelines of the Ministry of Industry and Information Technology on the Development of Industrial Data	The guidelines proposed following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and implementing the guiding principles of the 19th National Congress of the Communist Party of China and the second, third, and fourth plenary sessions of the 19th CPC Central Committee. Additionally, according to the guidelines, the new development concept and the high-quality development requirement must be upheld in order to promote the gathering and sharing of industrial data, deepen data integration and innovation, improve data governance capabilities, and strengthen data security management, thereby by gathering momentum to build an industrial data ecosystem featuring abundant and centralized resources, booming application, progressive industries, and orderly governance.
March 2020	Ministry of Industry and Information Technology	Notification on Accelerating the Development of the Industrial Internet	The notification proposed 20 initiatives in six aspects, including accelerating the construction of new infrastructure, the expansion of integrated and innovative applications, the refinement of safety and security systems, the increase of impetus of innovative development, improvement of the ecological layout of industries, and the increase of policy support.

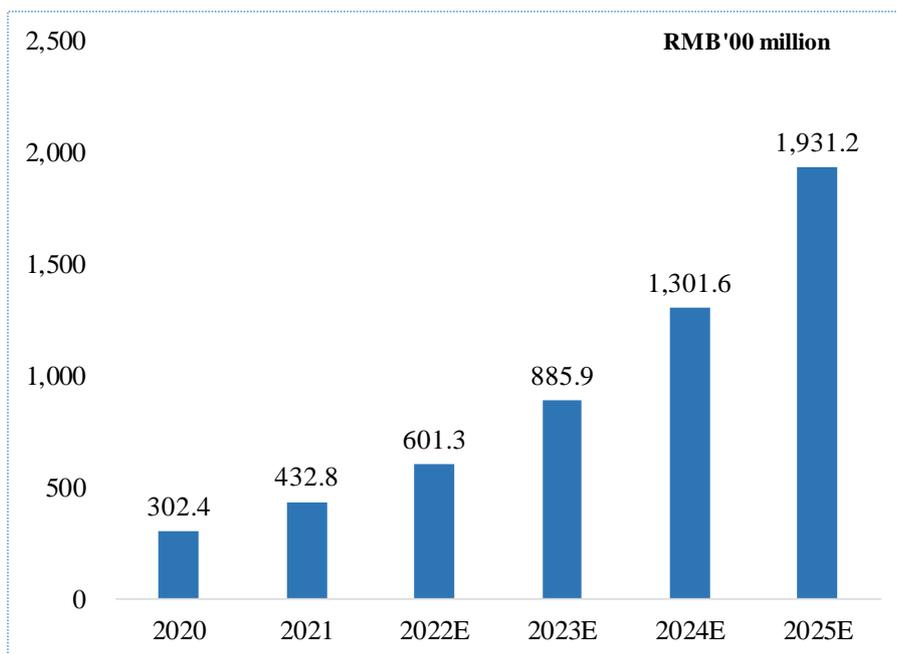
Market side: China is the only country in the world whose industries cover all industrial categories in the United Nations’ industrial classification. Concurrently, it is expected to grow into the world’s largest industrial digitalization market. For the current manufacturing industry of China, digital transformation is no longer an “option” but a “compulsory course” that is critical to its survival and long-term development.

As the manufacturing industry enters the “Industry 4.0” era, an increasing number of manufacturing enterprises have realized that buying production equipment, enterprise resource planning (ERP) systems, or manufacturing executive systems (MES) cannot meet the systematic requirements of intelligent manufacturing. By contrast, industrial Internet platforms can systematically resolve all critical issues that cannot be handled through traditional means. According to the Bluebook on the Digital Transformation of Enterprises—Empowering the Low-carbon and Green Transformation of the Real Economy with New IT released by the China Academy of Information and Communications Technology, after relevant manufacturing enterprises complete digital transformation, on average, their production efficiency will be boosted by 37.6%, their operating expenses will be lowered by 21.2%, and their energy utilisation rate will be improved by 16.1%. Concurrently, with the rapid

development and continuous iteration of the new-generation information technology, the cost of digital transformation of enterprises is gradually decreasing, and more and more industrial enterprises will implement industrial Internet-based digital transformation.

According to the data released by Frost & Sullivan, the scale of the market of industrial Internet platforms and relevant solutions in China by 2025 is estimated to reach RMB193.12 billion. Between 2021 and 2025, the CAGR of the market of industrial Internet platforms and relevant solutions in China is approximately 45.3%.

The Scale of the Market of Industrial Internet Platforms and Relevant Solutions and Forecast between 2020 and 2025



Supply side: According to the White Paper on the Economic Development of the Industrial Internet Industry in China (2022), participants in the construction of industrial Internet platforms in China are diversified. Leading manufacturing enterprises, information and communications enterprises, and Internet-based enterprises build industrial Internet platforms in different dimensions and from different perspectives based on their own comparative advantages, enabling China’s industrial Internet industry to enjoy industrial enterprises, ICT enterprises, and Internet enterprises at the same time.

The key technologies and industries that the industrial Internet involves are extensive and complex and can hardly be fully covered by enterprises. Thus, developing the industrial Internet by relying on industrial manufacturing enterprises becomes a typical development path of industrial Internet enterprises, such as Root Cloud, Midea Cloud, and Baosight. In the packaging field, major manufacturers that provide industrial Internet-related products and solutions services include Yunyin, Dongfang Digicom, and wantit.

The subsidiary Dongfang Digicom, carrying Dongfang Precision’s missions of expanding into the industrial Internet industry and implementing “digital and intelligent transformation strategies”, was established in 2020. With the vision “to become a world-leading provider of industrial Internet industry solutions”, Dongfang Digicom

is engaged in building industrial Internet platforms for industries using new-generation information technologies, such as the IoT, cloud computing, big data, and artificial intelligence and becoming a leader in the domestic manufacturing industry in digital and intelligent upgrading.

3. Industry of the water powersports products business

According to the Classification of Strategic Emerging Industries (2018), the water powersports products of the subsidiary, Parsun Power, fall under the “manufacturing of marine equipment” industry. The outboard motors are Parsun Power’s main water powersports products. Outboard motors are the key auxiliary equipment for small- and medium-sized ships and are characterized by their compact structures, light weights, convenient installation and maintenance, easy operations, and low noise. They are widely used in water recreation and sports, fishing, water traffic, emergency rescue, shore landing, and maritime patrol.

Applications of Parsun Power’s Outboard Motors

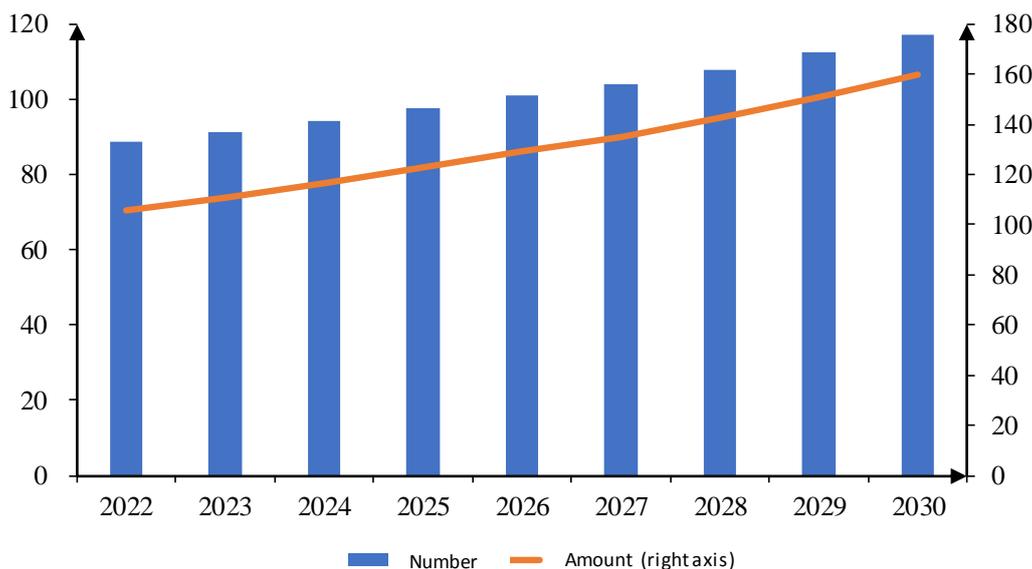
Field	Scenario	Example
Recreational	Recreational fishing, sailing and water sports	
Commercial	Fishing, water traffic and waterway maintenance	

<p>Official and military</p>	<p>Emergency rescue and maritime patrol Beach landing and water reconnaissance</p>	
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With global economic growth, personal income increase, and the change in personal consumption habits, the global outboard motor market trends toward stable growth. Considering the development of China’s water tourism and recreational industry and the emphasis of the government on maritime rights, the Chinese government agencies at all levels have granted vigorous policy support to ship-related industries. For example, the National Development and Reform Commission has included high-performance ships, such as superyachts, luxury cruise ships, marine surveillance vessels, and small-waterplane-area twin hulls, among items for encouragement. The Ministry of Industry and Information Technology has proposed developing brand products, such as luxury superyachts, sightseeing boats, and official boats. The State Council has also proposed vigorously developing marine tourism, manufacturing localised tourism equipment such as cruises and cruise yachts, and vigorously developing cruise yacht tourism. Under the guidance of policies, China’s yacht industry will usher in rapid development.

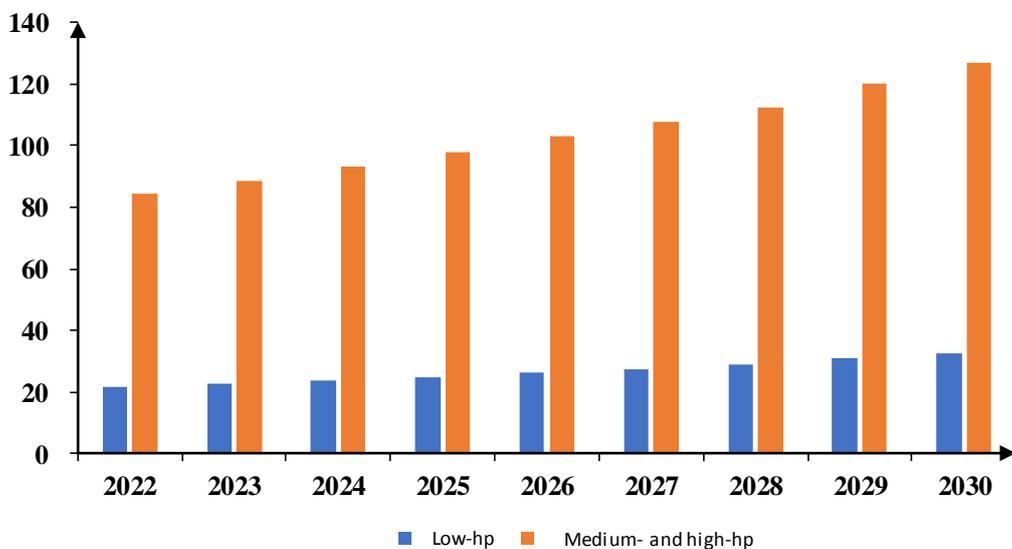
According to the report released by Global Market Insights Research Private Limited, an international market research institution, in terms of sale volume, the sale volume of the global outboard motors in 2022 reached 888,600 and is expected to reach 1.171 million by 2030, with a CAGR of 3.50% from 2022 to 2030. In terms of revenue, the size of the global outboard motor market in 2022 was USD10.572 billion and is expected to reach USD15.975 billion by 2030, with a CAGR of 5.30% from 2022 to 2030. With global economic growth, personal income increase, and the change in personal consumption habits, the global outboard motor market trends toward stable growth.

Global Sales and Market Size of Outboard Motors between 2022 and 2030 (Units: '0,000 Pieces; USD'00 Million)



According to the GMI report, the sizes of the global low-horsepower and medium- and high-horsepower outboard motor markets in 2022 were USD2.145 billion and USD8.426 billion, representing 20.29% and 79.71% of the total, respectively. Among the two types of markets, the medium- and high-horsepower outboard motor market had a larger size. Between 2022 and 2030, the CAGRs of the global low-horsepower and medium- and high-horsepower outboard motor markets are 5.40% and 5.27%, respectively, indicating that the global outboard motor market is driving the development recreational and luxury yachts and obviously trending toward high-horsepower outboard motors.

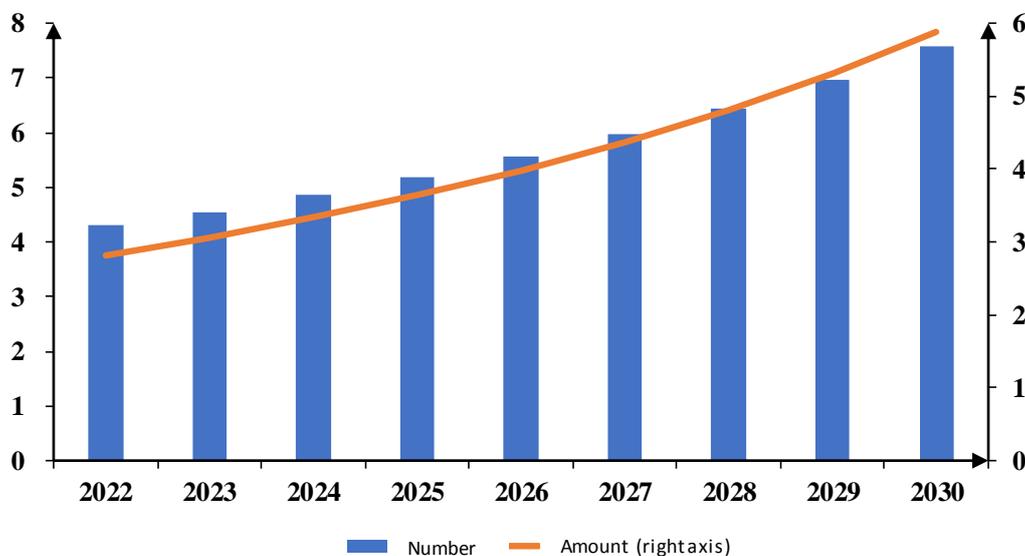
The Sizes of Markets of Outboard Motors with Different Horsepowers between 2022 and 2030 and Estimations (USD'00 Million)



In terms of Chinese market, by the GMI report, the sale volume of outboard motors in the Chinese market in 2022 reached 43,000 and is expected to reach 75,800 by 2030, with a CAGR of 7.34% from 2022 to 2030,

substantially larger than the 3.50% of the global market. In terms of sales, the size of the Chinese outboard motor market in 2022 was USD282 million and is expected to reach USD588 million by 2030, with a CAGR of 9.62% from 2022 to 2030, also substantially larger than the 5.30% of the global market.

Size of the Chinese Outboard Motor Market and Estimation between 2022 and 2030 (Units: '0,000 Pieces; USD'00 Million)



Worldwide, the outboard motor industry is dominated by Japanese and American brands, including Yamaha, Japan (an outboard motor brand under Yamaha Motor) and Mercury, USA (an outboard motor brand under Bentfield Group). China has become one of the world’s fastest-growing outboard motor markets owing to its rapid economic growth and changing recreational habits. With the rise of domestic brands represented by Parsun Power, domestic substitution has gradually become one of the mainstream trends in the development of the outboard motor industry in China, and there is the huge market potential for domestic substitution.

II Principal Activities of the Company in the Reporting Period

(I) Overview

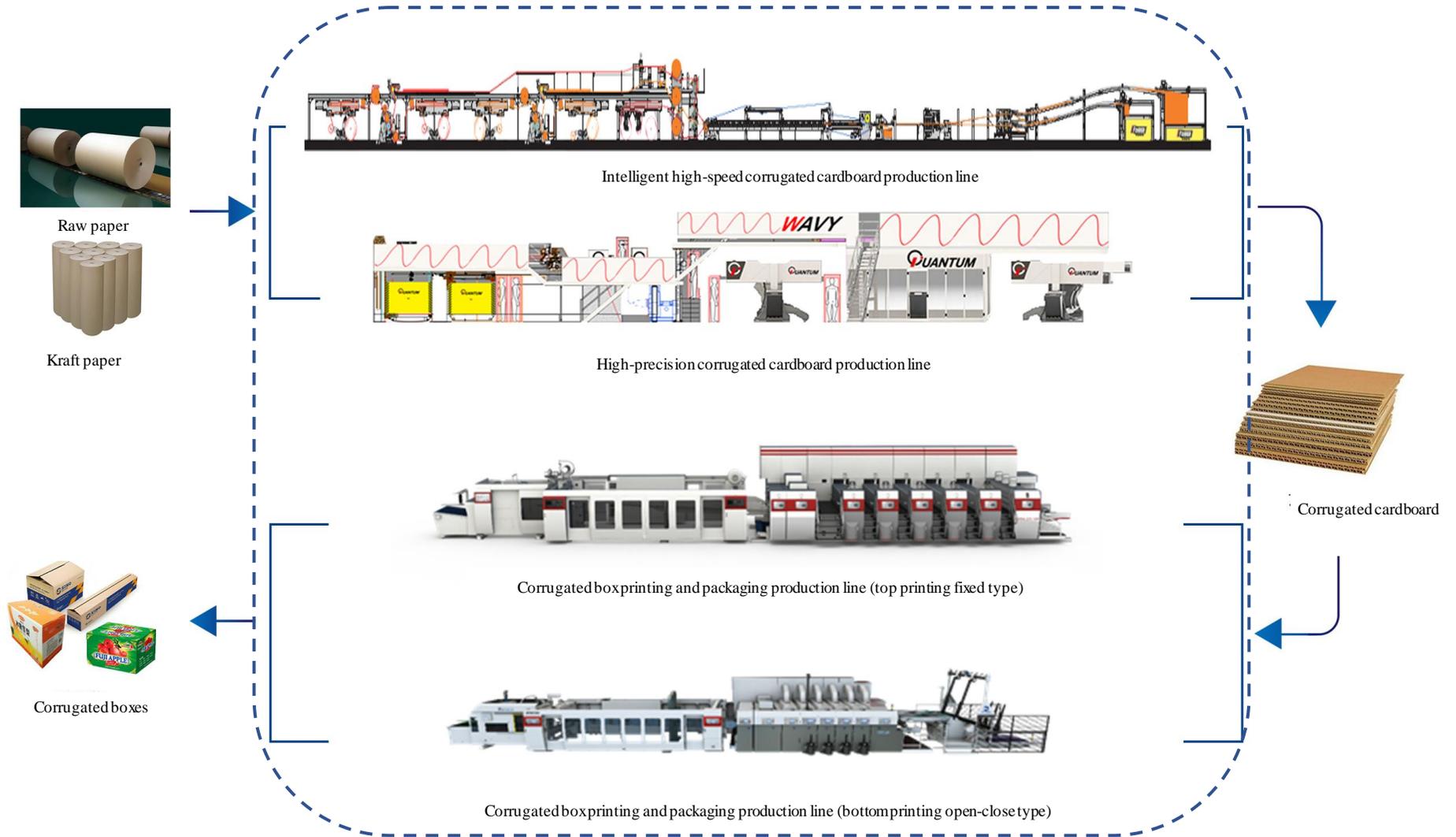
The principal operations of Dongfang Precision include four major business divisions: smart corrugated packaging equipment, industrial Internet industry solutions, digital printing solutions, and water powersports products.

Among them, the smart corrugated packaging equipment business and the industrial Internet industry solutions business are positioned as the core business divisions of Dongfang Precision. The digital printing solutions business is operated by the majority-owned subsidiary Wonder Digital, while the water powersports products business is run by the majority-owned subsidiary Parsun Power.

(II) The smart corrugated packaging equipment business

Dongfang Precision’s smart corrugated packaging equipment business includes corrugated cardboard production lines and corrugated box printing and packaging production line equipment.

Relationship between Corrugated Packaging Manufacturing Value Chain and the Company's Smart Corrugated Packaging Equipment



1. Corrugated cardboard production lines

Dongfang Precision's corrugated cardboard production line business primarily consists of Fosber Group and the majority-owned subsidiaries Fosber Asia and Tiru ña China. Fosber Group includes Fosber Italy, Fosber America, QCorr, Tiru ña Group, etc.

(1) Fosber Italy

Fosber Italy, a subsidiary, specializes in manufacturing mid-to-high-end corrugated cardboard production lines under the Fosber brand. The product line includes two major series, namely S-Line and C-Line, which cater to widths ranging from 2.5 meters to 2.8 meters and speeds ranging from 250 meters/minute to 470 meters/minute. These corrugated lines are applicable for producing corrugated cardboard with a thickness of 2mm to 13mm, known for their high load-bearing capacity, excellent shock resistance, plasticity, and environmental performance. The resulting corrugated cardboard is extensively used in fields such as logistics and express delivery, furniture and household appliances, and electronic product packaging, serving as the outer packaging for various types of corrugated boxes.

The primary markets for Fosber Italy's mid-to-high-end corrugated cardboard production line products are Europe, North America, and Latin America. The company's primary research and production base is situated in Lucca, Italy.

(2) Fosber America

Fosber America, a subsidiary, is a top-notch provider of equipment and services for corrugated cardboard production lines in the North American market. The company is renowned for its world-class installation, training, service, spare parts, and upgrade support. Fosber America's production base is located in Green Bay, Wisconsin, and it has a market share of over 50% in the mid-to-high-end corrugated cardboard production line industry in the United States, making it the top-ranked company in the market.

(3) Fosber Asia

Fosber Asia, a subsidiary, specializes in producing the Pro-Line series, specifically tailored for the Chinese and Asian markets. These production lines cover widths ranging from 2.2 meters to 2.8 meters and speeds ranging from 180 meters/minute to 320 meters/minute, catering to markets in China, Southeast Asia, South Asia, and Russia, among others. Fosber Asia also introduces high-end corrugated lines, such as the S-Line and Quantum Line, to China, customizing them to meet the requirements of Chinese and Asian industry customers, and producing them in domestic factories to create locally-made high-end corrugated line products.

(4) QCorr

QCorr, a subsidiary, specializes in manufacturing Quantum Line, Wavy Line, and other related products. The Quantum Line production line is primarily used for creating solid fiberboard below 2mm and micro flute corrugated board, covering widths ranging from 1.8 meters to 2.5 meters. With innovative designs and new production process concepts, the Quantum Line boasts unique technical features and compact dimensions. Solid fiberboard and micro flute corrugated board are known for being lightweight, strong, moisture-resistant, and environmentally friendly. As such, they are widely used in offset carton packaging, high-end products, electronic products, and cultural and artistic product packaging.

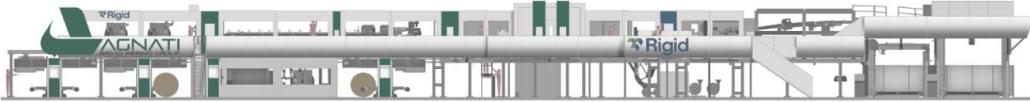
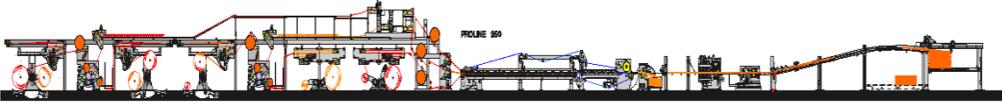
QCorr and Fosber's corrugated cardboard production lines have excellent complementarity from the standpoint of the end-use application fields of the manufactured cardboard products. The diverse range of products offered by both brands covers the entire spectrum of end-use application requirements, ensuring comprehensive coverage.

(5) Tiruña Group

Tiruña Group, a subsidiary, is a specialist in the production of corrugated rollers and pressure rollers for the corrugated cardboard industry. Leveraging years of experience in the field, Tiruña is well-versed in all types of corrugated cardboard production lines and can manufacture a diverse range of corrugated rollers and pressure rollers. Additionally, the company can design and produce customized rollers to meet the specific needs of customers, taking into account their machine types, special coating requirements, and paper characteristics. Tiruña possesses state-of-the-art coating roll equipment and patented polishing equipment, and is highly specialized in re-cutting, re-casting, and coating techniques.

Dongfang Precision aims to further strengthen synergy across its various business divisions within the Group and capitalize on China's competitive advantage in global manufacturing. To better support the domestic high-end corrugated cardboard production line business, the company plans to introduce Tiruña's corrugated roller and pressure roller business to China in 2023. This will involve the establishment of the Tiruña China team and the creation of a new subsidiary, Tiruña China, located in the Nanhai District of Foshan City. This strategic move will enable the localization of corrugated roller and pressure roller business, catering to the needs of Dongfang Precision's corrugated cardboard production line business. At the same time, it will expand the Tiruña brand's corrugated roller and pressure roller into new markets in China and Asia.

Primary Product Portfolio of Dongfang Precision’s Smart Corrugated Packaging Equipment Business - Corrugated Cardboard Production Lines

Product category	Brand	Product pictures	Key features
Corrugated cardboard production lines		 	Width: 2.5 -2.8 meters Speed : 250~ 470 mpm Pro/Care, Pro/Quality, etc. Industry 4.0 Production Information System
		 	Width: 1.8 -2.5 meters Innovative design Compact body and high flexibility More suitable for producing lightweight corrugated cardboard
			Width: 2.2 - 2.8 meters Speed: 180~ 320 mpm
			A leading global supplier of corrugated rollers and pressure rollers, with industry-leading precision machining and tungsten carbide treatment technology

2. Corrugated box printing and packaging production line equipment

In this regard, the primary business entities are Dongfang Precision (China) and Dongfang Precision (Europe). Dongfang Precision (China) specializes in offering a diverse range of corrugated box printing and packaging complete lines, including fixed/open-close type, top printing/bottom printing corrugated converting lines. The “Dongfang Star” series consists of top printing fixed type and top printing open-close type FFG inlines, while the “Super Star” series comprises bottom printing die cutter stripper vacuum stacker converting lines, bottom printing open-close type FFG inlines, bottom printing open-close type/FFG & stitchers, and other products. Furthermore, Dongfang Precision (China) provides a wide range of market-oriented corrugated box printing and packaging production line equipment in different specifications to meet customer demands. The products are highly popular not only in the domestic market but also exported to over 30 countries and regions worldwide, including Europe, America, Asia, Africa, Latin America, and Oceania.

Dongfang Precision (Europe), a subsidiary, specializes in high-end corrugated converting line products. The company offers a range of products, including FD series quickset top printing FFG, HGL series quickset bottom printing FFG, and quickset bottom printing/die cutter stripper vacuum lines. These products are designed with non-crush feeder design, full servo control, and fully automatic control features, making them suitable for high-definition printing. Dongfang Precision (Europe) also provides various pre-printing and post-printing equipment compatible with the complete line products, such as feeder unit, stripper transfer, intelligent palletizer, and folder gluer, to enhance the efficiency and quality of the entire production process. Dongfang Precision (Europe) primarily targets the European and American markets.

Primary Product Portfolio of Dongfang Precision's Smart Corrugated Packaging Equipment Business - Corrugated Box Printing and Packaging Production Line Equipment

Product category	Brand	Product pictures	Key features
Corrugated converting machine		<p>DONGFANG STAR I QUICKSET TOP PRINTING FFG</p> 	<p>Top printing fixed type Full servo control Quick set 2 minutes order set up Integrated with energy saving, high efficiency and intelligence</p>
		<p>DONGFANG STAR II TOP PRINTING OPEN-CLOSE TYPE FFG</p> 	<p>Top printing open-close type Servo motor control Labour efficiency by only 2-3 workers</p>
		<p>SUPER STAR I BOTTOM PRINTING DIE CUTTER STRIPPER VACUUM STACKER CONVERTING LINE</p> 	<p>High efficiency and stability Excellent waste cleaning Count accurately Automatic palletizing Suitable for complex irregular boxes, auto-pack boxes, pre-printed boxes, and etc.</p>

Product category	Brand	Product pictures	Key features
Corrugated converting machine			<p>Solved the headache of the industry by achieving the multi-out die cut cardboard with nips</p> <p>2-3 operators for the entire line</p>
		<p>SUPER STAR II BOTTOM PRINTING OPEN-CLOSE TYPE FFG INLINE</p> 	<p>Professional die cutter FFG inline</p> <p>Suitable for RSC or RDC box</p> <p>Servo motor control</p> <p>Labour efficiency by only 2-3 workers</p>
		<p>SUPER STAR III BOTTOM PRINTING OPEN-CLOSED TYPE/FFG & STITCHER</p> 	<p>Well-established design philosophy for bottom printing machine inline with folder gluer & stitcher</p> <p>Integration control, easy operation</p> <p>Multiple use to satisfy the different order change</p> <p>Shorten the process and reduce the human cost</p>

Product category	Brand	Product pictures	Key features
		 <p data-bbox="674 536 1384 560">HGL RDC 1628 , HIGH BOARD LINE BOTTOM PRINTING MACHINE</p>	<p data-bbox="1868 312 2089 560"> High-end bottom fixed printing FFG Spindle servo drive Switch orders quickly Complete peripheral equipment unit </p>

3. Business model of the Company's smart corrugated packaging equipment business

R&D model: The Company has industry-leading independent design and R&D capabilities, continually establishing high-level R&D innovation management mechanisms. The R&D team, spearheaded by industry experts, employs a blend of long and short-term product R&D planning, supported by a market-oriented R&D mechanism. Additionally, a robust R&D talent incentive mechanism enhances the Company's overall technical proficiency, cementing its leadership position in the industry.

Procurement and production model: The Company procures raw materials, such as steel plates, metal components, and electrical parts (such as motors and PLCs), from external suppliers, while producing some core components and corrugated rollers in-house.

The majority of the Company's equipment products adhere to a "made-to-order production" model. Upon receiving orders and partial deposits from customers, the Company purchases raw materials from suppliers based on specific customer requirements and inventory levels, and develops production plans and schedules. The Company advocates a "lean production" model for production and operational management, ensuring precise control over BOM costs and manufacturing expenses, while continuously enhancing operational efficiency. Typically, the delivery time for corrugated cardboard production line orders ranges between 4 to 6 months, while the delivery time for corrugated box printing and packaging production line equipment orders is approximately 2 to 3 months.

Marketing Model: The Company employs a "direct selling + distribution" marketing model. It utilizes a direct sales approach for the domestic market and a combination of direct sales and agent distribution for overseas markets, tailoring the strategy to suit the unique needs of different countries and regions. This approach not only widens the scope of sales channels and increases sales volume but also reduces market expansion and sales costs.

The Company's complete production line and single machine products are typically one-time sales, with more significant transaction amounts. However, accessories, software, and services can be sold multiple times throughout the lifecycle of complete production line or single machine products. The growing number of existing equipment sold in the downstream industry market presents a steady stream of sales opportunities for accessories, software, and services. Additionally, providing high-quality technical support and services helps to promote the sales of complete production line products.

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

(III) The industrial Internet industry solutions business

Dongfang Digicom, a subsidiary of Dongfang Precision, serves as the primary business entity for "industrial Internet industry solutions". The company's business comprises two main divisions: the "Industrial Internet Platform for Industry" and the "Factory-wide Intelligent Logistics System".

1. Industrial Internet Platform for Industry

Leveraging the extensive industry experience of Dongfang Precision spanning over three decades in the field

of corrugated packaging equipment, Dongfang Digicom employs cutting-edge technologies such as the Internet of Things (IoT), cloud computing, big data, 5G, and artificial intelligence (AI) to develop an advanced industrial Internet platform for the industry. This platform comprises three levels:

(1) Equipment digital acquisition (IoT platform): By leveraging IoT, 5G, and edge computing technologies, the focus is on the core hardware of equipment to establish connections between different equipment and integrate equipment data with enterprise-specific system data. This approach enables the equipment layer to become digitized and networked.

(2) Data processing and modeling (middle platform): By utilizing data modeling, data mining, algorithm analysis, cloud computing, and other cutting-edge technologies, the collected data is integrated and analyzed to build an enterprise data hub. Based on this foundation, a business integration hub is created to offer industrial models and algorithms, which aid enterprises in transforming their operational experience into data models. This approach assists enterprises in achieving comprehensive business trend analysis and prediction while providing visual BI tools that present key data and analysis results in an intuitive manner.

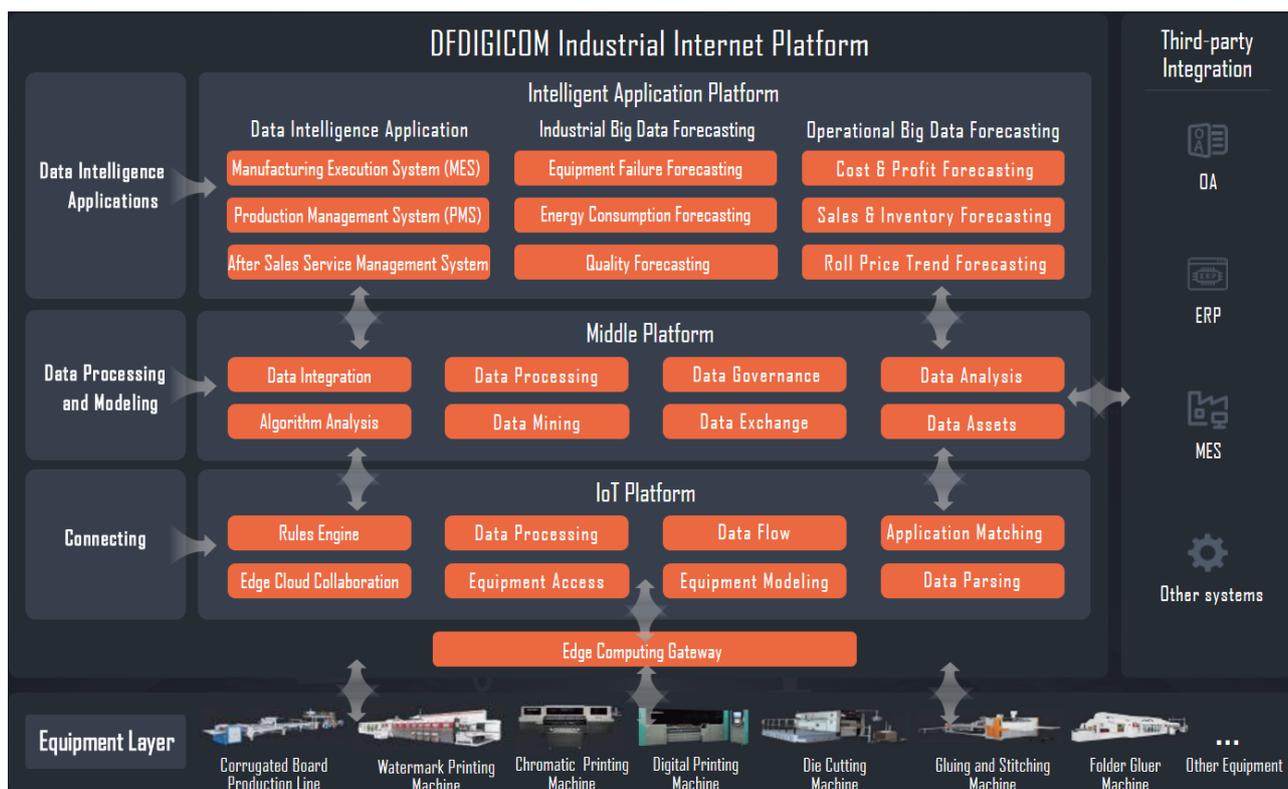
(3) Data intelligence application solutions (application platform): The use of big data, artificial intelligence, and other cutting-edge technologies can facilitate the development of intelligent applications. These applications, including equipment maps, fault prediction, remote operation and maintenance, digital twins, and full lifecycle management, can cover all value chain segments from procurement, production operations, sales, and after-sales services. By adopting these tools, enterprises can achieve data-based management and decision-making, ultimately promoting their digital transformation.

Dongfang Digicom released the Industrial Internet Platform v1.0 in 2022, which features independent intellectual property rights. The product is comprised of three key components: an IoT platform, a middle platform, and an intelligent application platform. It effectively facilitates data collection, processing, and analysis, providing intelligent applications based on data insights. The platform supports integrated applications across multiple terminals and can be deployed in various ways, including public cloud, private cloud, or hybrid cloud. Additionally, customers have the ability to independently develop secondary applications using the platform.

Dongfang Digicom distinguishes itself from other information service providers in the paper packaging industry by offering an Industrial Internet Platform specifically designed for this sector. As a result, Dongfang Digicom is currently the leading provider of Industrial Internet Platform solutions for the paper packaging industry.

DFDIGICOM Industrial Internet Platform offers end-to-end services, including equipment connectivity for data collection, data integration and analysis, and intelligent applications. By utilizing these services, customers can achieve intelligent manufacturing capabilities.

Architecture of DFDIGICOM Industrial Internet Platform



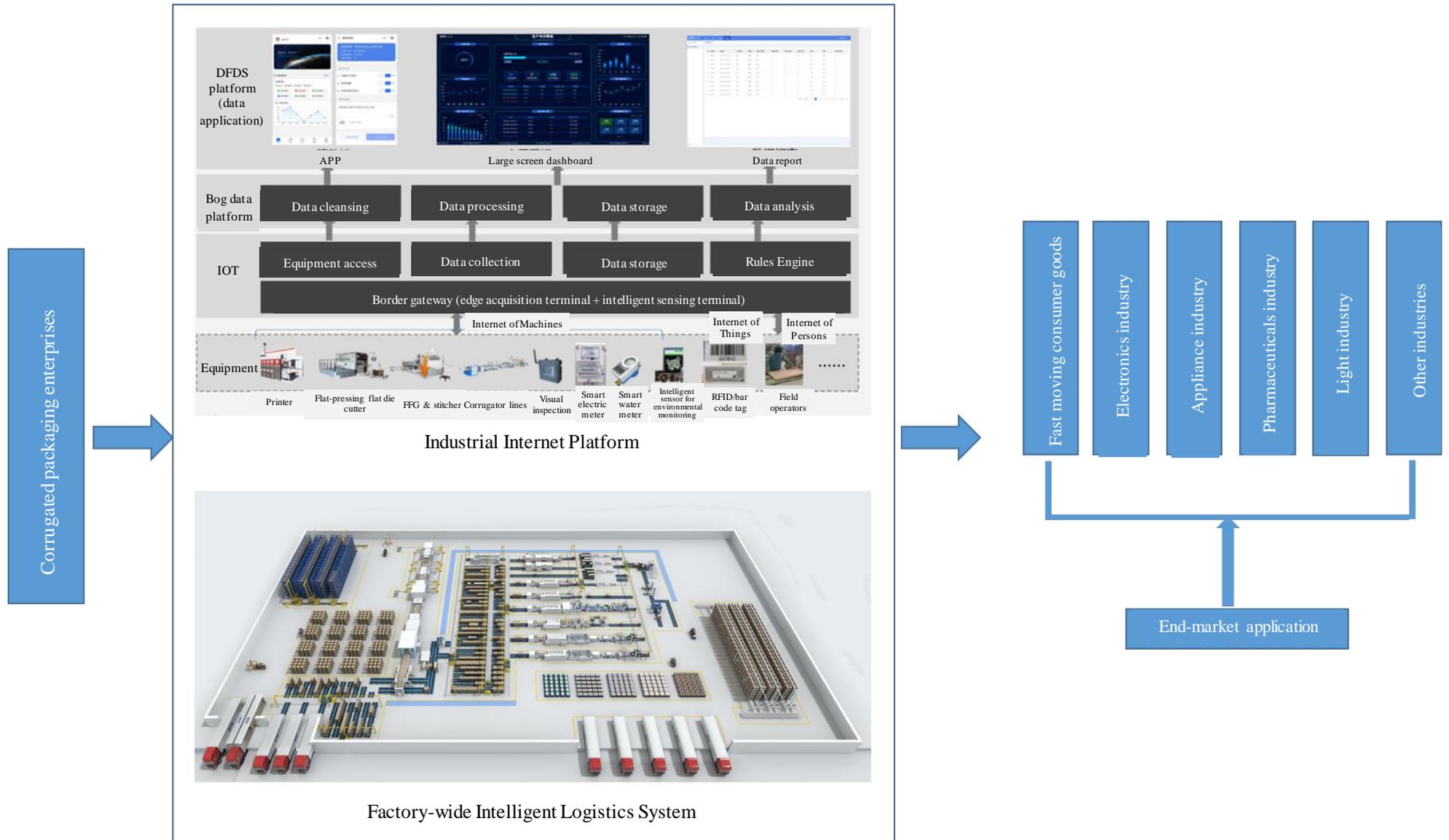
2. Intelligent Logistics

As the manufacturing industry undergoes an intelligent upgrade, the “factory-wide intelligent logistics system” has emerged as a crucial area of focus for packaging enterprises seeking to transition towards “intelligent manufacturing.” This system utilizes digital technology to transform production lines, warehouses, and logistics distribution within the factory into digitally intelligent entities. By doing so, it facilitates comprehensive automation control and management of production, warehousing, and distribution processes, reducing human intervention and management costs, improving production efficiency, and enhancing product and logistics service quality.

The “factory-wide intelligent logistics system” can be integrated with the industrial Internet platform to enable real-time monitoring and control of production and logistics data. Through the analysis and mining of logistics data, it can provide accurate decision-making support for enterprises, facilitating their digital transformation and intelligent upgrading.

To address the challenges faced by domestic corrugated packaging enterprises, such as poor production resource integration capabilities, labor recruitment/employment difficulties, unreasonable workshop layouts, and low production efficiency, Dongfang Digicom’s intelligent logistics business team is utilizing Dongfang Precision’s extensive industry experience, advanced international technical concepts, and unique understanding of the Chinese paper packaging market. They are customizing factory-wide intelligent logistics systems specifically for Chinese paper packaging enterprises.

Application Model of Industrial Internet Platform + Factory-wide Intelligent Logistics System



(IV) The digital printing solutions business

The business is primarily led by the subsidiary Shenzhen Wonder Digital Technology Co., Ltd. Wonder Digital provides digital printing solutions for industry customers, including digital printers, ink, accessories, and professional services. Wonder Digital has introduced a variety of digital printer products to meet the diverse needs of different market segments and customer levels, including:

- Multi Pass digital printer series applicable for small-batch paper packaging printing
- Single Pass digital printer series applicable for large/medium/small batch paper packaging printing
- Single Pass digital series applicable for pre-printing on raw paper
- Hybrid printer series that combines Multi Pass high-precision printing and Single Pass high speed printing into one, supporting both scanning mode printing for large size, high precision, and full color orders, and instantly switching to Single Pass mode for printing large volumes of small size orders, meeting a wider range of corrugated digital printing needs.

The Multi Pass series targets small and medium-sized customers and delivers high cost-performance value, significantly reducing overall packaging costs for e-commerce and export OEM models such as “one-piece drop shipping” and “transit warehouse” sales. The Single Pass models retain all the features of the Multi Pass series and are primarily designed for fast printing of medium-sized orders. In contrast, the Single Pass digital series for raw paper pre-printing primarily caters to large-volume order printing, providing comprehensive costs similar to traditional printing and superior printing effects.

Wonder Digital offers a diverse range of products that cover various types and specifications, from post-printing to pre-printing, from water-based dye/pigment ink to spot color UV ink, from corrugated box to offset carton. The products also support a range of application modes and scenarios, from single-sheet printing to exchange orders seamlessly with variable data printing, and from single machine printing to integration with ERP systems. Wonder Digital’s large format roll to roll high speed digital printer outperforms domestic competitors in terms of width and resolution. Additionally, it offers a compact size, low energy consumption, and high cost-performance ratio compared to similar machines from both domestic and foreign competitors.

With a comprehensive digital printer product matrix, Wonder Digital provides corrugated packaging digital printer products that meet the diverse needs of industry customers with different market positions and levels. Since its establishment in 2011, Wonder Digital’s digital printer products have been exported to countries and regions such as Europe, America, the Middle East, Latin America, and Southeast Asia, with over 1,400 units of equipment installed in more than 80 countries worldwide.

Apart from digital printers, Wonder Digital also sells supporting units after printing section including slotting and varnish coating units, as well as special ink products that are compatible with its own-brand equipment. These special ink products, including water-based dye ink, water-based pigment ink, and UV ink. Wonder Digital’s high cost-performance digital printing solution provides customers with cost-effective configuration plans for digital inkjet printing equipment and ink formulation plans. The cost-performance ratio of the ink is a crucial factor for customers to consider when evaluating the overall solution.

Based on accumulated know-how and experience, Wonder Digital has introduced digital printing solutions

for advertising, home decoration, and other fields, including flatbed printing and roll to roll printing technologies. The flatbed models can be used for digital printing on materials such as aluminum panels, glass, ceramic tiles, metal plates, acrylic sheets, and alucobond panels, while the roll-to-roll models are applicable for digital printing on materials such as corrugated cardboard, vehicle paste paper, lamp box fabric, PVC film, decorated paper, and metal coils.

Wonder Digital aims to offer its customers more than just individual products or services. It strives to provide assistance in producing high-quality printed products that are convenient, efficient, and cost-effective, while ensuring profitability. Achieving this goal requires more than just providing isolated printing equipment, ink, or accessories; a complete solution is necessary. Different application areas and customer requirements require tailored solutions. Hence, Wonder Digital equips the most suitable printheads and inks, develops exclusive inkjet control systems, optimizes pre-printing, printing, and post-printing processes, and matches corresponding equipment and consumables to help customers improve production efficiency, reduce inventory, and lower costs based on their specific needs.

Primary Product Portfolio of Dongfang Precision's Smart Corrugated Packaging Equipment Business——Digital Printers

<p>Digital printers</p>		 <p>WD200++SINGLE-PASS Industrial High Speed Corrugated Board Digital Printer</p>	<p>Industrial printing, basic resolution 1200DPI Printing speed 150m/min 8 color printing optional Customizable printing width</p>
		 <p>Industrial SINGLE PASS Roll to Roll High Speed Digital Printer</p>	<p>Roll to roll printing, applicable on paper, vehicle paste paper, Lamp box fabric, PVC film, decorated paper, aluminum sheets, etc 24h continuous operation, centralized printing and scattered folding and gluing, saving costs</p>



MULTI PASS-SINGLE PASS Digital Hybrid Printer

Combining two different digital printing methods: Multi Pass high-precision printing and Single Pass high-speed printing.

Reduce investment on equipment, save room, labor, maintenance and other costs, and significantly improve production efficiency

(V) The water powersports products business

The subsidiary, Parsun Power, is the main business entity for the Company's water powersports products (outboard motors) and is a leading enterprise in the domestic outboard motor industry. It ranked first in the industry's market share in China from 2018 to 2020. Parsun Power's main products are outboard motors of various specifications and different series, with horsepower ranging from 2 to 115. The outboard motor products are exported to hundreds of countries and regions, including Europe, Africa, Oceania, South America, North America, the Middle East, and Southeast Asia.

1. Outboard Motor Products

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

Gasoline outboard motors enjoy the most abundant specifications and varieties. Parsun Power has accumulated years of industry experience in the field and has had several proprietary technologies and applied them to products. It has achieved mass production of the maximum 115hp gasoline outboard motors, and has successfully broken the long-term monopoly by international well-known brands in the 115hp sector. With stable and reliable quality of its 115hp gasoline outboard motors, Parsun Power has won more and more product orders in Europe and China, contributing to domestic substitution of medium- and high-horsepower outboard motors and the improvement of the global market share of domestic brands. After successfully conquering the 115hp gasoline model, Parsun Power's R&D team marches toward higher-horsepower models and strives the make domestic-brand high-horsepower outboard motors take a place in the global competition of the high-horsepower outboard motor market.

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

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

Parsun Power has achieved a complete product line layout of "gasoline-diesel-electric" outboard motors, and will rely on its years of technical expertise and leading market share in the gasoline outboard motor field to expand into high-horsepower diesel outboard motors and electric outboard motors.

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

2. Sales Model

Parsun Power follows an industry-standard sales model that primarily relies on distribution, supplemented by direct selling. The demand for outboard motors, which are the company's main product, is mainly distributed overseas, with end customers scattered throughout the world. Adopting a distribution-centric sales model enables Parsun Power to reach end customers to the fullest extent possible.

3. Production Model

Parsun Power produces outboard motor products independently, utilizing sales demand forecasts, customer orders, product inventory status, material delivery progress, and product production cycles to formulate production plans. The company then organizes the production of components in accordance with specialized processes and procedures.

4. Procurement Model

Following the principle of "sales determine production, production determines procurement," Parsun Power determines the procurement requirements for its outboard motor business, while also taking into account reasonable safety stock.

III Core Competitiveness Analysis

The analysis of the Company's core competitiveness in the Reporting Period is as follows:

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

Among enterprises of the same type in the domestic corrugated packaging machinery industry, Dongfang Precision has the most complete and comprehensive industry chain layout, with its business covering almost all key processes in the corrugated packaging production and processing business chain. Meanwhile, the Company has the most complete and richest corrugated packaging production line equipment in the industry, making it capable of meeting the demands for complete production line and single machine products of different market positioning, different customer types and dozens of specifications and models, second to none in China.

Corrugated cardboard production lines: Business entities, such as Fosber Italy, Fosber America, Fosber Asia, and QCorr, provide corrugated cardboard production lines of different specifications and types that meet varied market levels and positioning to multiple countries and regions worldwide. Fosber is one of the two companies with the strongest comprehensive technical strength in middle- and high-end corrugated cardboard production lines worldwide. The extensive application of software systems based on Industry 4.0 to its corrugated lines results in industry-leading digitalization. Featuring unique technological characteristics and compact size, the high-speed corrugated cardboard production line, Quantum Line, launched by the subsidiary QCorr can produce single-layer corrugated cardboards in line with any standards and allow the embedding and matching of digital printing technology. The corrugated cardboard production lines of Fosber and QCorr are highly complementary, and multiple product series of the two brands fully cover terminal application needs.

Corrugated rollers (key components in a corrugated cardboard production line): Tiruña Group, a subsidiary, is a time-honored, prestigious, and world-leading corrugated roller supplier in Europe, specializing in

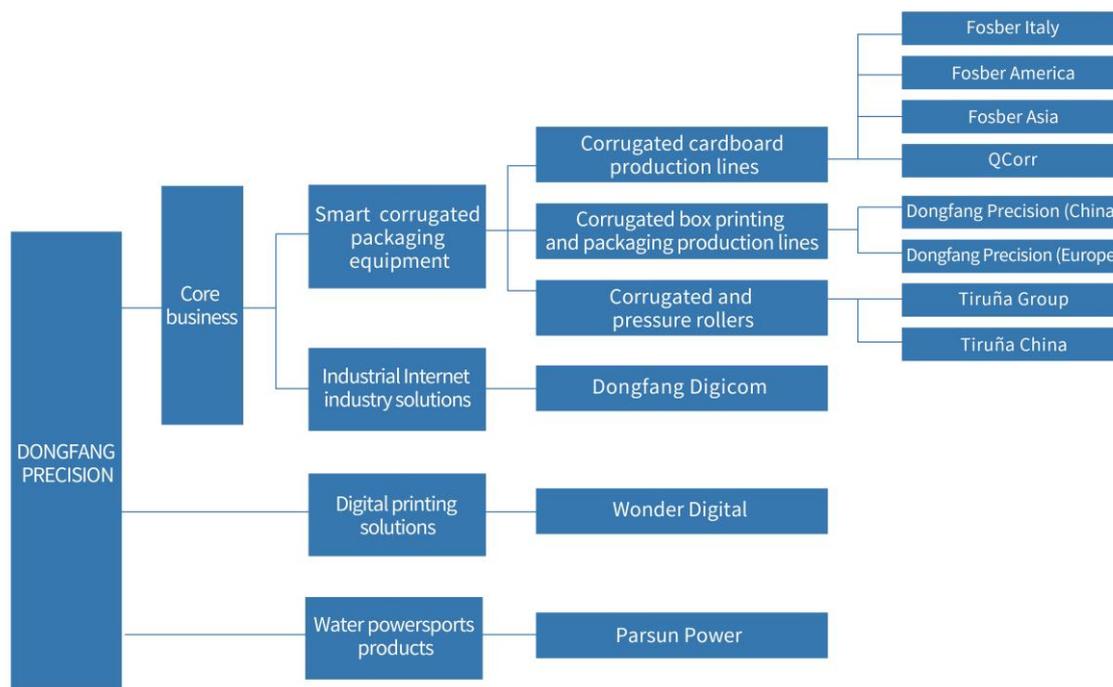
the production of corrugated rollers and pressure rollers for corrugated cardboards.

Corrugated box printing and packaging production lines: Business units, such as Dongfang Precision (China) and Dongfang Precision (Europe), serve domestic and overseas markets by supplying high-quality corrugated converting line and single machine products covering multiple specifications. They can produce products that meet dozens of specifications and different market positioning, covering fixed type/open-close type, top printing/bottom printing, and converting line (inline)/single machine products, and has the most complete product lines and rich product portfolio of the corrugated box printing and packaging production line equipment worldwide.

Digital printers: In terms of digital printing, Wonder Digital is one of the earliest enterprises worldwide that have taken the lead in applying the high-speed inkjet printing technology to corrugated packaging and home building materials, and service provider that can provide customers with a full set of digital printing solutions.

Industrial Internet industry solutions: Dongfang Digicom, a subsidiary, is the only industrial Internet platform enterprise in the paper packaging industry. Based on its “Industrial Internet Platform for Industry” and “Factory-wide Intelligent Logistics System” with independent property rights, it is committed to becoming a service provider and ecosystem operator that provides customers with one-stop overall solutions for intelligent plants.

Business Divisions and Entities of Dongfang Precision

**(II) Industry-leading technology level and strong capabilities of R&D and innovation**

The Company's overall R&D strength and technology level are at the forefront among domestic enterprises of the same type. As of the end of 2022, the Company had 327 R&D and technical employees, and held 371 patents at home and abroad and 33 software copyrights.

● The smart corrugated packaging equipment business:

The middle- and high-end corrugated cardboard production lines under the Fosber brand are industry-leading in speed, width, precision, stability, reliability, failure rate, and intelligence, characterized by high efficiency, energy saving, stability, reliability, intelligent control, and easy operation and maintenance. The corrugated cardboard production lines under the Fosber brand boast machinery with high technology, quality, and reliability, advanced intelligent software systems, and technical support services and have won the praise of customers worldwide.

Fosber Asia has launched the "Instant Set" unit and applied it to corrugated cardboard production lines. Each cutting blade and indenter are independently controlled by the servo motor, thus significantly improving the speed of the order change of the dry section of corrugated lines and shortening the average time of order change from 8-15 seconds to around 3 seconds. Moreover, it can better support the quick order switch of downstream customers and meet the characteristics of multiple types and small batches of paper packaging orders in China.

Fosber Group has developed special software systems based on Industry 4.0 for its middle- and high-end corrugated cardboard production lines, including Syncro4, PCS, Pro/Care, and Pro/Quality, to achieve highly

digital and intelligent management and control of the machine status, production process, routine maintenance, technical support, and quality inspection of corrugated cardboard production lines. Advanced technologies, such as sensors, Advanced Reality (AR), algorithm analysis, big data, and cloud computing, are adopted to realize the full automation and intelligence of the whole process of production and processing of corrugated cardboards, monitor the temperature, humidity, heat, folds, and other data of corrugated cardboard production lines in real time, and monitor the dashboard dynamically in the production process. Through data-based production performance analysis and cost analysis, it helps customers improve production efficiency. Through the “self-diagnosis system”, it identifies abnormal operations and sends alerts, and identifies solutions in an intelligent manner. Through the “big data analysis system” module, it collects real-time data in the corrugator production process through sensors, outputs recommended configuration parameters and improvements through algorithm analysis, and helps customers improve the effectiveness of production process control.

With respect to technical support and service, Fosber Group offers technical services, such as Pro/Visionair and Remote Control. Through online remote diagnosis, it allows customers to achieve real-time synchronization with its technicians so as to complete technical diagnosis or machine maintenance and remove the barriers caused by geographical distance and language differences. Meanwhile, the time for technical support, machine maintenance, and customer training is greatly shortened to help customers cut costs and raise efficiency.

How Fosber Group’s PRO Series Intelligent Production Management Information Technology System Works



● The industrial Internet industry solutions business:

The “DFDIGICOM Industrial Internet Platform”, independently developed by Dongfang Digicom, a subsidiary, enables digital, visual, and transparent equipment connection, and facilitates intelligent plants to become self-adaptive, systematic, and end-to-end. Big data, algorithm analysis, and artificial intelligence (AI) are employed to achieve low coupling, high availability, high performance, independence, safety, and controllability.

Moreover, the platform can be used at multiple terminals, deployed on public, private, and hybrid cloud, and independently and secondarily developed by customers.

The architecture of the industrial Internet platform products independently developed by Dongfang Digicom consists of an Internet of Things (IoT) platform, a middle platform, and an intelligent application platform, covering multiple functional modules, such as EMS, MES, QMS, WMS, and PMS. The basic architecture of this industrial Internet platform includes the sensing layer (the IoT platform), the network layer (the IoT platform/the middle platform), the platform layer (middle platform), and the application layer (the intelligent application platform).

Dongfang Digicom is currently the only enterprise in the paper packaging industry that can provide all-round industrial Internet platform products and overall solutions. It can provide the industry with end-to-end solutions and operating services, such as intelligent equipment, integrated management of production and operations of enterprises, intelligent business decision-making, agile corporate reforms and innovation. Most core members of the Dongfang Digicom team come from famous manufacturers in the Internet, industrial Internet, and ERP industries at home and abroad. Of IT manufacturers in the paper packaging industry, Dongfang Digicom boasts high professionalism and strong R&D strength. Dongfang Digicom, in the past two years since its establishment, has cumulatively submitted 37 software copyright applications and 49 patent applications. As of March 2023, it has been cumulatively granted 37 software copyrights and 21 patents, including 12 invention patents.

● The outboard power products business:

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

Parsun Power has been developing in the outboard motor industry for over ten years and has had several China-leading core technologies and accumulated rich scientifically innovative achievements after long-term R&D input and technical accumulation. As at the end of the Reporting Period, it has been cumulatively granted 57 patents (inclusive of 11 invention patents) and won two second prizes of the China Machinery Industry Science and Technology Award and is one of the main drafters of two industry standards including Outboard Gasoline Engines- General Requirements (JB/T 11875-2014) and General Technical Specification of Outboard Engine (CB/T 4505-2020). In 2021, Parsun Power successfully realized the mass production of 115hp outboard motors, breaking the long-standing monopoly of internationally well-known brands in the 115hp sector.

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

Dongfang Precision has an experienced team with profound Know-How experience in the industry, which has 20 years of experience in both global and domestic industry markets and has an in-depth understanding of the

Company's industrial layout, development planning, R&D approach, production operation, marketing, and team management. The core management team has a broad vision, can promptly keep up with the general development trend of the smart corrugated packaging equipment manufacturing industry, and can enable the Company to achieve steady and sustainable development through forward-looking strategic planning and layout.

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

(IV) High brand popularity and customer recognition worldwide

Dongfang Precision-branded corrugated box printing and packaging production line equipment, Fosber-branded corrugated cardboard production lines, Wonder Digital-branded digital printers, Quantum-branded corrugated cardboard production lines, Tiru ña-branded corrugated rollers and Parsun-branded outboard motors of the Company are enjoying considerable brand recognition and industry influence at home and abroad.

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

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

With the constant growth in concentration and the continuous upgrading of capacity in the downstream industry, large- and medium-sized packaging enterprises will need more middle- and high-end production line equipment, digital printing solutions, and industrial Internet industry solutions. The Company has seized opportunities and formed a better competitive edge by virtue of its stable business partnership during the industry changes.

(V) Global layout of business assets

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

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

An internationalized marketing and service network enables the Company to seize all opportunities in the

global industry market and to provide product machinery and technical services for customers in the industry in over 100 countries and regions worldwide.

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

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



(VI) Strong capabilities of strategic control and integration

Since listing, the Company has kept expanding its presence in the upstream and downstream of the industry chain of its core business. After years of practice, the Company has developed strong strategic control and deep integration of its business divisions and accumulated rich experience and practice, through the deep perception of the industry, forecast of industry trends, and a clear understanding of its own strategic development objectives.

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

In terms of post-investment integration, the Company has formulated a set of effective controls for post-investment integration, including the corporate governance standardization policy, the “Board of Directors-Supervisory Committee-General Meeting” operation mechanism, the strategic and financial control system, decentralized authorization management, complete audits, and management incentives, forming a set of measures for effective controls for post-investment integration with the Company's own characteristics to secure the effective implementation of the strategic plan.

● Corrugated cardboard production lines: Fosber Group recorded a compound annual growth rate (CAGR) of net profit of 25%

After acquiring the controlling stake of Fosber Italy in 2014, the Company and its management took several effective measures for integration, helped Fosber Group adjust its strategic planning and business strategies and standardize the authorization management system, implemented the performance incentive policy for the core management, and strengthened financial control. Such measures have successfully stimulated Fosber Group's business vitality. From 2015 to 2022, the CAGR of the operating revenue of Fosber Group was approximately 16%, and that of its net profit was 25%.

● Water powersports products: Parsun Power's CAGRs of operating revenue and net profit exceeded 20%

After acquiring the controlling stake of Parsun Power in 2015, the Company helped Parsun Power streamline and adjust its strategies, develop the new development roadmap, increase inputs in technology, products, and R&D, strengthen the marketing force, and improve the efficiency of the supply chain and production. It also supported Parsun Power to introduce excellent talent for a more powerful core team. These measures enabled Parsun Power to realize continuous and stable growth. From 2017 to 2022, both CAGRs of the operating revenue and net profit of Parsun Power surpassed 20%.

● Tiruña Group and, the manufacturing pioneer, Agnati, were expanded to effectively stimulate new momentum of established enterprises

In 2019 and 2020, the Company acquired the relevant business assets of Tiruña Group, a nearly century-old corrugated roller manufacturer, and merged Agnati, an Italian corrugated cardboard production line manufacturer enjoying a high reputation for more than eight decades, into QCorr, a subsidiary of Dongfang Precision. The Company and its management fully streamlined and standardized the development strategies, R&D planning, product positioning, marketing, team building, and authorization management of these two established enterprises, based on which optimization and adjustment were performed. These measures effectively stimulated the vitality of the two old European companies and the enthusiasm of their manager teams. In 2022, the operating revenues of Tiruña Group and QCorr exceeded 10%. Particularly, Tiruña Group's orders of corrugated rollers hit a record high.

Relying on its strong strategic control and integration of business divisions, based on "mutual respect and mutual trust" and with an open mind seeking common grounds while putting aside differences, the Company effectively integrated all its business entities continuously released the synergy with the industry chain. Moreover, it conducted active practice and accumulated precious experience in helping domestic private enterprises go global and perform overseas industrial M&As and overseas companies carry out post-investment integration and management optimization. Concurrently, such practice and experience facilitated the Company to lay a solid foundation and provided strong support for the Company to promote the implementation of the five-year strategic planning and realize long-term, sustainable, and steady development.

IV Analysis of Principal Operations

(I) Overview

In 2022, the Company faced a rapidly changing and complex external environment both at home and abroad.

Under the strong leadership of the Board of Directors and the management team, everyone in the Company devoted themselves to hard work. As a result, the Company achieved impressive growth in the core business against headwinds, representing solid growth in the principal business for 12 consecutive years since its listing.

In the Reporting Period, the Company recorded operating revenue of approximately RMB3,893 million, +10.44% YoY; a net profit attributable to its shareholders of approximately RMB447 million, -4.31% YoY; a net profit attributable to its shareholders before exceptional gains and losses of approximately RMB398 million, +4.61% YoY; and net cash generated from operating activities of approximately RMB506 million, +65.10% YoY.

In 2022, the Company's domestic and international business entities received orders amounting to approximately RMB5,404 million, an increase of 31% YoY, which is the largest amount of orders received by the Company in many years. 2023 is expected to see the alleviation of unfavourable factors in 2022 such as overseas inflation, rising energy prices and significant fluctuations in the euro exchange rate, and the Company's strong order book has laid a solid foundation for growth in the year.

(II) Business division operations during the Reporting Period

1. The smart corrugated packaging equipment business

(1) The corrugated cardboard production line business

Fosber Group, which caters mainly to the European and American markets, has achieved rapid growth, benefiting from the rapid growth of the e-commerce market in the US and Europe since 2020, increased capital expenditure by medium and large manufacturers in the paper packaging industry, and a combination of factors such as sustainability and the green economy. 2022 saw Fosber Group's main business units, Fosber Italy and Fosber America, achieving record sales orders and revenue, with orders for 2023 already fully booked and some orders already scheduled for 2024; Fosber Asia's sales orders increased by about 41% YoY, and the sales area in overseas markets was further expanded; the total sales orders of Tiruña Group's corrugated rollers increased by 27% YoY, and the orders also hit a record high.

Fosber Italy and Fosber America have established stable partnerships with major manufacturers in the corrugated packaging industry in Europe and the US, such as Smurfit Kappa, International Paper, DS Smith, SAICA and others, and have continued to consolidate their leading positions in the market. The business, assets and staff of the two subsidiaries are located in Europe and North America. They and their subsidiaries adopt a local management and operation model, with product design, development and manufacturing in Europe and the US. The end use of their products is to produce and process various types of corrugated packaging products which are rigid consumer products in European and American countries. According to Statista data, the US e-commerce market is expected to grow at a compound annual growth rate of 12.7% from 2017 to 2027. The trend of "sustainability" is gaining ground in Europe and the US, which continues to drive the trend of "replacing plastics with paper" in the packaging industry. Demand for corrugated packaging products in the end-consumer market continues to grow, helping to drive demand for corrugated packaging production line equipment.

A. Fosber Italy

In 2022, Fosber Italy achieved an order intake of approximately EUR278 million, an increase of 53% YoY and a compound annual growth rate of approximately 15% from 2018 to 2022, and sales revenue of approximately EUR201 million, an increase of 10% YoY and a compound annual growth rate of approximately 8%

from 2018 to 2022.

B. Fosber America

The main business unit, Fosber America, achieved an order intake of approximately USD212 million, an increase of 52% YoY and a compound annual growth rate of approximately 17% from 2018 to 2022, and sales revenue of approximately USD158 million, an increase of 40% YoY and a compound annual growth rate of approximately 14% from 2018 to 2022. Fosber Group outperformed its key competitors in terms of sales volume and value in North America in 2022, leveraging the competitive advantage of the Fosber brand of corrugated cardboard production lines in the North American market. With the support of Fosber America, QCorr successfully sold its first 2.5m wide Quantum Line in the US, achieving a sales breakthrough in the North American market.

C. Fosber Asia

Fosber Asia, a subsidiary, focuses on the Chinese and Southeast Asian markets. The Pro-Line series corrugated cardboard production lines are tailor-made for corrugated packaging customers in the Chinese market, with a component localisation rate of around 90%, and fully relies on the advantages of China's supply chain, which has the most complete range of industrial categories and the most complete support in the world, and completes the design and manufacturing in China to provide industry customers with high-quality high-end domestic corrugated cardboard production lines.

Fosber Asia achieved an order intake of approximately RMB320 million in 2022, an increase of approximately 41% YoY. It entered the Russian market for the first time, filling the gap of overseas markets. Fosber Asia's internationally leading high-end corrugated cardboard production line localisation project and Quantum Line localisation project are both progressing steadily.

In early 2023, a groundbreaking ceremony was held for Fosber Asia's new corrugated cardboard production line intelligent plant construction project, which is located in Songxia Industrial Park, Foshan City, Guangdong Province, covering an area of approximately 80 mu. It is expected that upon completion of the new plant, Fosber Asia's production capacity will be significantly increased, allowing it to respond to customer demand and serve customers faster and better, and to drive the industry towards high-end, green and intelligent development.

D. Tiruña Group

In 2022, member company Tiruña Group recorded a record order intake for corrugated rollers with a total order intake of approximately EUR28.9 million in 2022, an increase of 27% YoY; it achieved sales revenue of approximately EUR28 million throughout the year, an increase of 11% YoY. Following the acquisition by Dongfang Precision, the Tiruña Group's sales orders grew at a compound annual growth rate of approximately 15% between 2020 and 2022.

In July 2022, Fosber Group completed the acquisition of 30% of the shares of Tiruña Group. Upon completion of the transaction, Fosber Group held 100% of the shares in Tiruña Group, and Tiruña Group became a wholly-owned subsidiary of Dongfang Precision. The transaction is conducive to the further integration of business divisions within Dongfang Precision and the further release of synergies in the industrial chain; with the completion of the transaction, the integration measures for the Tiruña Group will be further deepened, which is conducive to further stimulating the operational vitality and development potential of the Tiruña Group and

improving its operating results.

In order to further strengthen synergies among the business divisions within the Dongfang Precision, leverage the competitive advantages of Chinese manufacturing on a global scale, and better support the development of the high-end domestic corrugated cardboard production line business, in 2023, the Company will introduce the Tiruñã corrugated roller & pressure roller business to China, establish a new subsidiary, Tiruñã China, in Nanhai District, Foshan City, and build up the Tiruñã China team for localisation of corrugated roller & pressure roller business and expansion of new markets of Tiruñã corrugated roller & pressure roller in China and entire Asia while satisfying the needs of the corrugated cardboard production line business of Dongfang Precision.

(2) The corrugated box printing and packaging production line business

In 2022, Dongfang Precision (China) achieved annual sales revenue of approximately RMB475 million, an increase of approximately 14% YoY, and a net profit of approximately RMB120 million, an increase of approximately 60% YoY. Export business for overseas markets achieved rapid growth; benefiting from the release of market demand in overseas industries and increased efforts in direct sales and channel building in international markets, orders for machines from overseas markets increased by 28% YoY, and the promotion of inline products in international markets was effective, strengthening the leading position of Dongfang Precision printers in overseas markets. In terms of research and development, a number of products were optimised and improved to enhance performance, speed and stability while further improving the price/performance level.

Dongfang Precision (Europe) continued to improve its operating performance results in 2022 while maintaining stable sales revenue, with significant improvements in both profit and operating cash flow. In terms of market development, we entered the North and South American markets for the first time and continued to develop new customers.

2. The industrial Internet industry solutions business

(1) Product development

In 2022, Dongfang Digicom made positive progress in the development of industrial Internet platform products: it successfully completed the development of DFDIGICOM Industrial Internet Platform v1.0, including the development of an IoT platform, a middle platform and an intelligent application platform, which has passed two safety tests by third-party authoritative institutions during the year, with the testing standards conforming to national and industry standards. In addition, the Company has also completed the development of an intelligent production execution system for supporting printing and packaging equipment. In terms of fully automated factory-wide logistics systems, Dongfang Digicom has completed the design and development of a full range of hardware and sample production.

(2) R&D/IP

Dongfang Digicom, in the past two years since its establishment, has cumulatively submitted 37 software copyright applications and 49 patent applications. As of March 2023, it has cumulatively obtained 37 software copyrights and 21 patents, including 12 invention patents.

(3) Sales and delivery

In terms of sales and delivery, in 2022, Dongfang Digicom has signed contracts with a number of domestic

and overseas industrial customers and completed delivery of some of its products. Using such technologies as 5G and artificial intelligence, Dongfang Digicom achieved the first remote delivery of an overseas project during the year and successfully passed the initial inspection.

Up to now, more than 10 domestic or overseas projects are being delivered or pending delivery in Dongfang Digicom, and strategic cooperation agreements have been signed with some of the leading customers in the domestic paper packaging industry to jointly create a model benchmark for smart factories in the industry.

(4) Industry impact

In 2022, Dongfang Digicom joined the China Alliance of Industrial Internet to assist the Alliance and national authorities in promoting the in-depth implementation of the Industrial Internet in the packaging industry.

3. The digital printing solutions business

In June 2022, the Company completed the settlement of the acquisition of equity interest in Wonder Digital, through a combination of equity transfer and capital increase, by which the Company acquired 51% of its shares and obtained a controlling stake in it. Through this acquisition, Dongfang Precision's comprehensive strength in digital printing solutions has been significantly enhanced; Wonder Digital has been included in the scope of the Company's consolidated financial statements since June 2022, becoming a new growth curve for the Company's performance.

In 2022, Wonder Digital achieved an order intake of approximately RMB130 million, an increase of 10% YoY, with the order intake in overseas markets growing at a rate of over 60%. It also achieved operating revenue of RMB132 million, an increase of approximately 12% YoY; and a net profit of approximately RMB17.61 million, an increase of 50% YoY.

Good brand image and customer recognition, good product stability, cost performance and after-sales service are the main competitive advantages of Wonder Digital in digital printing solutions. In terms of research and development, by the end of 2022, Wonder Digital had accumulated 43 patents; the newly developed large format roll to roll single-pass digital printer model is at the leading level in the domestic industry in terms of width, resolution and other indicators, and has been significantly improved in machinery stability and production efficiency, with the advantages of compact size, low energy consumption and high cost performance compared to similar machines in the market. In August 2022, Wonder Digital moved into a new facility, which is nearly three times the size of the previous one. This relocation enabled Wonder Digital to better meet the delivery of its continuously growing orders and provided strong support to achieve continued growth in business performance.

4. The water powersports products business

In 2022, Parsun Power achieved operating revenue of approximately RMB572 million, an increase of 22.03% YoY, of which revenue from outboard motor sales increased by 29% YoY; and its net profit was RMB73 million, an increase of 27% YoY.

In terms of sales, benefiting from the continuous growth in demand for outboard motor products in overseas markets and the trend of domestic substitution in the domestic market, during the Reporting Period, Parsun Power continued to maintain rapid growth in outward sales revenue. From 2020 to 2022, the proportion of revenue of medium and high horsepower increased from 8.29% to 31.77%, with a compound annual growth rate of 171.33%;

benefiting from the steady growth of downstream market demand, the need for domestic replacement of medium and high horsepower and the gradual maturity of the domestic industry chain, the Company has gradually realized the transformation from medium and low horsepower to medium and high horsepower outboard motor products.

In terms of research and development, Parsun Power continued to increase investment in R&D: a brand new R&D centre was put into operation during the year, 20 intellectual property applications were submitted in 2022, and by the end of 2022, the cumulative number of patents granted was 57; the research and development of high horsepower gasoline motors above 200 horsepower and electric outboard motors progressed steadily.

In terms of production, Parsun Power continued to tap the existing capacity potential, and outboard motor output value hit a new high; in March 2023, the construction of a new green digital and intelligence factory with an annual production capacity of 76,400 units of high-end water powersports products and the construction of a new R&D centre was officially started, which will lay a solid foundation for the further development of Parsun Power.

In January 2023, the application for Parsun Power's IPO on the ChiNext board of the Shenzhen Stock Exchange was approved at the second meeting in 2023 of the ChiNext Board Listing Committee of the Shenzhen Stock Exchange.

5. The equity investment business

During the Reporting Period, the Company's equity investments were as follows:

(1) Equity investment in Beijing Sinoscience Fullcryo Technology Co., Ltd.

During the Reporting Period, the subsidiary Yineng Investment indirectly invested in Beijing Sinoscience Fullcryo Technology Co., Ltd. (referred to as "Fullcryo" in this Report) and Sinoscience Fullcryo (Zhongshan) Equipment Manufacturing Co., Ltd. by making a capital contribution to a limited partnership and obtained non-controlling interests of the two companies.

Fullcryo is a high-tech enterprise founded by the Technical Institute of Physics and Chemistry, CAS. It focuses on the strategic guarantee of national big science research projects, the independent and comprehensive development and utilization of strategic helium resources and the development needs of the green hydrogen energy industry. Based on the decades of the large-scale cryogenic R&D led by two generations of academicians of the Technical Institute of Physics and Chemistry, CAS, and with the research achievements of the two phases of national projects for key scientific machinery at the core, Fullcryo has attracted famous experts and scholars and marketing teams at home and abroad and used the core technologies with a working temperature of 20K to 2K (-253 °C to -271 °C) to provide large-scale cryogenic refrigeration machinery with liquid helium and liquid helium temperature zones, hydrogen liquefaction machinery, LNG-BOG helium extraction machinery, advanced cryogenic machinery for the separation and purification of rare gases (such as neon, helium, krypton and xenon), solutions for hydrogen energy application systems, engineering of highly pure rare gases and industrial gases, and other services. Fullcryo is a national supplier in China with independent intellectual property rights, whose services cover the design and manufacturing of large-scale cryogenic refrigeration machinery, cryogenic system engineering, and industrial gas provision. Being a subsidiary controlled by Fullcryo, Sinoscience Fullcryo (Zhongshan) Equipment Manufacturing Co., Ltd. is the only advanced machinery manufacturer in China that owns independent intellectual property and technologies for large-scale cryogenic machinery with a working

temperature of below 20K (-253 °C to -271 °C). It is also the only manufacturer and service provider worldwide that can simultaneously provide the non-standard customization, leasing, and entrusted operation of large-scale cryogenic machinery with working temperatures of 4.2K (-269 °C) and 20K (-253 °C).

As one of the limited partners of the partnership, Yineng Investment accounts for 94.86% of the total capital contributions. Considering the partnership's agreements on investment orientation, investment decisions, operation and management, income apportionment, and loss bearing, and the fact that Yineng Investment accounts for the majority of the capital contributions to the partnership, the partnership is included in the consolidated statements of Dongfang Precision as a "structured body controlled by the Company" from the perspective of commercial substance and after complying with the Accounting Standard for Business Enterprises and referring to the professional opinions of the independent auditor.

(2) Equity investment in Yunnan Yuze Semiconductor Co., Ltd.

During the Reporting Period, the subsidiary Yineng Investment indirectly invested in Yunnan Yuze Semiconductor Co., Ltd. (referred to as "Yunnan Yuze" in this Report) by making a capital contribution to a limited partnership. Yunnan Yuze mainly engages in the manufacturing of photovoltaic silicon wafers. It is a leading manufacturer of N-type photovoltaic silicon wafers and silicon rods. It has been exploring the R&D and manufacturing of N-type single-crystal silicon wafers since 2019. With significant first-mover advantages in technology and talent reserves as well as customer expansion, Yunnan Yuze has created a good image in the industry as a professional supplier of N-type single-crystal silicon wafers.

As one of the limited partners of the partnership, Yineng Investment accounts for 39.37% of the total capital contributions. By the agreement on the fund investment decisions in the partnership agreement, the limited partner Yineng Investment does not participate in the operation of the Fund Investment Decision Committee and does not have veto power over fund investment decisions. Considering the partnership's agreements on investment orientation, investment decisions, operation and management, income apportionment, and loss bearing, and by the related regulations in the Accounting Standard for Business Enterprises, the Company does not control funds, so funds are not included in the consolidated statements of the Company. They will be presented under the "Other non-current financial assets--Financial assets at fair value through profit or loss" item in the consolidated financial statements.

(3) Equity investment in Yunyin Technology (Shenzhen) Co., Ltd.

During the Reporting Period, the Company participated in the equity financing of Yunyin Technology (Shenzhen) Co., Ltd. by way of direct investment and held a 4.55% equity interest in it. Yunyin Technology (Shenzhen) Co., Ltd. is dedicated to the exploration of the digital business value of the packaging industry, combining new technologies such as cloud computing, big data and machine intelligence with the production of the packaging industry, "commanding the 20th-century machineries with the wisdom of the 21st century", and helping corporate customers in the printing and packaging industry to achieve "efficiency improvement in single plants and multi-plant collaboration", so as to facilitate industry transformation and upgrading, achieve production and sales synergy across the supply chain of paper packaging, and improve the efficiency of enterprise services. In terms of factory capacity specialization, around the digital transformation of packaging enterprises, Yunyin has developed four digital products, namely Yunyin Juhaodan, Yunyin Baoyintong, Yunyin Zhikongbao and Yunyin

Xiangyitong, which are aimed at “production and sales matching”, “workflow collaboration”, “intelligent control”, “terminal services” and other scenarios to open up the connection between workers, machineries, factories and the market, so as to better coordinate and allocate resources within the industry. In terms of industry chain collaboration, Yunyin has built a customer-centric collaborative supply chain system, relying on its product services and Yunyin Magic Cube’s packaging industry big data technology to achieve transactional connectivity, data connectivity and machinery connectivity between upstream and downstream enterprises in the supply chain.

(4) Capital increase to Chengdu Dajin Aero-Tech Co., Ltd.

In 2021, the Company indirectly invested in Chengdu Dajin Aero-Tech Co., Ltd. ("Dajin Aero-Tech") through Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership). Dajin Aero-Tech is specialized in the precision machining and manufacturing of critical parts for aircraft engines, and has the qualification for the R&D of national defense equipment. Its core products are the critical parts for aircraft engines, which are characterized by complex structures, great difficulties in testing and high tolerance. Dajin Aero-Tech enjoys a leading position in its segmentation, and is one of the private enterprises with strong comprehensive strength in the aviation engine parts industry in China. It is not only an important supplier of China's major aero-engine models but also the core supplier for the main maintenance plants of the aero-engines of air forces, and has been shouldering the great mission of acting as strong support for Aero Engine Corporation of China, the main force in the whole-machine manufacturing of China's aero-engine industry. While enjoying a firm position in the aviation field, Dajin Aero-Tech has been gradually using the advanced manufacturing technologies it has accumulated in the fields of aerospace, missiles, rail transportation and petroleum machinery manufacturing.

In 2022, based on the continued optimism in the future development space and the development trend of the main business of Chengdu Dajin Aero-Tech Co., Ltd., the subsidiary Yineng Investment participated in its new round of equity financing by way of direct investment. After the completion of this investment, Dongfang Precision indirectly holds approximately 2.87% of the equity interest of Chengdu Dajin Aero-Tech Co., Ltd.

The business objective of the subsidiary, Yineng Investment, is to take the principal businesses as the core and extended investment as the support, follow the guidance of the Company's strategic plan, focus on industries related to the Company’s principal businesses and carry out M&As, while seeking investment opportunities in industries encouraged by the National 14th Five-Year Plan, such as high-end equipment manufacturing, so as to explore emerging business opportunities for the Company, and share the benefits in the process of growth and development of the investees, and help improve the overall profitability of the Company.

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

(III) Capital operation

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

During the Reporting Period, the preliminary plan for the spin-off listing of the subsidiary Parsun Power on the ChiNext board of the Shenzhen Stock Exchange was approved by the Company’s Board of Directors and general meetings of shareholders. The plan was accepted by the Shenzhen Stock Exchange in June 2022, passed in two rounds of review inquiries during July~December 2022, and approved at the second meeting in 2023 of the ChiNext Board Listing Committee of the Shenzhen Stock Exchange in January 2023. Currently, Parsun Power is

proceeding with the application for its initial public offering on the ChiNext board.

2. The share repurchase has been completed as scheduled.

During the Reporting Period, the Company carried on with the 2021 share repurchase plan. During the implementation period of the share repurchase (23 September 2021 ~ 22 September 2022), the Company repurchased a total of 106,652,136 shares (or 8.04% of the Company's total share capital) through centralized bidding. With the highest trading price being RMB6.30/share and the lowest being RMB3.59/share, the total amount paid was approximately RMB551 million (exclusive of transaction costs).

According to the share repurchase plan, no lower than 80% of the repurchased shares will be retired to reduce the Company's registered capital while no more than 20% will be used for equity incentives or employee stock ownership plans. On 10 October 2022, the Company completed the retirement of 85,321,704 shares (80% of the total shares repurchased) with the Shenzhen branch of China Securities Depository and Clearing Corporation Limited.

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

During the Reporting Period, the Company launched the 2022 Restricted Share Incentive Plan. In April 2022, the first grant was completed, where 2,650,000 restricted shares were granted to seven key managerial, technological, and business personnel. In June 2022, as the unlocking conditions were met for the second unlocking period of the first grant under the 2022 Restricted Share Incentive Plan, a total of 8,620,000 restricted shares of 37 awardees were unlocked for public trading.

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

(IV) Analysis of key financial indicators

1. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2022		2021		Change (%)
	Operating revenue	As a % of total operating revenue (%)	Operating revenue	As a % of total operating revenue (%)	
Total	3,892,708,509.64	100%	3,524,734,783.94	100%	10.44%
By operating division					
Intelligent manufacturing	3,892,708,509.64	100.00%	3,524,734,783.94	100.00%	10.44%

By product category					
Corrugated cardboard production lines	2,603,549,326.99	66.89%	2,451,607,852.79	69.55%	6.20%
Corrugated box printing and packaging production line equipment	717,169,922.31	18.42%	604,395,295.49	17.15%	18.66%
Water powersports products and general machines	571,989,260.34	14.69%	468,731,635.66	13.30%	22.03%
By operating segment					
Mainland China	441,664,388.05	11.35%	528,007,403.05	14.98%	-16.35%
Other countries and regions	3,451,044,121.59	88.65%	2,996,727,380.89	85.02%	15.16%
By sales mode					
Direct selling	3,229,852,665.56	82.97%	3,096,762,855.79	87.86%	4.30%
Distribution selling + reselling	662,855,844.08	17.03%	427,971,928.15	12.14%	54.88%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Intelligent manufacturing	3,892,708,509.64	2,833,305,748.54	27.22%	10.44%	10.89%	-0.30%
By product category						
Corrugated cardboard production lines	2,603,549,326.99	1,941,758,020.93	25.42%	6.20%	10.26%	-2.75%
Corrugated box printing and packaging production line equipment	717,169,922.31	458,727,210.78	36.04%	18.66%	5.98%	7.65%
Water powersports	571,989,260.34	432,820,516.83	24.33%	22.03%	19.85%	1.38%

	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 (%)
products and general machines						
By operating segment						
Mainland China	441,664,388.05	327,373,818.37	25.88%	-16.35%	-7.29%	-7.25%
Other countries and regions	3,451,044,121.59	2,505,931,930.17	27.39%	15.16%	13.80%	0.87%
By sales mode						
Direct selling	3,229,852,665.56	2,352,642,921.94	27.16%	4.30%	4.64%	-0.24%
Distribution selling + reselling	662,855,844.08	480,662,826.60	27.49%	54.88%	56.69%	-0.84%

Under the circumstances that the statistical caliber of the Company's main business data is adjusted in the Reporting Period, the Company's main business data that adjusted according to the caliber at the end of the Reporting Period

Applicable Not applicable

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

Yes No

Operating division	Item	Unit	2022	2021	Change (%)
Corrugated cardboard production lines	Unit sales	Unit	160	144	11.11%
	Output	Unit	162	144	12.50%
	Inventory	Unit	3	1	200.00%
Corrugated box printing and packaging production line equipment	Unit sales	Unit	233	177	31.64%
	Output	Unit	229	168	36.31%
	Inventory	Unit	51	35	45.71%
Water powersports products and general machines	Unit sales	Unit	32.05	32.73	-2.08%
	Output	Unit	30.10	34.80	-13.51%
	Inventory	Unit	0.94	2.89	-67.47%

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

Applicable Not applicable

The over 30% YoY movements in the unit sales, output and inventory of corrugated box printing and packaging production line equipment are primarily driven by the acquisition of Wonder Digital in 2022.

The over 30% YoY movement in the inventory of water powersports products and general machines is primarily driven by the increased output and unit sales of high-horsepower outboard motors in 2022.

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

Applicable Not applicable

(5) Breakdown of Cost of Sales

Unit: RMB

Product category	Item	2022		2021		Change (%)
		Cost of sales	As a % of total cost of sales (%)	Cost of sales	As a % of total cost of sales (%)	
Corrugated cardboard production lines	Raw materials	1,132,363,095.01	39.98%	1,170,044,178.76	45.80%	-3.22%
	Labor cost	335,242,775.36	11.83%	304,463,892.98	11.92%	10.11%
	Other	474,152,150.56	16.73%	286,585,807.36	11.22%	65.45%
Corrugated box printing and packaging production line equipment	Raw materials	345,662,621.86	12.20%	338,673,324.30	13.25%	2.06%
	Labor cost	53,218,657.90	1.88%	46,616,621.84	1.82%	14.16%
	Other	59,845,931.02	2.11%	47,550,069.99	1.86%	25.86%
Water powersports products and general machines	Raw materials	384,529,146.81	13.57%	320,751,829.30	12.55%	19.88%
	Labor cost	24,165,439.52	0.85%	23,219,196.74	0.91%	4.08%
	Other	24,125,930.50	0.85%	17,167,138.52	0.67%	40.54%

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

Yes No

In February 2022, the Company established Dongfang Yineng International Holding Co., Ltd. ("Yineng International") with a registered capital of RMB50 million and 100% ownership.

In February 2022, Yineng Investment, a subsidiary of the Company, established Changzhou Xincheng Venture Capital Partnership (Limited Partnership) ("Changzhou Xincheng") with a capital contribution of RMB48 million and a 94.86% ownership.

In February 2022, Parsun Power, a subsidiary of the Company, established Suzhou Baisheng International Trade Co., Ltd. ("Baisheng International") with a registered capital of RMB3 million and a 69.62% ownership.

In 2022, the Company acquired a 51% ownership in Shenzhen Wonder Digital Technology Co., Ltd. (formerly known as "Shenzhen Wonder Printing System Co., Ltd.") at RMB173,800,000.00 in cash, including a capital increase of RMB50,000,000.00 and a consideration of RMB123,800,000 for equity acquisition. The Group completed the ownership change formalities with the industrial and commercial administration in relation to the equity acquisition on 7 June 2022, with the date of acquisition on 7 June 2022.

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

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	813,510,490.50
Total sales to top five customers as a % of total sales of the Reporting Period (%)	20.90%
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	266,564,036.76	6.85%
2	Customer B	223,281,418.70	5.74%
3	Customer C	158,486,940.33	4.07%
4	Customer D	91,618,525.93	2.35%
5	Customer E	73,559,568.78	1.89%
Total	--	813,510,490.50	20.90%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	254,595,256.42
Total purchases from top five suppliers as a % of total purchases of the Reporting Period (%)	12.21%
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	103,183,961.45	4.95%
2	Supplier B	46,527,416.82	2.23%
3	Supplier C	37,489,093.26	1.80%
4	Supplier D	37,384,345.23	1.79%
5	Supplier E	30,010,439.66	1.44%

Total	--	254,595,256.42	12.21%
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Other information about major suppliers:

Applicable Not applicable

2. Expenses

Unit: RMB

	2022	2021	Change (%)	Reason for any significant change
Selling expenses	182,555,875.71	185,327,678.18	-1.50%	No significant change
Administrative expenses	311,463,613.16	272,090,728.08	14.47%	Increased labor cost in the current period
Finance costs	-8,970,693.69	-5,996,474.46	49.60%	Increased exchange gains in the current period
R&D expenses	97,954,453.40	99,557,565.46	-1.61%	No significant change

3. R&D Investments

Applicable Not applicable

Main R&D projects	Purpose	Project progress	Objectives to be achieved	Expected impact on the Company
Industrial Internet Platform for Industry	To provide one-stop smart factory solutions for corporate customers including but not limited to the paper packaging industry	V1.0 completed	The project includes IoT platform, data middle platform and intelligent application platform products to help customers achieve intelligent transformation of equipment, integrated production, operation and management, intelligent decision-making and agile innovation.	Become a profit growth point for the Company's industrial Internet platform business
Localization of a world-leading high-end corrugated cardboard production line	To introduce the world-leading high-end corrugated cardboard production line and make it localized to meet the needs of Chinese customers for the highest-end and highest-speed corrugated cardboard production line.	Promote as planned	Mass production for sales in the domestic market	Further enrich the Company's product portfolio which can become a new profit growth point for the Company's corrugated box printing and packaging production line machinery.

High-horsepower outboard motors	To make up the blank market of high-horsepower outboard motors, and further enhance the competitiveness of products.	Promote as planned	Mass production for sales in the world	Meet the demand for high-horsepower outboard motors in domestic and international markets, becoming a new profit growth point for the Company.
Electric outboard motors	To develop a battery-powered outboard motor to further enhance product competitiveness in the new energy outboard motor market.	Promote as planned	Mass production for sales in the world	Meet market demand and become a new profit growth point for the Company.

Details about R&D personnel:

	2022	2021	Change (%)
Number of R&D personnel	327	284	15.14%
R&D personnel as a % of total employees	15.49%	15.33%	0.16%
Educational background of R&D personnel			
Bachelor's degree	146	133	9.77%
Master's degree	25	18	38.89%
Other	156	133	17.29%
Age structure of R&D personnel			
Under 30	80	68	17.65%
30-40	140	113	23.89%
Other	107	103	3.88%

Details about R&D investments:

	2022	2021	Change (%)
R&D investments (RMB)	101,656,683.16	99,557,565.46	2.11%
R&D investments as a % of operating revenue	2.61%	2.82%	-0.21%
Capitalized R&D investments (RMB)	3,702,229.76	0.00	0.00%
Capitalized R&D investments as a % of total R&D investments	3.64%	0.00%	3.64%

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

 Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Independent research and development was carried out on Industrial Internet Platform for Industry during the year.

4. Cash Flows

Unit: RMB

Item	2022	2021	Change (%)
Subtotal of cash generated from operating activities	4,083,606,350.48	3,506,294,160.56	16.47%
Subtotal of cash used in operating activities	3,577,311,889.53	3,199,634,884.54	11.80%
Net cash generated from/used in operating activities	506,294,460.95	306,659,276.02	65.10%
Subtotal of cash generated from investing activities	5,502,146,075.67	7,120,320,577.02	-22.73%
Subtotal of cash used in investing activities	5,939,677,869.61	5,814,962,692.72	2.14%
Net cash generated from/used in investing activities	-437,531,793.94	1,305,357,884.30	-133.52%
Subtotal of cash generated from financing activities	998,366,302.50	598,858,984.67	66.71%
Subtotal of cash used in financing activities	1,133,800,124.92	1,757,363,205.25	-35.48%
Net cash generated from/used in financing activities	-135,433,822.42	-1,158,504,220.58	-88.31%
Net increase in cash and cash equivalents	-25,583,078.47	398,702,538.96	-106.42%

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 RMB506.2945 million, primarily because the Company's revenue growth during the Reporting Period.

(2) Net cash used in investing activities was RMB437.5318 million, primarily driven by the Company's acquisition of Wonder Digital and purchase of long-term assets during the Reporting Period.

(3) Net cash used in financing activities was RMB135.4338 million, primarily driven by the Company's repayment of debt during the Reporting Period.

(4) Net decrease in cash and cash equivalents was RMB25.5831 million, primarily driven by net cash used in investing and financing activities during the Reporting Period.

Explanation of why the net cash generated from/used in operating activities varies significantly from the net profit of the Reporting Period:

Applicable Not applicable

V Analysis of Non-Core Businesses

Applicable Not applicable

Unit: RMB

	Amount	As a % of gross profit	Primary source/reason	Recurrent or not
Return on investment	19,131,077.82	3.78%	Gains on wealth management product investments and share of profits of associates recognized using the equity method	Yes
Gain/loss on changes in fair value	17,917,046.61	3.54%	Fair value changes of securities investments and financial investments	Yes
Asset impairment loss	-12,796,323.56	-2.53%	No significant impact.	No
Non-operating income	2,459,567.33	0.49%	No significant impact.	No
Non-operating expenses	880,845.25	0.17%	No significant impact.	No

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2022		1 January 2022		Change in percentage (%)	Reason for any significant change
	Amount	As a % of total assets	Amount	As a % of total assets		
Cash and bank balances	1,274,447,199.74	18.39%	1,664,336,339.35	26.18%	-7.79%	The share repurchase and the payment for the acquisition of equity interests in Wonder Digital in the current period
Accounts receivable	837,305,757.46	12.08%	741,135,648.09	11.66%	0.42%	Increased sales

Contract assets	65,089,851.21	0.94%	24,414,117.64	0.38%	0.56%	Increased sales
Inventories	1,092,981,884.51	15.77%	867,280,013.47	13.64%	2.13%	Increased stocks as a result of more orders
Investment property					0.00%	
Long-term equity investments	95,352,681.52	1.38%	84,777,596.67	1.33%	0.05%	No significant change
Fixed assets	570,200,113.79	8.23%	544,180,159.09	8.56%	-0.33%	No significant change
Construction in progress	38,904,537.85	0.56%	12,298,259.58	0.19%	0.37%	No significant change
Right-of-use assets	86,448,978.02	1.25%	80,386,832.91	1.26%	-0.01%	No significant change
Short-term borrowings	41,815,129.24	0.60%	228,312,880.73	3.59%	-2.99%	Repayment of short-term borrowings in the current period
Contract liability	692,567,968.60	10.00%	405,842,932.51	6.38%	3.62%	Increased advances from customers as a result of more orders in the current period
Long-term borrowings	57,884,494.89	0.84%	325,026,188.49	5.11%	-4.27%	Reclassification of the current portion of borrowings in the current period
Lease liabilities	68,989,111.33	1.00%	65,213,555.87	1.03%	-0.03%	No significant change
Current portion of non-current assets	311,763,750.00	4.50%	108,385,000.00	1.70%	2.80%	Reclassification of the current portion of security deposits for borrowings
Goodwill	430,916,848.74	6.22%	306,969,147.76	4.83%	1.39%	Acquisition of Wonder Digital in the current period
Current portion of non-current liabilities	315,767,431.26	4.56%	38,495,724.83	0.61%	3.95%	Reclassification of the current portion of borrowings in the current period

Overseas assets that take up a large percentage of the Company's net asset value:

√ 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	852,412,893.39	Italy	Producing and marketing by	Operation management	Good	19.98%	Not

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
				itself				
100% interest of EDF S.R.L	M&A	31,879,023.60	Italy	Producing and marketing by itself	Operation management	Good	0.75%	Not

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Impairment allowance for the period	Purchased in the period	Sold in the period	Other changes	Closing amount
Financial assets								
1. Financial assets held for trading (exclusive of derivative financial assets)	775,249,020.94	-19,374,879.84	0.00	0.00	5,457,711,892.97	5,353,536,475.48	0.00	860,049,558.59
2. Derivative financial assets	12,936,500.63	-8,534,136.34	0.00	0.00	16,195.63	3,635,839.63	0.00	782,720.29
Subtotal of financial assets	788,185,521.57	-27,909,016.18	0.00	0.00	5,457,728,088.60	5,357,172,315.11	0.00	860,832,278.88
Other non-current financial	162,523,519.41	38,701,083.92	0.00	0.00	133,225,000.00	0.00	0.00	334,449,603.33

assets								
Total of the above	950,709,040.98	10,792,067.74	0.00	0.00	5,590,953,088.60	5,357,172,315.11	0.00	1,195,281,882.21
Financial liabilities	246,925,243.48	-3,858,646.25	0.00	0.00	3,474,476.39	53,559,838.64	437,613.15	193,418,848.13

Particulars about other changes:

Other changes in financial liabilities are mainly resulted from being recorded in other comprehensive income.

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	40,726,502.47	Used as deposits to obtain bank acceptance bills and letters of guarantee.
Fixed assets	4,409,110.42	Used to obtain bank loans for subsidiaries.
Current portion of other non-current assets	310,300,000.00	Used as deposits for loans for subsidiaries.
Total	355,435,612.89	

VII Investments Made

1. Total Investment Amount

√ Applicable □ Not applicable

Total investment amount in 2022 (RMB)	Total investment amount in 2021 (RMB)	Change (%)
1,227,440,484.73	1,608,856,907.68	-23.71%

2. Significant Equity Investments Acquired in the Reporting Period

√ Applicable □ Not applicable

Unit: RMB

Name of investee company	Main business	Investment mode	Investment amount	Shareholding ratio	Source of funds	Cooperating party	Investment period	Type of product	Progress as of the balance sheet date	Expected return	Gain or loss of investment for the period	Whether involved in litigation	Date of disclosure (if any)	Index of disclosure (if any)
Wonder Digital	Production, sales, R&D and technical services of environmentally friendly packaging and printing equipment and accessories	M&A	148,300,000.00	51.00%	Self-funded	Shenzhen Wonder Business Service Partnership (Limited Partnership) and three persons, including Zhao Jiang, Li Yajun and Luo	Indefinite	Shares	Completion of transfer	0.00	18,633,830.83	None	7 June 2022	Published on www.cninfo.com.cn, Announcement No. 2022-049

						Sanliang								
Total	--	--	148,300,000.00	--	--	--	--	--	--	0.00	18,633,830.83	--	--	--

Note: The consideration of RMB148.3 million for the acquisition of Wonder Digital consists of (1) a cash payment of RMB 123,800,000.00 for the equity interests acquired and (2) a portion of the capital increase of RMB24,500,000.00 that is attributable to the minority shareholders in proportion to their shareholdings.

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/	002407	Do-	87,330,118.45	Fair value		-8,686,340.08		87,330,118.45	38,385,381.75	-15,624,736.70	33,320,000.00	Financial	Self-

overseas listed stocks		Fluoride										assets held for trading	fund ed
Domestically/overseas listed stocks	000547	ADD SINO	48,396,183.60	Fair value		-8,236,547.26		48,396,183.60	14,491,809.83	-5,896,107.13	28,008,266.64	Financial assets held for trading	Self-fund ed
Domestically/overseas listed stocks	300567	Jingce Electronic	74,055,562.31	Fair value		-3,940,856.10		74,055,562.31	5,990,685.06	-2,804,877.25	65,260,000.00	Financial assets held for trading	Self-fund ed
Domestically/overseas listed stocks	600760	Avic Sac	71,584,544.20	Fair value		2,456,199.12		71,584,544.20	46,886,362.44	-10,040,681.76	14,657,500.00	Financial assets held for trading	Self-fund ed
Domestically/overseas listed stocks	688567	Farasis Energy	30,265,333.10	Fair value		-5,690,571.80		30,265,333.10	271,773.32	-5,685,805.14	24,307,754.64	Financial assets held for trading	Self-fund ed
Domestically/overseas listed stocks	-	Other stocks	1,458,371,373.34	Fair value				1,458,371,373.34	1,487,480,778.65	29,109,405.31		Financial assets held for trading	Self-fund ed
Trust products	-	-	6,631,573.01	Fair value	6,631,573.01	-2,868,965.53			3,196,419.88	-2,717,911.75	717,241.38	Financial assets held for trading	Self-fund ed
Funds	-	-	628,007,924.74	Fair value	628,007,924.74	4,349,496.99		160,000,000.00	448,610,484.41	3,199,039.86	342,596,480.19	Financial assets held for trading	Self-fund ed

Others	-	-	140,609,523.19	Fair value	140,609,523.19	3,242,704.82		3,527,708,777.97	3,325,526,063.38	8,390,077.96	351,182,315.74	Financial assets held for trading	Self-funded
Total			2,545,252,135.94	--	775,249,020.94	-19,374,879.84	0.00	5,457,711,892.97	5,370,839,758.72	-2,071,596.60	860,049,558.59	--	--
Disclosure date of the board announcement approving the securities investments			15 March 2022										
Disclosure date of the general meeting announcement approving the securities investments (if any)			N/A										

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

1) Derivative Investments for Hedging Purposes in the Reporting Period

√ Applicable □ Not applicable

Unit: RMB'0,000

Type of derivative	Initial investment amount	Gain/loss on fair-value changes in the period	Return on investment in the current period	Cumulative fair-value changes recognized in equity	Purchased in the Reporting Period	Sold in the Reporting Period	Closing amount	Closing amount as % of the Company's closing equity
Aluminum futures	0	0	-5.83	0.00	114.65	108.83	0	0.00%
Forward forex settlement and sale contract	3,312.03	-35.42	-151.92	0.00	3,422.21	5,599.94	1,134.30	0.28%

Total	3,312.03	-35.42	-157.75	0.00	3,536.86	5,708.77	1,134.30	0.28%
Description of significant changes in accounting policies and specific financial accounting principles in respect of the Company's hedges for the Reporting Period as compared to the prior reporting period	No significant change							
Actual gains/losses in the Reporting Period	During the Reporting Period, the actual loss on derivative contracts for hedging purposes stood at RMB-1.9317 million.							
Results of hedges	Currently not available							
Funding source	Self-funded							
Risk analysis of positions held in derivatives during the Reporting Period and description of control measures (Including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	The Company's financial derivative transaction business is mainly intended to avert and prevent risks arising from fluctuations in exchange rates and commodity prices. In the Rules on the Management of Financial Derivative Transaction Business formulated by the Company, the operating rules, review and approval authority, routine management, and risk control mechanisms on the financial derivative transaction business have been prescribed to standardize business operation as well as prevent and control related risks. Chinese futures exchanges have established well-improved risk control mechanisms. As future exchanges assume the performance responsibility, there is a low probability of credit risk. The Company will strengthen the understanding and mastering of national policies and requirements of relevant governing bodies to avoid related credit and legal risks.							
Changes in market prices or fair value of derivative products during the Reporting Period, specific methods used, and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives	Undue forward forex settlement and sale contracts are measured at fair value, i.e., the difference between the signing price of an undue forward forex settlement and sale contract held at the period-end and the bank's forward forex rates at the period-end.							
Legal matter (if applicable)	N/A							
Disclosure date of the announcement about the board's consent for the derivative investment (if any)	20 April 2022							
Disclosure date of the	7 May 2022							

announcement about the general meeting's consent for the derivative investment (if any)	
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	<p>1. Based on the realities and normal needs of routine operation, the Company and its subsidiaries intend to conduct the financial derivative transaction business, for the purposes of reducing the risks arising from fluctuations in exchange rates and prices of related commodities to the principal business of the Company and decreasing the impacts of market fluctuations on the principal business of the Company and its subsidiaries. By giving full play to the hedging function of financial derivative instruments, the operating results and finance of the Company and its subsidiaries are increasingly robust. 2. The Company has prepared the rules on the internal control management of the financial derivative transaction business by relevant regulatory prescriptions, which is conducive to standardizing and strengthening the risk control management of financial derivative transactions. The Board of Directors of the Company has performed the necessary review and approval procedures for this matter in a legal and rule-compliant manner. No illegalities or violations of regulations and Articles of Association have occurred. 3. In strict compliance with the Stock Listing Rules of the Shenzhen Stock Exchange, the Guideline No. 7 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies--Transactions and Related-party Transactions, and other relevant laws and regulatory guidelines, the Company shall make prudent decisions and conduct prudent management, inspections and monitoring of the financial derivative transactions of the Company and its subsidiaries, strictly control risks, and promptly discharge the information disclosure duty. 4. We hold that the financial derivative transaction business of the Company and its subsidiaries does not prejudice the interests of the Company and all shareholders, particularly not impair the interests of non-controlling shareholders. Therefore, we approve this matter and suggest submitting it to the General Meeting of Shareholders of the Company for deliberation.</p>

2) Derivative Investments for Speculative Purposes in the Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

Applicable Not applicable

No such cases in the Reporting Period.

VIII Sale of Major Assets and Equity Investments

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Investments

Applicable Not applicable

No such cases in the Reporting Period.

IX Principal Subsidiaries and Joint Stock Companies

Applicable Not applicable

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

Unit: RMB

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 corrugated cardboard production lines and parts, as well as provision of after-sales services	EUR1.56 million	2,300,923,976.55	852,412,893.39	2,508,932,597.17	278,452,681.36	208,479,656.14
Shunyi Investment	Subsidiary	Shunyi Investment is principally engaged in business entity and project investments, etc. It is the direct controlling shareholder of Parsun Power.	RMB10 million	518,905,385.25	321,848,677.65	571,989,260.34	78,427,280.91	71,596,963.32

Subsidiaries acquired or disposed of in the Reporting Period:

Applicable Not applicable

Name of subsidiary	How the subsidiary was acquired or disposed of in the Reporting Period	Impact on the Company's operations and financial performance
Wonder Digital	The Company acquired 51% equity interests in Wonder Digital through a cash consideration for the equity interests and a capital increase.	Wonder Digital has been included in the Company's consolidated financial statements since June 2022. It recorded operating revenue and a net profit of RMB81,875,354.35 and RMB18,633,830.83, respectively, for June-December 2022. The consolidation of Wonder Digital has strengthened the Company's financial performance for the Reporting Period.

X Structured Bodies Controlled by the Company

Applicable Not applicable

1. In March 2021, the Company established Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership) (the "Tianjin Hangchuang Fund" or the "Partnership") with AVIC Innovation Capital Management Co., Ltd. The Company, as the sole LP of the Fund, subscribed for the Partnership's contribution share of RMB20,000,000. The Fund is a special fund which is to invest in the equity of Sichuan Dajin Stainless Steel Co., Ltd. (now renamed as Chengdu Dajin Aero-Tech Co., Ltd.).

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

2. In March 2022, the wholly owned subsidiary Yineng Investment indirectly invested in Beijing Sinoscience Fullcryo Technology Co., Ltd. (referred to as "Fullcryo" in this Report) and Sinoscience Fullcryo (Zhongshan) Equipment Manufacturing Co., Ltd. by making a capital contribution to a limited partnership and obtained non-controlling interests of the two companies.

As one of the limited partners of the partnership, Yineng Investment accounts for 94.86% of the total capital contributions. Considering the partnership's agreements on investment orientation, investment decisions, operation and management, income apportionment, and loss bearing, and the fact that Yineng Investment accounts for the majority of the capital contributions to the partnership, the partnership is included in the consolidated statements of Dongfang Precision as a "structured body controlled by the Company" from the perspective of commercial substance and after complying with the Accounting Standard for Business Enterprises and referring to the professional opinions of the independent auditor.

XI Prospects

(I) The Company's development strategy

1. Company vision

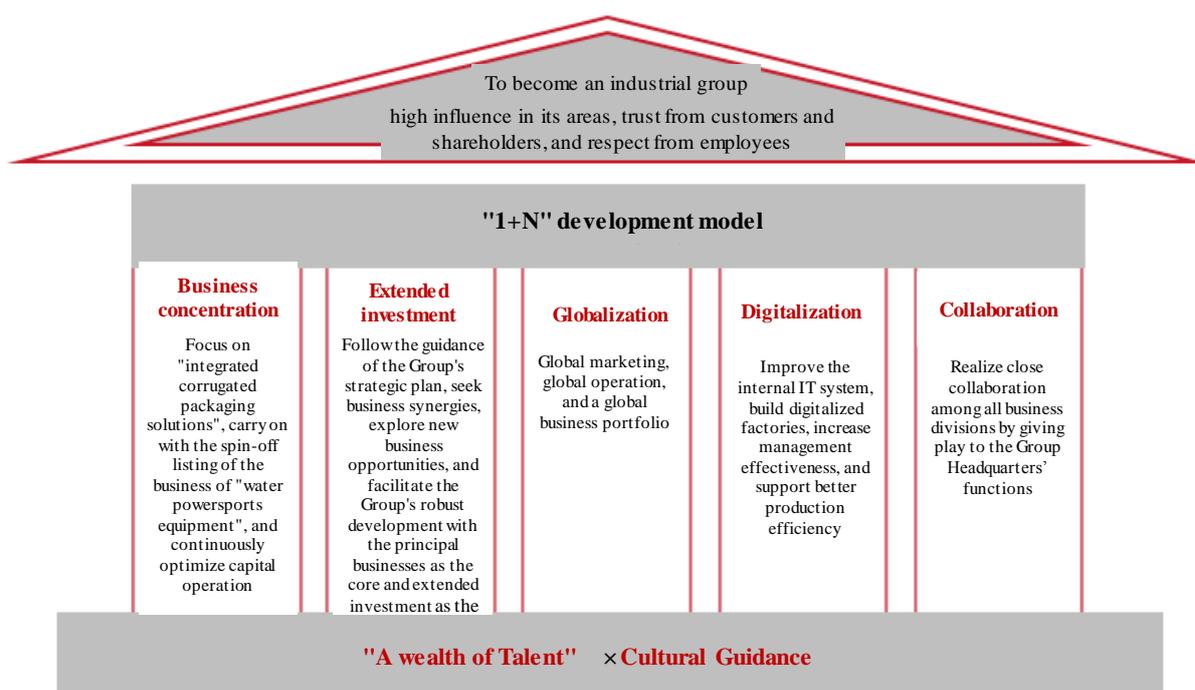
Business purposes of the Company: To become an industrial group with high influence in its areas, trust from customers and shareholders, and respect from employees; uphold the business philosophies of "Integrity, Innovation and Excellence", and achieve mutual benefits with customers, shareholders, employees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

2. Corporate strategy

In 2022, the Company completed its strategic plan for the third five-year period (2018-2022). Looking back at the past five years, the Company achieved 100.1% of its strategic objectives of operating revenue and 96.9% of its strategic objectives of net profit. To be specific, the Company's annual operating revenue (excluding the impact of Pride) has expanded from RMB2,377 million in 2018 to RMB3,893 million in 2022, representing a compound annual growth rate of approximately 13.13%, and its annual net profit (excluding the impact of Pride) has increased from RMB209 million in 2018 to RMB484 million in 2022, with a compound annual growth rate of approximately 23.24%. These results demonstrate the strong capabilities of the Company's management team in scientific decision-making and strategic planning, as well as the competence of efficient strategic execution and realization of all staff of the Company. These capabilities are a solid foundation for the Company's sound and sustainable growth in the future.

Currently, the Company has formulated its strategic plan for the fourth five-year period (2023-2027). In the period, the Company will adhere to the strategic idea of "1+N", with the strategy of "a wealth of talent" and "cultural guidance" as the solid support, and promote the five strategies of "business concentration", "extended investment", "globalization", "digitalization" and "collaboration" to achieve the goal of "to become an industrial group with high influence in its areas, trust from customers and shareholders, and respect from employees".

The Company's strategic plan for the fourth five-year period (2023-2027)



Details are as follows:

- Business concentration strategy: Focus on the core business of “integrated corrugated packaging solutions” and strengthen the endogenous growth constantly, as well as complete the spin-off listing of the subsidiary Parsun Power with its business of "water powersports products", and continuously optimize capital operation.
- Extended investment strategy: Follow the guidance of the Group's strategic plan, seek business synergies, explore new business opportunities, and facilitate the Group's robust development with the principal businesses as the core and extended investment as the support, as well as use such means as M&A, financial investment and the spin-off listing of subsidiary to accumulate momentum for higher growth.
- Globalization strategy: Committed to the globalization of the marketing network, management and operation and the business portfolio, including assets, business, talent and operation and management.
- Digitalization strategy: Internally, continue to enhance the IT system to improve management effectiveness and support the improvement of operational efficiency; externally, provide modular digital solutions for upstream and downstream enterprises through the subsidiary Dongfang Digicom, build a digital platform for the whole chain, and promote the digital transformation of the whole industrial chain.
- Collaboration strategy: Build the organizing ability for group operation, strengthen collaboration among internal business entities, optimize the internal collaboration mechanism, put in place a three-tier group operation structure of "Group Headquarters + Business Divisions + Profit Generating Units", and realize close collaboration among all business divisions by giving play to the Group Headquarters' functions.
- A wealth of talent strategy: Enhance cross-culture leadership, build an excellent talent team, optimize the talent management system, etc.
- Cultural guidance strategy: Establish common goals and values for the Group, build the Group as an international family, and lead subsidiaries towards common growth.

(II) The Company's main business plan for 2023**1. Promote capacity expansion and support growth in operating performance**

In 2022, the Company's domestic and international business entities achieved a total order intake of approximately RMB5,404 million, an increase of 31% YoY, which is the biggest annual order intake by the Company for years. To actively seize market opportunities and meet order delivery needs, relevant business units of the Company will vigorously promote capacity expansion in 2023. In early 2023, a groundbreaking ceremony was held for the subsidiary Fosber Asia's new corrugated cardboard production line intelligent plant construction project, covering an area of approximately 80 mu. It is expected that upon completion of the new plant, Fosber Asia's production capacity will be increased by more than twice. In August 2022, the subsidiary Wonder Digital moved into a new facility, which is nearly three times the size of the previous one. This relocation enabled

Wonder Digital to better meet the delivery of its continuously growing orders and provided strong support to achieve continued growth in business performance. Meanwhile, Fosber Italy, another subsidiary of the Company, will also promote the construction of its new plant in 2023. In addition, in March 2023, the construction of a new green digital and intelligence factory with an annual production capacity of 76,400 units of high-end water powersports products and the construction of a new R&D centre was officially started by Parsun Power, which will lay a solid foundation for the further development of Parsun Power.

2. Corrugated packaging equipment business: Improve business synergy and release growth potential

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

In 2023, the Company will further improve the synergy between the medium- and high-end corrugated cardboard production lines business of Fosber Italy and QCorr and the domestic corrugated cardboard production lines business of Fosber Asia in such aspects as R&D design, production and manufacturing, and supply chain; further deepen the collaboration between the corrugated box printing and packaging production line equipment business of Dongfang Precision (China) and that of Dongfang Precision (Europe) in such aspects as R&D design, production and manufacturing, and supply chain; promote the in-depth integration and adjustment of Tiru ña Group to stimulate the latter's operating vitality and development potential, and introduce the corrugated roller and pressure roller products of Tiru ña into China to achieve the localized production of the corrugated roller and pressure roller business, thus expanding new market for Tiru ña products in China and Asia while supporting the development of the domestically high-end corrugated cardboard production lines business. The Company will promote domestic business entities to introduce leading high-end equipment products from Europe into China, redesign, modify and localize such products in combination with the needs of customers in China and Asia markets, and launch appropriate domestically produced high-end equipment products to customers in both domestic and Asia markets; promote the Group's business entities at home and abroad to share resources in such aspects as supply chain, production capacity and sales network to achieve advantage complementation and joint resource utilization, thus improving the overall operating efficiency of core business, reducing the overall cost, strengthening the overall market competitiveness, and exploring new markets on this basis; promote the collision and integration between the corrugated packaging equipment business and the industrial Internet industry solutions and digital printing solutions businesses, explore new business models, and create new product mixes, so as to further expand the development space of and inject new development vitality into the Company's core business.

3. Digital printing solutions business: Expand new fields to achieve continuous growth

In 2023, Wonder Digital will continuously expand business with a focus on product R&D and sales. In terms of R&D, Wonder Digital will, on the premise of consolidating the basic order of digital printing solution in the field of corrugated packaging, develop new digital printing solution products in such fields as offset carton printing, label and home building materials, to meet industry and market needs and further expand the development space of Wonder Digital, thus achieving continuous growth of the industrial digital business and

improving the comprehensive competitiveness. In terms of sales, Wonder Digital will actively grasp market opportunities, adjust sales strategies, expand sales areas, strengthen the building and layout of sales and after-sales networks at home and abroad, enhance the professional training of dealers and after-sales personnel to improve their professional skills and service level, thus providing better after-sales services for customers. Wonder Digital will also increase its presence in exhibitions at home and abroad to further improve its market influence and awareness. Wonder Digital strives to, through the efforts above, achieve new breakthroughs and development in 2023. In the future, with the promotion and application of its digital printing solutions in multiple fields, Wonder Digital will have a broader development space.

4. Industrial Internet industry solutions business: Achieve rapid development and expansion

With the development of digital and intelligent technologies, the industrial Internet and intelligent plant have become important approaches and means for digital transformation and intelligent upgrade of the manufacturing industry. Dongfang Precision actively responds to national policies, fully seize the opportunities of the times, continuously invest resources into industrial Internet and intelligent plant, and take the initiative to explore the application of digital and intelligent technologies in the manufacturing industry, in an effort to inject new vitality into industry development.

In 2023, the Company will unswervingly invest resources to promote the development of the industrial Internet industry solutions business and help customers achieve digital transformation and intelligent upgrade.

In terms of R&D, Dongfang Digicom will continuously improve, rapidly iterate and upgrade independently-developed industrial Internet platform products and intelligent production information management, and constantly improve product performance and enrich product functions to provide solid support for the promotion and application of the aforesaid products in the field of large packaging.

In terms of market expansion, the team of Dongfang Digicom will intensify efforts to promote the application of the Industrial Internet Platform products of DFDIGICOM in the field of large packaging, and expand the application scope of such products to the packaging fields beyond corrugated packaging. In addition, the team of Dongfang Digicom will also actively conduct online and offline promotion activities, participate in the annual industry exhibition in 2023, and establish and improve online product promotion and marketing channels.

In terms of industrial ecosystem, in 2023, Dongfang Digicom will join hands with more organizations and enterprises in the field of industrial Internet in creating a win-win ecosystem and producing greater impacts in the development wave of industrial Internet in the new era.

5. The extended investment business: Seek business synergies and explore new development opportunities

The Company will adhere to the "1+N" strategic model with the co-development and mutual promotion of "Core Business + Extended Investments" business. "1" represents the Company's main business of corrugated packaging equipment and the cornerstone, the Company is making great efforts in developing it, and striving to obtain a higher market share in the era of high-end, digital and intelligent trends; "N" represents the incubation and cultivation of subsidiaries and joint-stock companies.

In 2023, the subsidiary, Yineng Investment, the main entity of the extended investment business, will continue to take advantage of industries related to the principal operations of Dongfang Precision, focus on high-quality companies in the industrial chain of China and the world. It will also carry out M&A around the industrial

chain according to the business needs and the actual situation of the Company, strengthen the horizontal and vertical integration of the industrial chain, and seek for business synergies.

During M&As, Yineng Investment will fully participate in the industries supported by China's "14th Five-Year Plan", focusing its equity investment on high-end equipment manufacturing, intelligent manufacturing and other strategic emerging high-tech industries, and will aim at enterprises with extensive industrial development opportunities and favorable industrial advantages. It will obtain good investment returns and at the same time create new business development opportunities for the Group.

(III) Possible risks and countermeasures

1. Risks arising from fluctuations in exchange rates

The main settlement currency and recording currency of Fosber Italy, the principal overseas business entity of the Company, are EUR, while the main settlement currency and recording currency of Fosber America and the main settlement currency of the export business of domestic business entities are USD. Fluctuations in USD and EUR exchange rates may exert certain impacts on the presentation of the assets and operating results of overseas business entities in the Company's consolidated financial statements. EUR declined sharply against RMB in mid-2022, while USD significantly increased against RMB in 2022, even hitting a record high since 2020. The decline of EUR against RMB exceeded the increase of USD against RMB, exerting certain negative impacts on the presentation of the operating results of the Company in its consolidated financial statements in 2022.

Looking ahead to 2023, considering the uncertainty in the pace and path of interest rate hike by the US Federal Reserve uncertain under the comprehensive influence of various factors and the inflation level and development trend of the real economy in the US and the EU, USD and EUR exchange rates may fluctuate beyond expectations in 2023.

Countermeasures:

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

2. Risk of inflation in overseas markets

All the business, assets and staff of Fosber Group are located in Europe and North America. They and their subsidiaries adopt a localized management and operation model, with product design, development and manufacturing being completed locally in Europe and the US. The raw materials required for the Company's corrugated packaging equipment products mainly include a variety of steel plates, steel parts. etc. In 2022, the combination of high inflation in the US and Europe, complex geopolitics and insufficient supply of some raw materials exerted certain impacts on the operating costs of overseas business entities. Looking ahead to 2023, the change trend of inflation status remains unclear in the US and Europe. It is forecast that the inflation level in the EUR area is expected to remain high, but that in the US is still uncertain somehow.

Countermeasures:

The Company will pay attention to the market prices of important raw materials and components constantly, and conduct dynamic analysis and judgment; it will strengthen proactive management and collaboration by

adopting countermeasures such as proper adjustment of payment settlement and entering into long-term purchase agreements for important raw materials to control the fluctuation of procurement prices; it will continuously increase the operational efficiency of overseas business entities; it will give full play to the Group's strong capability of cross-continent-and-country asset allocation brought about by the globalization of business assets, and optimize asset allocation within the Group and reduce overall costs through rational planning and management of internal transactions and sharing of resources.

3. Potential risks of financial investment business

In recent years, the Company has arranged some of its idle owned funds to carry out financial investment business such as securities investment and entrusted wealth management in an appropriate manner, based on the actual and development needs. There are certain risks of carrying out the above business due to fluctuations in the financial market and uncertainty of income; and the risk that the Company may suffer certain investment losses in case of risk events in the process of wealth management activities in terms of investment strategies and use of funds.

Countermeasures:

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

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

√ Applicable □ Not applicable

Date	Place	Way of communication	Type of the communication party	Communication party	Main discussions and materials provided by the Company	Index to the relevant information
16 March 2022	Conference Room of the Company	By phone	Institution	China Universal Asset Management, Zheshang Securities	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 16 March 2022 on http://www.cninfo.com.cn
24 March 2022	Conference Room of the Company	By phone	Institution	ABC-CA Fund Management, AEGON-INDUSTRIAL Fund, CIB Fund, China International Fund, China Southern Asset Management, HFT Investment Management, Western Leadbank FMC, Essence Fund, Rongtong Fund, Boyuan Fund Management, Nuode Asset Management, Baoying Fund, Hwabao WP Fund, Shangzheng Fund, JT Asset Management, Xinyuan Asset Management, Goldstate Capital Fund, Hunan Qingyan Venture Capital, Perseverance Asset Management, Picea Investment Management, New China Asset Management, China Great Wall Asset Management, Shanghai Heju Investment Management, Qian He Capital Management, Guotai Junan Securities Asset Management, Tongben Investment, Shanghai Panjing Investment, Shanghai Jiuge Investment Management, Financial Holding Asset Management, Xizang Hezhong Yisheng Investment Management, Yuancheng Investment Management,	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 24 March 2022 on http://www.cninfo.com.cn

				Dongkai Investment Management, Shanghai Million Tons Asset Management, Taishi Investment Management, CQ Capital Management, Shanghai Jingjing Investment Management, Royel Investment Management, Shanghai Patio Investment Management, Yuancheng Investment Management, Pinpoint Asset Management, Shanghai Licheng Asset Management, Wellspring Capital, Essence Securities, Chasing Securities, Orient Securities, Donghai Securities, Shenwan Hongyuan Securities, Sealand Securities, Haitong Securities, Jiantou Investment Co., Ltd., Fujian Haixia Bank Co., Ltd., Yuanxin (Zhuhai) Private Equity Fund Management Co., Ltd., Peking University Founder Life Insurance Co., Ltd., King Tower Asset Management Company Ltd., PICC Asset Management Co., Ltd., Sinatay Life Insurance Co., Ltd., Beijing Qijihechuang Investment Co., Ltd., Wealth Success Assess Management, etc.		
25 March 2022	Conference Room of the Company	By phone	Institution	Pacific Assets, East Asia Qianhai Securities, Caida Securities, etc.	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 25 March 2022 on http://www.cninfo.com.cn
15 August 2022	Conference Room of the Company	By phone	Institution	Jiantou Investment Co., Ltd.	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 15 August 2022 on http://www.cninfo.com.cn

23 August 2022	Conference Room of the Company	By phone	Institution	Huarong Securities	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 23 August 2022 on http://www.cninfo.com.cn
10 November 2022	Conference Room of the Company	By phone	Institution	Orient Securities	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 10 November 2022 on http://www.cninfo.com.cn
28 November 2022	Conference Room of the Company	By phone	Institution	Orient Securities Asset Management Co., Ltd.	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 28 November 2022 on http://www.cninfo.com.cn
1 December 2022	Conference Room of the Company	By phone	Institution	Tianfeng Securities	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 1 December 2022 on http://www.cninfo.com.cn

2 December 2022	Conference Room of the Company	One-on-one meeting	Institution	BOCOM Schroders, Northeast Securities, Essence Securities	Introduced the Company's operation, competitive advantages, industry direction and future strategic planning, and answered investors' questions	002611 Dongfang Precision-- Record on Investor Relation Activities on 2 December 2022 on http://www.cninfo.com.cn
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Part IV Corporate Governance

I General Information of Corporate Governance

During the Reporting Period, the Company strictly abided by laws and regulations and rules and normative documents of regulatory authorities, including the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Rules for Stock Listing of Shenzhen Stock Exchange and the Shenzhen Stock Exchange Guideline No. 1 for the Self-regulation of Listed Companies - Standardized Operation of Listed Companies on the Main Board, continued to improve the Company's corporate governance structure, refine internal management and control policies, and further strengthen the Company's capability of governance.

(I) Shareholders and general meeting

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

(II) The Company and controlling shareholders

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

(III) Directors and the Board of Directors

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

(IV) Supervisors and the Supervisory Committee

During the Reporting Period, supervisors of the Company were elected in strict accordance with the supervisor election procedure specified in the Articles of Association. The Supervisory Committee of the Company was composed of three supervisors,

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

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

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

(VI) Information disclosure and transparency

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

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

Yes No

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

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

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

1. Asset independence

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

property rights. The Company owns production systems, auxiliary production systems and supporting facilities related to its production and operation, and has independent raw material procurement and product selling systems. Assets of the Company are strictly separated from those of shareholders and the actual controller, and no assets of the Company are being occupied by shareholders or the actual controller.

2. Personnel independence

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

3. Finance independence

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

4. Organization independence

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

5. Business independence

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

III Horizontal Competition

Applicable Not applicable

IV Annual and Extraordinary General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Resolution
The First Extraordinary General Meeting of 2022	Extraordinary General Meeting	33.10%	14 March 2022	15 March 2022	1. The Proposal on the 2022 Restricted Share Incentive Plan (Draft) and Its Summary was approved; 2. The Proposal on the Appraisal Management Methods for the 2022 Restricted Share Incentive Plan was approved; 3. The Proposal on the Request for the General Meeting to Authorize the Board of Directors to Handle Matters in Relation to the 2022 Restricted Share Incentive Plan was approved.
The 2021 Annual General Meeting	Annual General Meeting	32.52%	8 April 2022	9 April 2022	1. The Proposal on the 2021 Work Report of the Board of Directors (including the 2021 Work Report of Independent Directors) was approved; 2. The Proposal on the 2021 Work Report of the Supervisory Committee was approved; 3. The Proposal on the 2021 Annual Report and Its Summary was approved; 4. The Proposal on the 2021 Final Financial Accounts was approved; 5. The Proposal on the 2022 Budget was approved; 6. The Proposal on the 2021 Final Dividend Plan was approved; 7. The Proposal on the 2021 Internal Control Assessment Report was approved; 8. The Proposal on Intention to Appoint the Independent Auditor for 2022 was approved; 9. The Proposal on the Use of Own Funds for Entrusted Wealth Management in 2022 was approved; 10. The Proposal on the Compliance with Applicable Laws and Regulations of the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved; 11. The Proposal

					<p>on the Plan for the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved; 12. The Proposal on the Preliminary Plan for the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved; 13. The Proposal on the Compliance with the Spin-off Rules for Listed Companies (Trial) of the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved; 14. The Proposal on the Benefit of the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board in Protecting the Legitimate Interests of Shareholders and Creditors was approved; 15. The Proposal on the Company Maintaining Independence and Going Concern Capability was approved; 16. The Proposal on Suzhou Parsun Power Machine Co., Ltd. Possessing Due Capability of Operation Compliance was approved; 17. The Proposal on the Statement Regarding the Completeness and Compliance of the Statutory Procedures in the Spin-off and the Validity of the Legal Documents Filed was approved; 18. The Proposal on the Purpose, Commercial Rationality, Necessity and Feasibility Analysis of the Spin-off was approved; 19. The Proposal on the Request for the General Meeting to Authorize the Board of Directors and Its Authorized Personnel to Handle Matters in Relation to the Spin-off Listing was approved.</p>
The Second Extraordinary General Meeting of	Extraordinary General Meeting	32.57%	6 May 2022	7 May 2022	<p>1. The Proposal on the Conducting of Financial Derivatives Trading was approved; 2. The Proposal on the Revision of the Articles of Association</p>

2022					was approved; 3. The Proposal on the Revision of the Rules of Procedure for General Meeting was approved; 4. The Proposal on the Revision of the Rules of Procedure for the Board of Directors was approved; 5. The Proposal on the Revision of the Rules of Procedure for the Supervisory Committee was approved; 6. The Proposal on the Revision of the Management Rules for Securities Investment was approved; 7. The Proposal on the Formulation of the Management Rules for Financial Derivatives Trading was approved.
The Third Extraordinary General Meeting of 2022	Extraordinary General Meeting	33.02%	12 August 2022	13 August 2022	1. The Proposal on the Election of Independent Directors for the Fourth Board of Directors was approved by cumulative voting; 2. The Proposal on the Election of Non-Independent Directors for the Fourth Board of Directors was approved by cumulative voting; 3. The Proposal on the Write-off of Certain Repurchased Shares and Reduction of Registered Capital and Amendment of the Articles of Association was approved.

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

Applicable Not applicable

V Directors, Supervisors and Senior Management**1. General Information**

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Opening shareholding (share)	Increase in the period (share)	Decrease in the period (share)	Other increase /decrease (share)	Closing shareholding (share)	Reason for share change
Tang Zhuolin	Chairman of the Board	Incumbent	Male	60	22 July 2010	22 September 2023	270,737,568				270,737,568	
Qiu Yezhi	Director and General Manager	Incumbent	Female	51	22 July 2010	22 September 2023	23,382,388				23,382,388	
Xie Weiwei	Director and Deputy General Manager	Incumbent	Male	49	16 June 2016	22 September 2023	1,000,000				1,000,000	
Zhou Wenhui	Director, Board Secretary and Vice President	Incumbent Vice President and former Director and Board Secretary	Male	50	29 January 2019	26 July 2022	1,200,000				1,200,000	
Feng Jia	Director and Board Secretary	Incumbent	Female	37	12 August 2022	22 September 2023	0	700,000			700,000	
Shao	Chief Financial Officer and Vice	Incumbent	Male	48	29 December	22 September	800,000				800,000	

Yongfeng	President				2020	2023						
Mai Zhirong	Independent Director	Former	Male	52	16 June 2016	12 August 2022						
Peng Xiaowei	Independent Director	Former	Male	52	16 June 2016	12 August 2022						
He Weifeng	Independent Director	Former	Male	62	16 June 2016	12 August 2022						
Li Ketian	Independent Director	Incumbent	Male	66	12 August 2022	22 September 2023						
Liu Da	Independent Director	Incumbent	Male	48	12 August 2022	22 September 2023						
Tu Haichuan	Independent Director	Incumbent	Male	43	12 August 2022	22 September 2023						
Chen Huiyi	Chairman of the Supervisory Committee	Incumbent	Female	38	19 May 2017	22 September 2023	480				480	
Zhao Xiuhe	Employee Supervisor	Incumbent	Male	52	16 June 2016	22 September 2023						
He Baohua	Supervisor	Incumbent	Male	41	22 September 2020	22 September 2023	614,088				614,088	
Total	--	--	--	--	--	--	297,734,524	700,000	0	0	298,434,524	--

Indicate whether any director, supervisor or senior management resigned or was dismissed before the end of their tenure during the Reporting Period.

Yes No

Changes of directors, supervisors and senior management:

Applicable Not applicable

Name	Office title	Type of change	Date	Reason
Zhou Wenhui	Board Secretary	Removed	14 March 2022	Due to internal adjustments, Mr. Zhou Wenhui ceased to be Board Secretary of the Company but continued to be Director and Vice President of the Company.
Feng Jia	Board Secretary	Appointed	14 March 2022	The Proposal on the Change of Board Secretary was approved at the 14 th Meeting of the Fourth Board of Directors on 14 March 2022. As such, Ms. Feng Jia has been appointed as Board Secretary of the Company.
Zhou Wenhui	Director	Resigned	26 July 2022	Due to internal adjustments, Mr. Zhou Wenhui ceased to be Director of the Fourth Board of Directors of the Company but continued to be Vice President of the Company. He is also General Manager of the subsidiary Yineng Investment.
Feng Jia	Director	Elected	12 August 2022	The Proposal on the Election of Non-independent Director for the Fourth Board of Directors was approved at the Third Extraordinary General Meeting in 2022 on 12 August 2022. As such, Ms. Feng Jia has elected as Non-independent Director of the Fourth Board of Directors of the Company.
Mai Zhirong	Independent Director	Resigned upon the expiry of his tenure	12 August 2022	Mr. Mai Zhirong resigned as Independent Director of the Fourth Board of Directors upon the expiry of his tenure.
Peng Xiaowei	Independent Director	Resigned upon the expiry of his tenure	12 August 2022	Mr. Peng Xiaowei resigned as Independent Director of the Fourth Board of Directors upon the expiry of his tenure.
He Weifeng	Independent Director	Resigned upon the expiry of his tenure	12 August 2022	Mr. He Weifeng resigned as Independent Director of the Fourth Board of Directors upon the expiry of his tenure.
Li Ketian	Independent Director	Elected	12 August 2022	The Proposal on the Election of Independent Directors for the Fourth Board of Directors was approved at the Third Extraordinary General Meeting in 2022 on 12 August 2022. As such, Mr. Li Ketian has been elected as Independent Director of the Fourth Board of Directors of the Company.

Liu Da	Independent Director	Elected	12 August 2022	The Proposal on the Election of Independent Directors for the Fourth Board of Directors was approved at the Third Extraordinary General Meeting in 2022 on 12 August 2022. As such, Mr. Liu Da has been elected as Independent Director of the Fourth Board of Directors of the Company.
Tu Haichuan	Independent Director	Elected	12 August 2022	The Proposal on the Election of Independent Directors for the Fourth Board of Directors was approved at the Third Extraordinary General Meeting in 2022 on 12 August 2022. As such, Mr. Tu Haichuan has been elected as Independent Director of the Fourth Board of Directors of the Company.

2. Biographical Information

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

1. Members of the Board of Directors

Mr. Tang Zhuolin, born in August 1963, Chinese, has no right of permanent residence abroad. He is a member of the 12th People's Political Consultative Conference of Nanhai District, Foshan City, Guangdong Province, Managing Director of the 9th Council of China Packaging Federation, Managing Director of Guangdong Food and Packaging Machinery Association, Vice President of Foshan Machinery Equipment Industry Association, Honorary President of Foshan Nanhai District Machinery Equipment Trade Association, Vice President of Foshan High-tech Zone Chamber of Commerce, and Vice President of Foshan Nanhai District Listed Company Association. He once was Head of Nanhai Guichengdong Plastic and Textile Factory No. 2, Head of Nanhai Guichengdong Printing Machinery Factory No. 2, and Supervisor of Shenzhen Zhiquan Venture Capital Co., Ltd. He used to serve as the Company's General Manager and Chief Engineer since 1996, and is currently Chairman of the Board of the Company. He is also Director of Dong Fang Precision (HK) Limited, Director of Dong Fang Precision (Netherland) Cooperatief U.A., Chairman of the Board of EDF Europe S.r.l., Director of Fosber S.p.A., Director of Guangdong Fosber Intelligent Equipment Co., Ltd., Executive Director and General Manager of Suzhou Shunyi Investment Co., Ltd., Executive Director and General Manager of Hainan Yineng Investment Co., Ltd., Supervisor of Dongfang Digicom Technology Co., Ltd., Supervisor of Dongfang Digicom Technology (Guangdong) Co., Ltd., Executive Director and Manager of Dongfang Yineng International Holding Co., Ltd., Chairman of the Board of Shenzhen Wonder Digital Technology Co., Ltd., Director of Fosber America, Inc., Director of Tiru ña Grupo Industrial, S.L., Director of Tiru ña S.L.U., Director of Parsun Power, Executive Director and General Manager of Shenzhen Xianglin Venture Capital Co., Ltd., Supervisor of Shenzhen Shenghui Venture Capital Co., Ltd., etc.

Ms. Qiu Yezhi, born in July 1972, Chinese, has no right of permanent residence abroad, MBA, National Model Worker, Member of the 12th People's Political Consultative Conference of Foshan City, Guangdong Province, and Deputy to the 17th People's Congress of Nanhai District, Foshan City, Guangdong Province. Served successively as the Company's Director of the General Manager's Office, General Manager of Operations and General Manager since 1996, and as the Company's General Manager and Board Secretary from July 2010 to October 2013. She served as the General Manager and Director of Foshan Yinglian Digital Printing Equipment Co., Ltd. from May 2017 to September 2020. Currently the Company's Director and General Manager, Executive Director and General Manager of Dongfang Digicom Technology Co., Ltd., Supervisor of Hainan Yineng Investment Co., Ltd.,

Chairman of the Board of Guangdong Fosber Intelligent Equipment Co., Ltd., Executive Director of Dongfang Digicom Technology (Guangdong) Co., Ltd., Vice Chairman of the Board of Fosber S.p.A., Director of Fosber America, Inc., Director of Tiru ña Grupo Industrial, S.L., Director of Tiru ña S.L.U., Director of QuantumCorrugated S.r.l., Director of EDF Europe S.r.l., Supervisor of Dongfang Yineng International Holding Co., Ltd., Director of Tiru ña America inc., Director of Suzhou Parsun Power Machine Co., Ltd., Executive Director and General Manager of Shenzhen Shenghui Venture Capital Co., Ltd., and Supervisor of Shenzhen Xianglin Venture Capital Co., Ltd., etc.

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

Ms. Feng Jia, Chinese, born in 1986, has no right of permanent residence abroad. She is Doctor of Engineering of Zhejiang University, Postdoctoral Fellow of Guangzhou Institute of Energy Conversion of Chinese Academy of Sciences, and Intermediate Engineer. She used to work as Associate Researcher at Guangzhou Institute of Energy Conversion of Chinese Academy of Sciences from 2014 to 2018, Senior Manager in the Research and Development Department of China Securities Co., Ltd. from 2018 to 2019, and Assistant to President & Board Secretary of Tianjin LVIYIN Landscape and Ecology Construction Co., Ltd. from 2019 to 2021. Joining the Company in September 2021, she is now Director, Vice President and Board Secretary of the Company.

Mr. Li Ketian, Chinese, born in 1957, has no right of permanent residence abroad. Graduated from South China University of Technology with a doctoral degree and a professional title of professor of mechanical engineering. Once served as a worker, technician and engineer at the Wuhan Camera Factory from 1974 to 1989 and as a lecturer, associate professor and professor at Guangdong University of Technology from 1992 to 2020. Currently the Leader of the China Technical Guidance Expert Group for the Plastic Mold Engineering Project of the World Skills Competition, and the Independent Director of Dongfang Precision.

Mr. Liu Da, Chinese, born in 1975, has no right of permanent residence abroad. Graduated from University of International Business and Economics with bachelor of economics. A certified public accountant. Once served as the Senior Audit Manager of PricewaterhouseCoopers from 1998 to 2009, Chief Internal Auditor of Prudential Life Insurance Co., Ltd. from 2009 to 2010. Currently the Director and General Manager of Guangzhou Kaihua Investment Consulting Co., Ltd. In the last five years, he has been the Independent Director of Zensun Enterprises Limited (Stock Code: 185) and the Independent Director of Kimou Environmental Holding Limited (Stock Code: 6805), both are listed companies on the main board of the Hong Kong Stock Exchange. He has also been the Supervisor of Guangzhou Longyi Kaihua Enterprise Management Consulting Co., Ltd, Supervisor of One Tutor Education Consulting (Guangzhou) Co., Ltd., and Independent Director of Dongfang Precision.

Mr. Tu Haichuan, Chinese, born in 1980, has no right of permanent residence abroad. Graduated from Shanghai University of Finance and Economics with a major in asset evaluation and accounting. A certified public accountant. Once served as the Audit Manager of Guangdong Dahua Delv Certified Public Accountants from 2004 to 2009, Investment Director of Guangxi Saifu Investment Co., Ltd. in 2010, Financial Manager, Chief Financial Officer and Assistant to the Chairman of Guangdong Dongfang Precision Science & Technology Co., Ltd. from December 2010 to September 2016. Currently the Executive Director and General Manager of Shenzhen Changhe Capital Management Co., Ltd. In the last five years, he has been the Director of Guangzhou Shoulian Environment Group Co., Ltd. and Shenzhen Aiwen Culture Development Co., Ltd., and Independent Director of Dongfang Precision.

2. Members of the Supervisory Committee

Ms. Chen Huiyi, 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, as well as Supervisor of the subsidiary Suzhou Parsun Power Machine Co., Ltd.

Mr. He Baohua, 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.

Mr. Zhao Xiuhu, 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

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

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

Ms. Feng Jia, currently the Company's Board Secretary. Her resume is detailed in "1. Members of the Board of Directors".

Mr. Shao Yongfeng, 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.

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		No
Tang Zhuolin	Dongfang Precision (Netherlands)	Director	29 October 2013		No
Tang Zhuolin	Fosber Italy	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		No

Tang Zhuolin	Shunyi Investment	Executive Director and General Manager	2 July 2015		No
Tang Zhuolin	Yineng Investment	Executive Director and General Manager	10 October 2020		Yes
Tang Zhuolin	Dongfang Digicom	Supervisor	26 October 2020		Yes
Tang Zhuolin	Dongfang Digicom (Guangdong)	Supervisor	26 February 2021		No
Tang Zhuolin	Wonder Digital	Chairman of the Board	7 June 2022		Yes
Tang Zhuolin	Dongfang Yineng International Holding Co., Ltd.	Executive Director and Manager	15 February 2022		No
Tang Zhuolin	Shenzhen Xianglin Venture Capital Co., Ltd.	Executive Director and General Manager	26 May 2016		No
Tang Zhuolin	Shenzhen Shenghui Venture Capital Co., Ltd.	Supervisor	16 May 2016		No
Tang Zhuolin	Fosber America	Director	26 July 2022		Yes
Tang Zhuolin	Tiru ña Group	Director	3 August 2022		Yes
Tang Zhuolin	Tiru ña S.L.U.	Director	3 August 2022		No
Qiu Yezhi	Fosber Italy	Vice Chairman of the Board	26 March 2014		Yes
Qiu Yezhi	Fosber America	Director	26 July 2022		Yes
Qiu Yezhi	Tiru ña Group	Director	30 May 2019		Yes
Qiu Yezhi	Tiru ña America	Director	26 July 2022		Yes
Qiu Yezhi	Tiru ña S.L.U.	Director	30 May 2019		No
Qiu Yezhi	QCorr	Director	3 February 2020		Yes
Qiu Yezhi	Fosber Asia	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		No
Qiu Yezhi	Yineng Investment	Supervisor	10 October 2020		No
Qiu Yezhi	Dongfang Digicom	Executive Director and General Manager	26 October 2020		No
Qiu Yezhi	Dongfang Digicom (Guangdong)	Executive Director	26 February 2021		No

Qiu Yezhi	Dongfang Yineng International Holding Co., Ltd.	Supervisor	15 February 2022		No
Qiu Yezhi	Shenzhen Xianglin Venture Capital Co., Ltd.	Supervisor	26 May 2016		No
Qiu Yezhi	Shenzhen Shenghui Venture Capital Co., Ltd.	Executive Director and General Manager	18 May 2015		No
Xie Weiwei	Shunyi Investment	Supervisor	2 July 2015		No
Xie Weiwei	Jaten Robot	Director	23 March 2016		Yes
Xie Weiwei	Foshan Nanhai District Machinery Equipment Trade Association	Branch Secretary	23 November 2020		Yes
Liu Da	Guangzhou Kaihua Investment Consulting Co., Ltd.	Director and General Manager	April 2010		Yes
Liu Da	Zensun Enterprises Limited	Independent Director	27 July 2015		Yes
Liu Da	Kimou Environmental Holding Limited	Independent Director	1 March 2023		Yes
Tu Haichuan	Shenzhen Longriver Capital Management Co., Ltd.	Executive Director	October 2016		Yes
Tu Haichuan	Shenzhen Ivan Culture Development Co., Ltd.	Director	March 2018		No
Shao Yongfeng	Dongfang Digicom	Chief Financial Officer	1 January 2021		Yes
Shao Yongfeng	Yineng Investment	Chief Financial Officer	1 January 2021		Yes
Chen Huiyi	Parsun Power	Supervisor	10 October 2022		No
He Baohua	Shenzhen Zhiquan Venture Capital Co., Ltd.	Supervisor	10 August 2021		No
Note	Not applicable				

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

Applicable Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

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

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Remuneration from any related party or not
Tang Zhuolin	Chairman of the Board	Male	60	Incumbent	393.06	Yes
Qiu Yezhi	Director and General Manager	Female	51	Incumbent	397.98	Yes
Xie Weiwei	Director and Deputy General Manager	Male	49	Incumbent	79.33	Yes
Zhou Wenhui	Director, Board Secretary and Vice President	Male	50	Former	50.89	No
Feng Jia	Director, Board Secretary and Vice President	Female	37	Incumbent	68.83	No
Shao Yongfeng	Chief Financial Officer and Vice President	Male	48	Incumbent	130.76	No
Mai Zhirong	Independent Director	Male	52	Former	13.98	No
Peng Xiaowei	Independent Director	Male	52	Former	13.98	No
He Weifeng	Independent Director	Male	62	Former	13.98	No
Li Ketian	Independent Director	Male	66	Incumbent	6.02	No

Liu Da	Independent Director	Male	48	Incumbent	6.02	No
Tu Haichuan	Independent Director	Male	43	Incumbent	6.02	No
Chen Huiyi	Chairman of the Supervisory Committee	Female	38	Incumbent	28.79	No
Zhao Xiuhe	Employee Supervisor	Male	52	Incumbent	22.64	No
He Baohua	Supervisor	Male	41	Incumbent	54.54	No
Total	--	--	--	--	1,286.82	--

VI Performance of Duty by Directors in the Reporting Period

1. Board Meetings Convened during the Reporting Period

Meeting	Date of the meeting	Disclosure date	Resolution
The 13 th (Extraordinary) Meeting of the 4 th Board of Directors	25 February 2022	26 February 2022	<ol style="list-style-type: none"> 1. The Proposal on the 2022 Restricted Share Incentive Plan (Draft) and Its Summary was approved. 2. The Proposal on the Appraisal Management Methods for the 2022 Restricted Share Incentive Plan was approved. 3. The Proposal on the Request for the General Meeting to Authorize the Board of Directors to Handle Matters in Relation to the 2022 Restricted Share Incentive Plan was approved. 4. The Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the Reserved Restricted Shares under the 2020 Restricted Share Incentive Plan was approved. 5. The Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the Reserved Restricted Shares under the 2020 Restricted Share Incentive Plan was approved.
The 14 th Meeting of the 4 th Board of Directors	14 March 2022	15 March 2022	<ol style="list-style-type: none"> 1. The Proposal on the 2021 Work Report of the Board of Directors (including the 2021 Work Report of Independent Directors) was approved. 2. The Proposal on the 2021 Work Report of the General Manager was approved. 3. The Proposal on the 2021 Annual Report and Its Summary was approved. 4. The Proposal on the 2021 Final Financial Accounts was approved. 5. The Proposal on the 2022 Budget was approved. 6. The Proposal on the 2021 Final Dividend Plan was approved. 7. The Proposal on the 2021 Internal Control Assessment Report was approved. 8. The Proposal on the Summary Report of the Audit Committee of the Board of Directors on the 2021 Audit Service Provided by Ernst & Young Hua Ming LLP (Special General Partnership) and the Renewal of Ernst & Young as the Company's 2022 Audit

			<p>Institution was approved.</p> <p>9. The Proposal on the Use of Own Funds for Entrusted Wealth Management in 2022 was approved.</p> <p>10. The Proposal on the Use of Own Funds for Investment Securities in 2022 was approved.</p> <p>11. The Proposal on the Application for Comprehensive Credit Line from Banks in 2022 was approved.</p> <p>12. The Proposal on the Trundling Revision of the 2018-2022 Five Year Strategic Plan was approved.</p> <p>13. The Proposal on the Change of the Board Secretary was approved.</p> <p>14. The Proposal on the Convening of the 2021 Annual General Meeting was approved.</p> <p>15. The Proposal on the Compliance with Applicable Laws and Regulations of the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved.</p> <p>16. The Proposal on the Plan for the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved.</p> <p>17. The Proposal on the Preliminary Plan for the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved.</p> <p>18. The Proposal on the Compliance with the Spin-off Rules for Listed Companies (Trial) of the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board was approved.</p> <p>19. The Proposal on the Benefit of the Spin-off Listing of the Subsidiary Suzhou Parsun Power Machine Co., Ltd. on the ChiNext Board in Protecting the Legitimate Interests of Shareholders and Creditors was approved.</p> <p>20. The Proposal on the Company Maintaining Independence and Going Concern Capability was approved.</p> <p>21. The Proposal on Suzhou Parsun Power Machine Co., Ltd. Possessing Due Capability of Operation Compliance was approved.</p> <p>22. The Proposal on the Statement Regarding the Completeness and Compliance of the Statutory Procedures in the Spin-off and the Validity of the Legal Documents Filed was approved.</p> <p>23. The Proposal on the Purpose, Commercial Rationality, Necessity and Feasibility Analysis of the Spin-off was approved.</p> <p>24. The Proposal on the Request for the General Meeting to Authorize the Board of Directors and Its Authorized Personnel to Handle Matters in Relation to the Spin-off Listing was approved.</p>
The 15 th (Extraordinary) Meeting of the 4 th Board of Directors	21 March 2022	22 March 2022	<p>1. The Proposal on the First Grant of Restricted Shares to Awardees under the 2022 Restricted Share Incentive Plan was approved.</p>
The 16 th (Extraordinary) Meeting of the	19 April 2022	20 April 2022	<p>1. The Proposal on the 2021 First Quarter Report was approved.</p> <p>2. The Proposal on the Conducting of Financial Derivatives Trading was approved.</p>

4 th Board of Directors			<p>3. The Proposal on the Revision of the Articles of Association was approved.</p> <p>4. The Proposal on the Revision of the Rules of Procedure for General Meeting was approved.</p> <p>5. The Proposal on the Revision of the Rules of Procedure for the Board of Directors was approved.</p> <p>6. The Proposal on the Revision of the Work Rules for General Manager was approved.</p> <p>7. The Proposal on the Revision of the Management Rules for Related Transactions was approved.</p> <p>8. The Proposal on the Revision of the Management Rules for External Guarantees was approved.</p> <p>9. The Proposal on the Revision of the Management Systems for Major Investments was approved.</p> <p>10. The Proposal on the Revision of the Management Systems of Securities Investments was approved.</p> <p>11. The Proposal on the Formulation of the Management Systems for Financial Derivatives Trading was approved.</p> <p>12. The Proposal on the Convening of the Second Extraordinary General Meeting for 2022 was approved.</p>
The 17 th (Extraordinary) Meeting of the 4 th Board of Directors	17 June 2022	18 June 2022	<p>1. The Proposal on the Satisfaction of the Unlocking Conditions for the Second Unlocking Period for the First Grant under the 2020 Restricted Share Incentive Plan was approved (the related directors, Qiu Yezhi, Zhou Wenhui, and Xie Weiwei avoided voting).</p>
The 18 th (Extraordinary) Meeting of the 4 th Board of Directors	18 July 2022	19 July 2022	<p>1. The Proposal on the Write-off of Certain Repurchased Shares and Reduction of Registered Capital was approved.</p>
The 19 th Meeting of the 4 th Board of Directors	26 July 2022	27 July 2022	<p>1. The Proposal on the 2021 Semi-Annual Report and Its Summary was approved.</p> <p>2. The Proposal on Re-election of Independent Directors and Nomination of Candidates for Independent Directors of the Fourth Board of Directors was approved.</p> <p>3. The Proposal on Re-election of Non-independent Directors and Nomination of Candidates for Non-independent Directors of the Fourth Board of Directors was approved.</p> <p>4. The Proposal on the Convening of the Third Extraordinary General Meeting for 2022 was approved.</p>
The 20 th (Extraordinary) Meeting of the 4 th Board of Directors	23 September 2022	24 September 2022	<p>1. The Proposal on the Further Determination of the Purpose of Repurchased Shares and Write-off of Certain Repurchased Shares was approved.</p>
The 21 st (Extraordinary) Meeting of the	25 October 2022	No announcement required according to the rules of the	<p>1. The Proposal on the 2022 Third Quarter Report was approved.</p>

4 th Board of Directors		Shenzhen Stock Exchange	
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2. Attendance of Directors at Board Meetings and General Meetings

Attendance of directors at board meetings and general meetings							
Director	Total number of board meetings the director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the director failed to attend	The director failed to attend two consecutive board meetings or not	General meetings attended
Tang Zhuolin	9	2	7	0	0	Not	4
Qiu Yezhi	9	2	7	0	0	Not	4
Xie Weiwei	9	2	7	0	0	Not	4
Zhou Wenhui	7	2	5	0	0	Not	3
Mai Zhirong	7	2	5	0	0	Not	3
Peng Xiaowei	7	1	5	1	0	Not	3
He Weifeng	7	2	5	0	0	Not	3
Feng Jia	2	0	2	0	0	Not	1
Li Ketian	2	0	2	0	0	Not	1
Liu Da	2	0	2	0	0	Not	1
Tu Haichuan	2	0	2	0	0	Not	1

Why any director failed to attend two consecutive board meetings: N/A

3. Objections Raised by Directors on Matters of the Company

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

Yes No

No such cases in the Reporting Period.

4. Other Information about the Performance of Duty by Directors

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

Yes No

Suggestions from directors adopted or not adopted by the Company:

During the Reporting Period, the directors and independent directors of the Company worked in strict accordance with the

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

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

Committee	Members	Number of meetings convened	Date of meeting	Contents	Important opinion and suggestions	Other performance of duties	Particulars about objections (if any)
Remuneration and Appraisal Committee	Peng Xiaowei, Qiu Yezhi, and He Weifeng	1	25 February 2022	<ol style="list-style-type: none"> 1. The Proposal on the 2022 Restricted Share Incentive Plan (Draft) and Its Summary was approved. 2. The Proposal on the Management Methods for the Implementation and Appraisal of the 2022 Restricted Share Incentive Plan was approved. 3. The Proposal on the Awardee List for the First Grant under the 2022 Restricted Share Incentive Plan was approved. 4. The Proposal on the 2020 Annual Performance Appraisal Results for the Awardees of the 2020 Restricted Share Incentive Plan was approved. 5. The Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the Reserved Shares under the 2020 Restricted Share Incentive Plan was approved. 	N/A	N/A	N/A
Audit Committee	Mai Zhirong, Qiu Yezhi, and He Weifeng	1	11 March 2022	<ol style="list-style-type: none"> 1. The Proposal on the 2021 Auditor's Report of Guangdong Dongfang Precision Science & Technology Co., Ltd. was approved. 2. The Proposal on the 2021 Internal Control Self-Assessment Report was approved. 3. The Proposal on the Summary Report of the Audit Committee of the Board of Directors on the 2021 Annual Audit of Ernst & Young Hua Ming LLP was approved. 4. The Proposal on the Proposed Appointment of an Audit Institution for 2022 was approved. 	N/A	N/A	N/A
Nomination Committee	Peng Xiaowei, Mai Zhirong, and Tang Zhuolin	1	11 March 2022	<ol style="list-style-type: none"> 1. The Proposal on the Nomination of Board Secretary Candidate was approved. 	N/A	N/A	N/A
Remuneration and Appraisal	Peng Xiaowei, Qiu Yezhi, and	1	17 June 2022	<ol style="list-style-type: none"> 1. The Proposal on the 2021 Annual Performance Appraisal Results for the Awardees of the First Grant under the 2020 Restricted Share Incentive Plan was approved. 2. The Proposal on the Satisfaction of the Unlocking Conditions for the Second 	N/A	N/A	N/A

Committee	He Weifeng			Unlocking Period for the First Grant under the 2020 Restricted Share Incentive Plan was approved.			
Nomination Committee	Peng Xiaowei, Mai Zhirong, and Tang Zhuolin	1	22 July 2022	1. The Proposal on the Nomination of Non-independent Director Candidate for the Fourth Board of Directors was approved. 2. The Proposal on the Nomination of Independent Director Candidate for the Fourth Board of Directors was approved.	N/A	N/A	N/A

VIII Performance of Duty by the Supervisory Committee

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

Yes No

No such cases in the Reporting Period.

IX Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent at the period-end	512
Number of in-service employees of principal subsidiaries at the period-end	1,599
Total number of in-service employees at the period-end	2,111
Total number of paid employees in the Reporting Period	2,446
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	23
Functions	
Function	Employees
Production&Operation	1,163
Marketing	288
R&D and technical	327
Financial	81
Comprehensive	252
Total	2,111
Educational backgrounds	
Educational background	Employees
Below junior college	1,067
Junior college	541
Bachelor's degree	421
Master's degree and above	82
Total	2,111

2. Employee Remuneration Policy

Domestic business entities:

The remuneration policy in 2022 continued to be based on posts and performance and subject to total control.

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

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

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

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

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

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

Overseas business entities:

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

3. Training Plan

1. Overall status: 192 training sessions were carried out at the Group headquarters and domestic branches and subsidiaries in 2022. The number of training hours per capita was about 18.33 hours, totaling 6,575 training attendees. There were eight leadership empowerment training sessions, 104 hours of teaching, covering 127 people; 155 professional competence training sessions, 678 hours of teaching, covering 5,382 people; 16 general capability training sessions, 99 hours of teaching, covering 1,796 people; 2 main business training sessions, covering 137 people; 11 training sessions for new recruits, 55 hours of teaching, covering 213 people. Online training resources enable a total of 211 hours of empowerment across six major courses.

2. The Company actively introduced external online and offline training resources, implemented the training more effectively and conveniently, empowered core employees and shared training resources in the Group.

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

4. Initiate the implementation of training management integration rules to encourage knowledge learning and knowledge contribution. Hold a seminar to promote the implementation of the "a wealth of talent" strategy to clarify the main objectives and key initiatives of the Group's key talent cultivation and provide solid talent support for the Group's high-quality development.

4. Labor Outsourcing

Applicable Not applicable

Total hours of labor outsourced	54,352.5
Total payment for labor outsourcing (RMB yuan)	1,634,415

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

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

Applicable Not applicable

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

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

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

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

Applicable Not applicable

Final dividend plan for the Reporting Period:

Applicable Not applicable

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

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

Applicable Not applicable

1. Equity Incentives

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 disclosed by the Company on www.cninfo.com.cn dated 12 March 2020.

To further build and improve its long-term incentive mechanism, attract, and retain talent, fully motivate its key managerial, technological, and business personnel, effectively align the Company’s and shareholders’ interests with the personal interests of the core team, and make all the parties concerned to focus on the long-term development of the Company, the Company launched the 2022 Restricted Share Incentive Plan in the first quarter of 2022. The plan was approved at the First Extraordinary General Meeting of 2022 on 14 March 2022. For details, see the 2022 Restricted Share Incentive Plan disclosed by the Company on www.cninfo.com.cn dated 15 March 2022.

1. On 25 February 2022, the Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the Reserved Restricted Shares under the 2020 Restricted Share Incentive Plan was approved at the 13th (Extraordinary) Meeting of the 4th Board of Directors and the 10th (Extraordinary) Meeting of the 4th Supervisory Committee. On 9 March 2022, 848,000 shares held by 18 awardees were unlocked for public trading in the first unlocking period for the reserved restricted shares under the 2020 Restricted Share Incentive Plan.

2. On 21 March 2022, the Proposal on the First Grant of Restricted Shares to Awardees under the 2022 Restricted Share Incentive Plan was approved at the 15th (Extraordinary) Meeting of the 4th Board of Directors. The date for the first grant was 21 March 2022. In April 2022, the Company completed the ownership transfer of the 2.65 million restricted shares to 7 awardees at RMB1.00/share, the listing date of which is 28 April 2022. For details, see the Announcement on the Completion of the Ownership Transfer of the First Grant under the 2022 Restricted Share Incentive Plan disclosed by the Company on www.cninfo.com.cn dated 29 April 2022.

3. On 17 June 2022, the Proposal on the Satisfaction of the Unlocking Conditions for the Second Unlocking Period for the First Grant under the 2020 Restricted Share Incentive Plan was approved at the 17th (Extraordinary) Meeting of the 4th Board of Directors and the 14th (Extraordinary) Meeting of the 4th Supervisory Committee. On 24 June 2022, 8,620,000 shares held by 37 awardees were unlocked for public trading in the second unlocking period for the first grant under the 2020 Restricted Share Incentive Plan.

Equity incentives received by directors and senior management:

√ Applicable □ Not applicable

Unit: share

Name	Office title	Opening share options	Share options newly granted in the Reporting Period	Exercisable shares in the Reporting Period	Exercised shares in the Reporting Period	Exercise price for exercised shares in the Reporting Period	Closing share options	Market price at the period-end (RMB yuan/sh)	Opening restricted shares	Unlocked shares in the Reporting Period	Restricted shares newly granted in the	Grant price (RMB yuan/share)	Closing restricted shares

			ting Period			ng Period (RMB yuan/sh are)		are)			Repor ting Period		
Qiu Yezhi	Direct or and Gener al Mana ger								7,200, 000	3,600, 000	0	1	3,600, 000
Xie Weiw ei	Direct or and Deput y Gener al Mana ger								800,0 00	400,0 00	0	1	400,0 00
Feng Jia	Direct or, Board Secret ary and Vice Presid ent								0	0	700,0 00	1	700,0 00
Shao Yongf eng	Chief Finan cial Offic er and Vice Presid ent								800,0 00	160,0 00	0	1	640,0 00
Total	--					--		--	8,800, 000	4,160, 000	700,0 00	--	5,340, 000

Appraisal of and incentive for senior management:

The Company has established a sound performance appraisal and remuneration policy for senior managers, and determined key performance indicators (KPIs) matching different posts, which linked the income of the Company's managers and employees at

different levels to their work performance. During the Reporting Period, the Company assessed and appraised the work ability, duty performance and completion of responsibility goals of senior managers based on the KPIs, and closely linked their remuneration levels with the Company's business performance.

2. Implementation of Employee Stock Ownership Plans

Applicable Not applicable

3. Other Incentive Measures for Employees

Applicable Not applicable

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

1. Internal Control Formulation and Implementation

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

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

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

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

Yes No

XIII Subsidiary Management during the Reporting Period

Subsidiary	Management plan	Progress	Problems	Solutions	Solution progress	Subsequent plan
Shenzhen Wonder Digital Technology Co., Ltd.	Following the completion of the acquisition, a complete integration plan was established, covering personnel, finance, organizational structure, business integration, and other aspects. Details are as follows: 1. Organizational structure and	The integration plan has been largely completed and the corresponding integration goals have been	Currently not available	Currently not available	Currently not available	Currently not available

	<p>personnel adjustment: Dispatch four members of Board of Directors (including the Chairman) to Wonder Digital, establish a Supervisory Committee, and dispatch a financial director from the Group.</p> <p>2. Set up and issue authorization forms for each position based on business conditions.</p> <p>3. Establish corresponding management systems for each functional department and improve systematic management processes.</p> <p>4. Improve the financial management informationization and compliance and establish a set of financial accounting and settlement processes and systems that meet the requirements of listed companies.</p> <p>5. Assist Wonder Digital to complete the overall relocation of the plant within the year, further expand production capacity, and meet development needs.</p>	<p>achieved.</p>				
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XIV Self-Assessment Report and Independent Auditor’s Report on Internal Control

1. Internal Control Self-Assessment Report

<p>Date of disclosure of the full internal control assessment report</p>	<p>28 March 2023</p>
<p>Index to the full internal control assessment report disclosed</p>	<p>Published on www.cninfo.com.cn</p>
<p>Ratio of the total assets of the organizations included in the assessment to the total assets in the Company's consolidated financial report</p>	<p style="text-align: right;">100.00%</p>
<p>Ratio of the revenue of</p>	<p style="text-align: right;">100.00%</p>

<p>the organizations included in the assessment to the revenue in the Company's consolidated financial report</p>		
<p>Defect identification criteria</p>		
<p>Category</p>	<p>Financial report</p>	<p>Non-financial report</p>
<p>Qualitative criteria</p>	<p>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. 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. 2) Indications of important defects in financial reports included: 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. 3) General defects refer to the control defects other than significant and important defects mentioned above.</p>	<p>The identification of defects in non-financial reports is mainly based on the degree of impact of the defects on the effectiveness of business procedures and the possibility of their occurrence. 1) Significant defect If the possibility of the defect is high, it will seriously reduce the work efficiency or effectiveness, seriously increase the uncertainty of the effectiveness, or make the work result seriously deviate from the expected goal, the defect is a significant defect. The following usually indicates a significant defect in the internal control of non-financial reports: a. Violation of national laws and regulations; b. Outflow of managers or key technicians; c. Frequent negative news from media; d. Failure to correct the results, especially significant or important defects, in internal control assessment; e. Lack of system control or systematic failure of system in important business. 2) Important defect 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: 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</p>

		to the control defects other than significant and important defects mentioned above.
Quantitative criteria	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.	The revenue and total assets were the measuring indicators for the quantitative criteria. If the loss that may result from or results from an internal control defect is related to the profit report, it was measured by the revenue indicator. If the amount of misstatement in the financial report that may result from the defect alone or it together with other defects is less than 0.5% of the revenue, the defect was determined as a general defect. If it exceeds 0.5% and is less than 1% of the revenue, it was determined as an important defect. If it exceeds 1% of the revenue, it was determined as a significant defect. 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.
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

2. Independent Auditor’s Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor’s report on internal control

In the opinion of Ernst & Young Hua Ming LLP, Guangdong Dongfang Precision Science & Technology Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as at 31 December 2022, 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	28 March 2023
Index to such report disclosed	www.cninfo.com.cn
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

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

Yes No

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

Yes No

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

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

(I) Overview of corporate governance

In strict accordance with the requirements of the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Listing Rules of Shenzhen Stock Exchange and other relevant laws and regulations, the Company has continuously improved its corporate governance structure, established and improved its internal control system to standardize its operations and enhance information disclosure. It also actively developed investor relations management, and complied with the requirements of laws and regulations in all aspects of corporate governance.

(II) Problems in corporate governance and rectification

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

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

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

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

Part V Environmental and Social Responsibilities

I Significant Environmental Issues

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

Yes No

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

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

Applicable Not applicable

II Social Responsibilities

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

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

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

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

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

Fosber Asia were granted the Grade III Production Safety Standardization Certificate for Machinery Enterprises.

(5) Environmental protection: First, Dongfang Precision was granted the National Pollutant Discharge Permit and met post-licensing regulatory requirements as required. Second, Dongfang Precision commissioned the qualified third-party environmental protection agencies to compile the Contingency Plans for Environmental Emergencies, and commission a third-party testing agency to take samples every quarter to monitor and issue third-party test reports, and transfer hazardous waste in strict accordance with national requirements. Third, the Company's environmental protection facilities passed the qualification re-examination on OHSAS18001:2007 Occupational Health and Safety Management Systems and ISO14001:2005 Environmental Management System. Parsun Power, which is a subsidiary of the Company, is not in the heavy pollution industry, its production process has less impact on the environment, and it has purchased complete environmental protection equipment, which are in normal operation and can meet the daily pollutant treatment requirements, that leads no violation of environmental protection related laws and administrative regulations and receive administrative penalties.

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

(7) Social honour: Dongfang Precision won honorary titles including "Top 500 Private Manufacturing Enterprises in China", "Leading Enterprises in Subdivided Industries in Foshan", and "Guangdong Provincial Industrial Design Center "; Fosber Asia won honorary titles including "Guangdong Demonstration Enterprise of Intellectual Property". Parsun Power is a national "small giant" enterprise, a national high-tech enterprise, an engineering technology research center for outboard engines in Jiangsu Province, an enterprise technology centre recognized by Jiangsu Province, a leading enterprise in China's internal combustion engine industry and a director unit of the Small Gasoline Engine Branch of China Internal Combustion Engine Industry Association. The outboard engine of BPS has also won many honors such as the certificate of industrialization demonstration project of national torch plan, innovative product of China machinery industry, famous brand product of Jiangsu province and famous brand product of Suzhou city.

III Efforts in Poverty Alleviation and Rural Revitalization

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

Part VI Significant Events

I Fulfillment of Undertakings

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

√ Applicable □ Not applicable

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
Undertakings related to reform of shareholder structure						
Undertakings made in acquisition report of change of equity report						
Undertakings made in asset reorganization	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	1. I will conduct all related-party transactions, unavoidable or arising from a reasonable reason, between me and companies controlled by me and Dongfang Precision and its controlling subsidiaries in a fair and reasonable manner and on an equal, mutually beneficial, equivalent and compensable basis in strict accordance with market principles. For all related-party transactions between me and companies controlled by me and Dongfang Precision and its controlling subsidiaries, I will sign agreements and go through procedures according to law and fulfil the obligation of information disclosure in accordance with relevant laws, regulations, normative documents, Articles of Association of Dongfang Precision	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
			and other corporate governance provisions, and undertakes not to damage the legitimate rights or interests of the listed company and small and medium shareholders. 2. When any related-party transaction involving me and companies controlled by me is being deliberated by the authority of Dongfang Precision, I will proactively perform the obligation of evading according to law and conduct the transaction only with the approval of the competent authority. 3. I undertake not to obtain any improper benefits or cause Dongfang Precision and its controlling subsidiaries to assume any improper obligations through related-party transactions. In case of any losses to Dongfang Precision or its controlling subsidiaries as a result of any breach of the above undertakings, I will be liable for such losses.			
	Pulead; BAIC Capital; Foton; CATL; Qinghai Puren	Other undertakings	When the Company is conducting major asset reorganization by acquiring 100% of Beijing Pride's equity, former shareholders of Beijing Pride, namely Pulead, Qinghai Puren, BAIC Capital, Foton and CATL, undertake that: 1. None of them has signed any agreement on concerted action as of the date of signature of the Agreement to Purchase Assets by Issuing Shares and Paying Cash, nor will they do so in the future, although BAIC Capital and Foton are subject to a concerted action relation and so as Pulead and Qinghai Puren. 2. They will not attempt to change any member of the Board of Directors of Dongfang Precision through a general meeting of shareholders.	July 28, 2016	Long-term effective	In normal progress of fulfilment
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The undertaker and companies controlled by it are not engaging in any business the same as, similar to or competing with the business of the listed company and companies controlled by it, and they will neither, in any way, engage in or assist others in engaging in any business that competes or may compete with the business of the listed company and companies controlled by it, nor merge or substantially invest in (or jointly hold), directly or indirectly, other companies engaging in any business that competes or may compete with the business of the listed company and companies controlled by it. 2. If the listed company engages in a new business sector, the undertaker will not engage in any business that competes with such a new business of the listed company, except with the prior written consent of the listed company. 3. If any business opportunity obtained by the undertaker from any third party completes or may compete with the business of the listed company and companies controlled by	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
			it, the undertaker will immediately inform and make every effort to deliver the business opportunity to the listed company. 4. The undertaker will not, in any way, use the information or other resources obtained from the listed company to conduct any act that harms the interests of the listed company. 5. In case of any losses to the listed company as a result of breach of these undertakings by the undertaker, the undertaker will make thorough, timely and full compensation for all such losses and take active measures to eliminate the adverse effects caused thereby.			
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The undertaker will refrain from any illegal occupation of the funds and assets of the listed company, and will never require the listed company to provide any form of guarantee to it or companies controlled by it under any circumstances. 2. The undertaker will, to the extent possible, avoid and minimize related-party transactions with the listed company, and for all related-party transactions unavoidable or arising from a reasonable reason, it will conduct following the principle of voluntary, fair and reasonable market pricing and according to normal market trading conditions, sign agreements and go through procedures according to law, abide by relevant laws, regulations, normative documents and articles of association of the listed company, perform internal decision-making and approval procedures according to law, and timely perform the obligation of information disclosure, so as to ensure that the related-party transactions are fairly and reasonably priced and conducted under fair trading conditions and that it will not damage the legitimate rights or interests of the listed company and its shareholders through related-party transactions. 3. In case of any losses to the listed company as a result of breach of these undertakings by the undertaker, the undertaker will make thorough, timely and full compensation for all such losses and take active measures to eliminate the adverse effects caused thereby.	25 November 2019	Long-term effective	In normal progress of fulfilment
	Tang Zhuolin, Tang Zhuomian	Other undertakings	1. I will not overstep my authority to intervene in the operation and management of Dongfang Precision, will not occupy the interests of Dongfang Precision, and will earnestly take corresponding measures to fill up the diluted spot returns of Dongfang Precision. 2. After the CSRC and Shenzhen Stock Exchange otherwise release the measures to fill up diluted spot returns and opinions and implementation rules for its undertakings, if Dongfang Precision's corresponding policies and	25 November 2019	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
			undertakings fail to meet such provisions, I will immediately submit a supplementary undertaking to the CSRC and Shenzhen Stock Exchange as required in order to be compliant. 3. I undertake to earnestly take the corresponding measures formulated by the listed company to fill up diluted spot returns and to earnestly fulfil my undertakings. If I violate such undertaking(s) and cause losses to the Company or investors, I am willing to bear the corresponding liability for compensation according to law.			
	Tang Zhuolin, Tang Zhuomian	Other undertakings	1. After the relevant transaction, the undertaker will continue to maintain the independence of the listed company in terms of staffing, asset, business, organization and finance in accordance with relevant laws, regulations and normative documents, and will not conduct any act that affects such independence or damages the interests of the listed company and other shareholders, and will effectively safeguard the independence of the listed company in terms of staffing, asset, business, organization and finance. 2. This letter of undertaking shall be effective and irrevocable as of the date when it is officially signed by the undertaker. The undertaker warrants to fulfil the undertaking(s) in good faith, and the listed company has the right to supervise its fulfilment. Where the undertaker fails to fulfil the undertaking(s) in good faith of undertaking and thus cause actual losses to the listed company, the undertaker shall compensate the listed company for all director or indirect losses caused thereby.	25 November 2019	Long-term effective	In normal progress of fulfilment
	He Weifeng, Mai Zhirong, Peng Xiaowei, Qiu Yezhi, Tang Zhuolin, Xie Weiwei, Zhou Wenhui	Other undertakings	I, as a director/senior executive of the Company, will faithfully and diligently perform my duties, safeguard the legitimate rights and interests of the Company and all shareholders, and make the following undertakings to ensure that the Company's measures to fill up returns will be effectively implemented. 1. I will not transfer benefits to other organizations or individuals for free or under unfair conditions, nor will I damage the interests of the Company in other ways. 2. I will constrain my consumption behaviour on the position. 3. I will not use the Company's assets to engage in any investment or consumption activities unrelated to my performance of duties. 4. I will link the remuneration system formulated by the Board of Directors or the Remuneration Committee to the implementation of 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
			Company's measures to fill up returns. 5. If the Company has an equity incentive program, I will link the exercise conditions of the equity incentive program to be announced to the implementation of the Company's measures to fill up returns. 6. After this undertaking is given, if the regulator puts forward other requirements for the measures to fill up returns and the undertaking and the undertaking fails to meet such requirements, I will give a supplementary undertaking according to the latest requirements of the regulator. 7. I will effectively implement the Company's measures to fill up returns and fully fulfil my corresponding undertakings, and I am willing to bear the corresponding liability for compensation according to law if I violate such undertaking(s) and cause losses to the Company or investors.			
Undertakings made in IPO or refinancing	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	Before the fact that I am (or the Company is) a major shareholder of the issuer is changed, I (or the Company) will not, directly or indirectly, in any way (including but not limited to sole proprietorship, joint venture and holding stocks or interests in other companies or enterprises), engage in any business or activity that competes or may compete with the business of the issuer. I (The Company) shall compensate the issuer for any loss caused to it as a result of the failure to fulfil the undertaking to avoid horizontal competition.	18 August 2010	Long-term effective	In normal progress of fulfilment
	Tang Zhuolin, Tang Zhuomian	Other undertakings	If relevant government or judicial authorities decide that Dongfang Precision or Weike Dongmeng need to make a supplementary payment for employees' public housing provision, or Dongfang Precision or Weike Dongmeng is subject to any late fee, fine or loses for failing to pay the public housing provision for some employees, I will unconditionally and in full bear such supplementary payment, late fees and fines.	14 August 2011	Long-term effective	In normal progress of fulfilment
Undertakings related to equity incentives						
Undertakings made to						

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

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

Applicable Not applicable

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

Applicable Not applicable

No such cases in the Reporting Period.

III Irregularities in Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

In February 2022, the Company established Dongfang Yineng International Holding Co., Ltd. ("Yineng International") with a registered capital of RMB50 million and 100% ownership.

In February 2022, Yineng Investment, a subsidiary of the Company, established Changzhou Xincheng Venture Capital Partnership (Limited Partnership) ("Changzhou Xincheng") with a capital contribution of RMB48 million and a 94.86% ownership.

In February 2022, Parsun Power, a subsidiary of the Company, established Suzhou Baisheng International Trade Co., Ltd. ("Baisheng International") with a registered capital of RMB3 million and a 69.62% ownership.

In 2022, the Company acquired a 51% ownership in Shenzhen Wonder Digital Technology Co., Ltd. (formerly known as

“Shenzhen Wonder Printing System Co., Ltd.”) at RMB173,800,000.00 in cash, including a capital increase of RMB50,000,000.00 and a consideration of RMB123,800,000 for equity acquisition. The Group completed the ownership change formalities with the industrial and commercial administration in relation to the equity acquisition on 7 June 2022, with the date of acquisition on 7 June 2022.

VIII Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Ernst & Young Hua Ming LLP
The Company's payment to the domestic independent auditor	RMB4.31 million
How many consecutive years the domestic independent auditor has provided audit service for the Company	3 years
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Feng Xingzhi and Hu Chuan
How many consecutive years the certified public accountants have provided audit service for the Company	Feng Xingzhi: 3 years; Hu Chuan: 1 year

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

Yes No

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

Applicable Not applicable

Ernst & Young Hua Ming LLP was appointed as the independent auditor of internal control for the Company for 2022.

IX Possibility of Delisting after the Disclosure of this Report

Applicable Not applicable

X Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XI Significant Legal Matters

Applicable Not applicable

No such cases in the Reporting Period.

XII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

XIV Significant Related-Party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

4. Amounts Due to and from Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

5. Transactions between the Company and Related Financial Companies

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

7. Other Significant Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

XV Significant Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

Applicable Not applicable

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Security (if any)	Counter - guarantees (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Guarantees provided by the Company as the parent for its subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Security (if any)	Counter - guarantees (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Dongfang Precision (Netherlands)	30 December 2020	No more than EUR24.6 million	4 February 2021	18,260.33	Joint liability; Pledge	Security deposits	--	From the date when the guarantee took effect to	Yes	No

								21 April		
Dongfang Precision (Netherlands)	5 June 2020	No more than EUR35 million	30 June 2020	24,866.72	Joint liability; Pledge	Security deposits	--	From the date when the guarantee took effect to 29 June 2023	No	No
Total approved line for such guarantees in the Reporting Period (B1)				0	Total actual amount of such guarantees in the Reporting Period (B2)		0			
Total approved line for such guarantees at the end of the Reporting Period (B3)		No more than EUR35 million		Total actual balance of such guarantees at the end of the Reporting Period (B4)		24,866.72				
Guarantees provided between subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Security (if any)	Counter-guarantees (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
QCorr	15 May 2020	EUR3 million	30 April 2020	909.79	Joint liability	-	-	From the date when the guarantee took effect to 30 June 2024	No	No
Total approved line for such guarantees in the Reporting Period (C1)				0	Total actual amount of such guarantees in the Reporting Period (C2)		0			
Total approved line for such guarantees at the end of the Reporting Period (C3)		EUR3 million		Total actual balance of such guarantees at the end of the Reporting Period (C4)		909.79				
Total guarantee amount (total of the three kinds of guarantees above)										
Total guarantee line approved in the Reporting Period				0	Total actual guarantee amount in the Reporting		0			

(A1+B1+C1)		Period (A2+B2+C2)	
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	No more than EUR38 million	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	25,776.51
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets			6.34%
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)			909.79
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)			909.79
Joint liability possibly borne or already borne in the Reporting Period for outstanding guarantees (if any)		N/A	
Guarantees provided in breach of prescribed procedures (if any)		N/A	

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overview of wealth management entrustments in the Reporting Period:

Unit: RMB'0,000

Type	Funding source	Amount	Undue amount	Unrecovered overdue amount	Impairment provision for unrecovered overdue amount
Bank's wealth management product	Self-funded	67,200.00	9,600.00	0	0
Securities firm's wealth management product	Self-funded	60,000.00	44,000.00	0	0
Trust product	Self-funded	662.07	0	358.62	286.90

Total	127,862.07	53,600.00	358.62	286.90
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High-risk wealth management transactions with a significant single amount or with low security and low liquidity:

Applicable Not applicable

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

Applicable Not applicable

As of the end of the Reporting Period, the unrecovered amount of trust products was RMB 3.5862 million, for which an impairment allowance of RMB 2.8690 million was established.

(2) Entrusted Loans

Applicable Not applicable

No such cases in the Reporting Period.

4. Other Significant Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVI Other Significant Events

Applicable Not applicable

XVII Significant Events of Subsidiaries

Applicable Not applicable

Part VII Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	241,176,130	18.10%	0	0	0	-7,993,597	-7,993,597	233,182,533	18.79%
1.1 Shares held by the government	0	0.00%	0	0	0	0	0	0	0.00%
1.2 Shares held by state-owned corporations	0	0.00%	0	0	0	0	0	0	0.00%
1.3 Shares held by other domestic investors	239,736,130	17.99%	0	0	0	-7,393,597	-7,393,597	232,342,533	18.72%
Including: Shares held by domestic corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic individuals	239,736,130	17.99%	0	0	0	-7,393,597	-7,393,597	232,342,533	18.72%
1.4 Shares held by overseas investors	1,440,000	0.11%	0	0	0	-600,000	-600,000	840,000	0.07%
Including: Shares held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas individuals	1,440,000	0.11%	0	0	0	0	0	0	0.00%
2. Unrestricted shares	1,090,762,037	81.89%	0	0	0	-82,838,170	-82,838,170	1,007,923,867	81.21%
2.1 RMB-denominated ordinary shares	1,090,762,037	81.89%	0	0	0	-82,838,170	-82,838,170	1,007,923,867	81.21%
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	1,331,938,167	100.00%	0	0	0	-90,831,767	-90,831,767	1,241,106,400	100.00%

Reasons for share changes:

Applicable Not applicable

1. Part of the shares held by Ms. Qiu Yezhi, the director, and CEO of the Company, was unlocked as allowed by the applicable laws and regulations

In December 2021, Ms. Qiu Yezhi, the director, and CEO of the Company, completed a shareholding reduction. Upon the reduction, she held 23,382,388 shares in the Company. In January 2022, 5,845,597 shares of hers were unlocked according to the statutory quota of 25% transferable shares in the year.

2. Unlocking for public trading of shares in the first unlocking period for the reserved restricted shares under the Restricted Share Incentive Plan

In March 2022, the shares were unlocked for public trading in the first unlocking period for the reserved restricted shares under the 2020 Restricted Share Incentive Plan, which involved 848,000 shares held by 18 awardees.

3. Completion of the ownership transfer of the first grant under the 2022 Restricted Share Incentive Plan

In April 2022, the Company completed the ownership transfer of the 2.65 million restricted shares in the first grant under the 2022 Restricted Share Incentive Plan to 7 awardees.

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

In June 2022, the shares were unlocked for public trading in the second unlocking period for the first grant under the 2020 Restricted Share Incentive Plan, which involved 8,620,000 shares held by 37 awardees.

5. Retirement of part of the repurchased shares

The Company repurchased shares in 2018 to 2019 by way of centralized bidding, and the number of repurchased shares that were not used for the designated purpose, 5,510,063 shares, was retired in July 2022 due to the expiry of the three-year period.

The Company launched the 2021 Share Repurchase Plan in September 2021, with 106,652,136 shares cumulatively repurchased under the Plan. The number of repurchased shares to be retired to reduce the registered capital of the Company was 85,321,704 shares, representing 80% of the total number of shares repurchased, and the retirement of the aforesaid shares was completed in October 2022.

6. Lockup of shares held by an outgoing director for six months

In July 2022, as Mr. Zhou Wenhui stepped down as director, his statutory quota of 25% of shares transferable for the year (300,000 shares) was re-locked and cannot be transferred for six months.

Approval of share changes:

Applicable Not applicable

In the Reporting Period, with respect to share changes involved in the “unlocking for public trading of shares in the first unlocking period for the reserved restricted shares under the 2020 Restricted Share Incentive Plan”, the “ownership transfer of the first grant under the 2022 Restricted Share Incentive Plan” and the “unlocking for public trading of shares in the second unlocking

period for 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 “ownership transfer of the first grant under the 2022 Restricted Share Incentive Plan”, the Company completed the transfers with the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. after they were approved by the Shenzhen Stock Exchange.

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Shareholder	Opening restricted shares	Increase in restricted shares in the period	Unlocked in the period	Closing restricted shares	Reason for restriction	Date of unlocking
Qiu Yezhi	23,382,388	3,600,000	9,445,597	17,536,791	Participated in the Restricted Share Incentive Plan of the Company/restricted shares of senior management	2022-1-4
Xie Weiwei	800,000	350,000	400,000	750,000	Participated in the Restricted Share Incentive Plan of the Company/restricted shares of senior management	2022-6-24
Zhou Wenhui	960,000	720,000	480,000	1,200,000	Participated in the Restricted	2022-6-24

					Share Incentive Plan of the Company/restricted shares of senior management	
The other 34 awardees of the first grant of the 2020 Restricted Share Incentive Plan	8,280,000	0	4,140,000	4,140,000	Participated in the Restricted Share Incentive Plan of the Company	2022-6-24
Feng Jia	0	700,000	0	700,000	Participated in the Restricted Share Incentive Plan of the Company	2023-4-28
The other 6 awardees of the first grant of the 2022 Restricted Share Incentive Plan	0	1,950,000	0	1,950,000	Participated in the Restricted Share Incentive Plan of the Company	2023-4-28
Shao Yongfeng	800,000	0	160,000	640,000	Participated in the Restricted Share Incentive Plan of the Company	2022-3-9
The other 17 awardees of the reserved grant of the 2020 Restricted Share Incentive Plan	3,440,000	0	688,000	2,752,000	Participated in the Restricted Share Incentive Plan of the Company	2022-3-9
Total	37,662,388	7,320,000	15,313,597	29,668,791	--	--

II Issuance and Listing of Securities

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

Applicable Not applicable

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

√ Applicable □ Not applicable

Following the repurchase and retirement of 90,831,767 public shares in the Reporting Period, the total share capital of the Company decreased from 1,331,938,167 shares to 1,241,106,400 shares, which had no significant impact on the asset and liability structure of the Company.

3. Existing Staff-Held Shares

□ Applicable √ Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge, marked or frozen	
							Status	Shares
Tang Zhuolin	Domestic individual	21.81%	270,737,568	0.00	203,053,176	67,684,392	In pledge	135,360,000
Tang Zhuomian	Domestic individual	7.81%	96,885,134	0.00	0	96,885,134	In pledge	10,000,000
Pulead Technology Industry	State-owned corporation	3.88%	48,149,787	-4,599,771	0	48,149,787		

Co., Ltd.								
Luzhou Industrial Development Investment Group Co., Ltd.	State-owned corporation	2.56%	31,770,010	0.00	0	31,770,010		
Qinghai Puren Intelligent Technology R & D Center (Limited Partnership)	Domestic non-state-owned corporation	2.15%	26,628,340	0.00	0	26,628,340		
Qiu Yezhi	Domestic individual	1.88%	23,382,388	0.00	17,536,791	5,845,597		
Shengji Equity Investment Fund (Shanghai) Co., Ltd.	State-owned corporation	1.58%	19,607,843	0.00	0	19,607,843	In pledge	6,700,000
JIC Investment Co., Ltd.	State-owned corporation	1.05%	12,984,216	0.00	0	12,984,216		
Beixin Ruifeng Fund—SPD Bank—Beijing International Trust—Beijing Trust Qingyan Fengshou Wealth Management Collective Capital Trust Plan No. 2015015	Other	0.87%	10,818,183	0.00	0	10,818,183		
Hong	Overseas	0.77%	9,516,214	-18,850,322	0	9,516,214		

Kong Securities Clearing Company Limited	corporation							
Strategic investor or general corporation becoming a top-10 shareholder in a rights issue (if any)	None							
Related or acting-in-concert parties among the shareholders above	<p>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. (Chinese name has changed from “北大先行科技产业有限公司” to “东圣先行科技产业有限公司” during the reporting period.) and Qinghai Puren Intelligent Technology R & D Center (Limited Partnership) are acting-in-concert parties.</p> <p>Apart from that, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.</p>							
Above shareholders entrusting or entrusted with voting rights, or waiving voting rights	None							
Top 10 shareholders including the special account of repurchased shares (if any)	As of the end of the Reporting Period, there were 21,330,432 shares in the Company’s special account for repurchase, accounting for 1.72% of its total share capital. As per the Shenzhen Stock Exchange Guideline No. 1 for the Self-regulation of Listed Companies—Business Handling, the existence of a special account of repurchased shares among the top 10 shareholders should be specifically stated but not included in the presentation of the top 10 shareholders.							
Top 10 unrestricted shareholders								
Name of shareholder	Unrestricted shares held at the period-end	Shares by type						
		Type	Shares					
Tang Zhuomian	96,885,134	RMB-denominated ordinary stock	96,885,134					
Tang Zhuolin	67,684,392	RMB-denominated ordinary stock	67,684,392					
Pulead Technology Industry Co., Ltd.	48,149,787	RMB-denominated ordinary stock	48,149,787					
Luzhou Industrial Development Investment Group Co., Ltd.	31,770,010	RMB-denominated ordinary stock	31,770,010					
Qinghai Puren Intelligent Technology R & D Center (Limited Partnership)	26,628,340	RMB-denominated ordinary stock	26,628,340					
Shengji Equity Investment Fund	19,607,843	RMB-denominated ordinary stock	19,607,843					

(Shanghai) Co., Ltd.			
JIC Investment Co., Ltd.	12,984,216	RMB-denominated ordinary stock	12,984,216
Beixin Ruifeng Fund— SPD Bank—Beijing International Trust— Beijing Trust Qingyan Fengshou Wealth Management Collective Capital Trust Plan No. 2015015	10,818,183	RMB-denominated ordinary stock	10,818,183
Hong Kong Securities Clearing Company Limited	9,516,214	RMB-denominated ordinary stock	9,516,214
Liu Wucui	6,597,688	RMB-denominated ordinary stock	6,597,688
Related or acting-in-concert parties among top 10 unrestricted ordinary shareholders, as well as between top 10 unrestricted ordinary shareholders and top 10 ordinary shareholders	<p>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. (Chinese name changed from “北大先行科技产业有限公司” to “东圣先行科技产业有限公司”, and English name unchanged) and Qinghai Puren Intelligent Technology R & D Center (Limited Partnership) are acting-in-concert parties.</p> <p>Apart from that, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.</p>		

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

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by an individual

Type of the controlling shareholder: individual

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

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Acting-in-Concert Parties

Nature of the actual controller: domestic individual

Type of the actual controller: individual

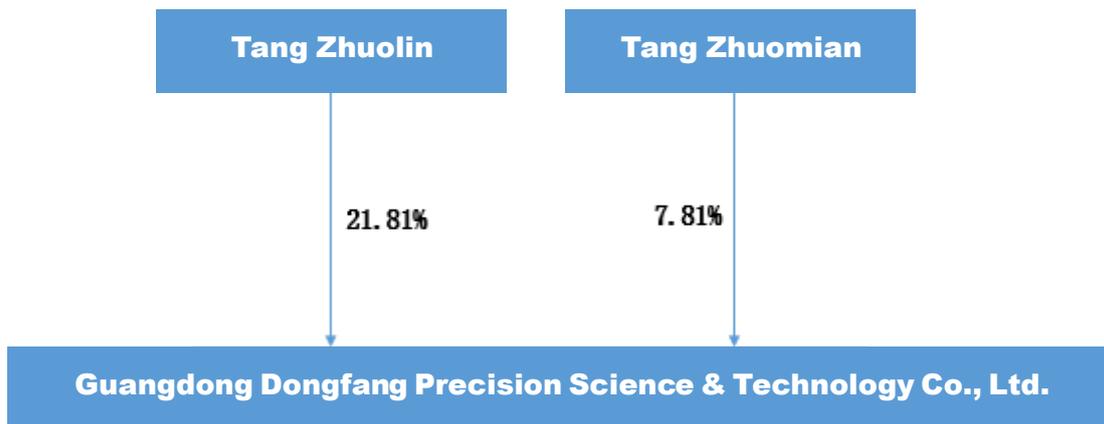
Name of the actual controller	Relationship with the actual controller	Nationality	Residency in other countries or regions or not
Tang Zhuolin	Actual controller himself	Chinese	Not
Tang Zhuomian	Acting-in-concert party (contractual, kinship-based, and common control-based)	Chinese	Not
Main occupation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

Change of the actual controller in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

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



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

Applicable Not applicable

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

Applicable Not applicable

5. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

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

Applicable Not applicable

IV Share Repurchase in the Reporting Period

Progress on any share repurchase:

Applicable Not applicable

Disclosure date of the repurchase plan	Number of shares to be repurchased	As % of total share capital	Amount to be used	Repurchase period	Purpose	Shares repurchased (share)	Shares repurchased as % of total shares under the equity incentive plan (if any)
1 September 2021			Not lower than RMB500 million (inclusive) and no more than RMB1 billion (inclusive)	23 September 2021-22 September 2022	Shares of not lower than 80% of the repurchased number are to be retired, which will reduce the Company's registered capital accordingly; and shares of no more than 20% of the repurchased number are to be used for equity incentives or employee stock ownership plans.	106,652,136	N/A

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

Applicable Not applicable

Part VIII Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

Part IX Corporate Bonds

Applicable Not applicable

Part X Corporate Financial Statement

I. Auditor's Report

Type of Audit Opinion	Standard Unreserved opinion
Signing date of the Auditor's Report	24 March 2023
Name of the Audit Institution	Ernst & Young Hua Ming LLP
Document number of the Auditor's report	Ernst & Young Hua Ming (2023) Auditor's Report No. 61276890_G01
Name of the Chinese Certified Public Accountant	Feng Xingzhi, Hu Chuan

Auditor's Report

Ernst & Young Hua Ming (2023) 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 2022, 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 2022, 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.

Key audit matter:	How our audit addressed the key audit matter:
Impairment of goodwill	
The carrying amount of goodwill amounted to RMB557,939,051.93 as at 31 December 2022 and the impairment allowance for goodwill was RMB127,022,203.19.	The procedures performed to address this matter are as follows:
The Group's management performs goodwill impairment testing at the end of each year. The assessment of goodwill impairment testing	(1) Performing internal control walkthrough and executing control tests on identified critical control points (2) Assessing the identification of asset groups by the

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

The accounting policies on and disclosures of goodwill were set out in Item 16 of Note III, Item 33 of Note III, and Item 20 of Note V to the financial statements.

Group's management and the goodwill allocated to the asset groups;

(3) 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;

(4) Inviting an internal expert team to assess 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 by inviting a team of internal experts;

(5) Assessing the forecast sales revenue and operating performance for future years and comparing them with historical operating performance; and

(6) Checking the adequacy of the Group's disclosures in the notes to the financial statements.

IV. Other Information

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

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

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

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

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

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

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

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

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

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

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

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, and if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

(End of the Report)

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Feng Xingzhi
(Engagement Partner)

Chinese Certified Public Accountant: Hu Chuan

Beijing, China

24 March 2023

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.

II. Financial Statements

<u>Assets</u>	<u>Note V</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Current assets			
Cash and bank balances	1	1,274,447,199.74	1,664,336,339.35
Financial assets held for trading	2	860,832,278.88	788,185,521.57
Notes receivable	3	24,566,100.12	13,272,025.04
Accounts receivable	4	837,305,757.46	741,135,648.09
Receivables financing	5	15,305,668.26	30,692,449.25
Prepayments	6	64,946,901.26	34,177,802.36
Other receivables	7	83,996,902.82	71,363,166.84
Inventories	8	1,092,981,884.51	867,280,013.47
Contract assets	9	65,089,851.21	24,414,117.64
Current portion of non-current assets	10	311,763,750.00	108,385,000.00
Other current assets	11	61,370,451.31	32,124,006.99
Total current assets		<u>4,692,606,745.57</u>	<u>4,375,366,090.60</u>
Non-current assets			
Long-term receivables	12	1,294,299.00	143,750.00
Long-term equity investments	13	95,352,681.52	84,777,596.67
Other non-current financial assets	14	334,449,603.33	162,523,519.41
Fixed assets	15	570,200,113.79	544,180,159.09
Construction in progress	16	38,904,537.85	12,298,259.58
Right-of-use assets	17	86,448,978.02	80,386,832.91
Intangible assets	18	368,103,395.11	293,718,987.62
Research and development expenditures	19	3,702,229.76	-
Goodwill	20	430,916,848.74	306,969,147.76
Long-term prepaid expenses	21	16,735,552.98	11,962,127.07
Deferred tax assets	22	244,542,124.61	180,245,522.94
Other non-current assets	23	45,320,004.82	304,596,841.54
Total non-current assets		<u>2,235,970,369.53</u>	<u>1,981,802,744.59</u>
Total assets		<u><u>6,928,577,115.10</u></u>	<u><u>6,357,168,835.19</u></u>

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Current liabilities			
Short-term borrowings	24	41,815,129.24	228,312,880.73
Financial liabilities held for trading	25	57,022,555.58	110,746,939.04
Notes payable	26	149,918,253.31	149,191,690.00
Accounts payable	27	748,319,561.21	619,265,856.18
Contract liabilities	28	692,567,968.60	405,842,932.51
Employee benefits payable	29	123,695,328.31	103,809,783.58
Tax payable	30	24,111,703.70	60,701,346.24
Other payables	31	90,080,142.50	100,018,273.09
Current portion of non-current liabilities	32	315,767,431.26	38,495,724.83
Other current liabilities	33	5,988,879.29	12,836,473.00
Total current liabilities		2,249,286,953.00	1,829,221,899.20
Non-current liabilities			
Long-term borrowings	34	57,884,494.89	325,026,188.49
Lease liabilities	35	68,989,111.33	65,213,555.87
Long-term employee benefits payable	36	13,179,944.17	16,083,170.32
Provisions	37	118,945,953.78	117,932,721.59
Deferred income	38	11,073,651.66	12,190,311.66
Deferred tax liabilities	22	6,825,450.77	1,747,137.95
Other non-current liabilities	39	136,396,292.55	136,178,304.44
Total non-current liabilities		413,294,899.15	674,371,390.32
Total liabilities		2,662,581,852.15	2,503,593,289.52

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Equity			
Share capital	40	1,241,106,400.00	1,331,938,167.00
Capital surplus	41	2,947,263,843.53	3,238,765,859.94
Less: Treasury stock	42	240,255,502.45	494,335,503.94
Other comprehensive income	43	26,512,917.07	(33,322,662.98)
Special reserve	44	14,488,955.52	11,252,639.19
Surplus reserves	45	51,830,974.45	51,830,974.45
Retained earnings	46	23,018,722.11	(424,159,175.27)
		<u>4,063,966,310.23</u>	<u>3,681,970,298.39</u>
Total equity attributable to owners of the parent			
		202,028,952.72	171,605,247.28
Non-controlling interests		<u>202,028,952.72</u>	<u>171,605,247.28</u>
Total equity		<u>4,265,995,262.95</u>	<u>3,853,575,545.67</u>
Total liabilities and equity		<u><u>6,928,577,115.10</u></u>	<u><u>6,357,168,835.19</u></u>

The financial statements have been signed by:

Legal representative:
 Department:

Chief Financial Officer:

Head of Accounting

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
2022

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2022</u>	<u>2021</u>
Operating revenue	47	3,892,708,509.64	3,524,734,783.94
Less: Cost of sales	47	2,833,305,748.54	2,555,072,059.79
Taxes and surcharges	48	11,956,289.95	11,496,506.72
Selling expenses	49	182,555,875.71	185,327,678.18
Administrative expenses	50	311,463,613.16	272,090,728.08
R&D expenses	51	97,954,453.40	99,557,565.46
Finance costs	52	(8,970,693.69)	(5,996,474.46)
Including: Interest expenses		13,839,292.38	13,182,088.01
Interest income		19,042,851.72	24,674,196.61
Add: Other income	53	20,933,377.44	14,892,566.89
Investment income	54	19,131,077.82	98,673,106.02
Including: Share of profit of joint ventures and associates		1,851,796.60	3,880,256.70
Gain/loss on changes in fair value	55	17,917,046.61	(21,357,785.81)
Credit impairment loss	56	(5,109,974.87)	(12,726,636.46)
Asset impairment loss	57	(12,796,323.56)	(10,936,754.10)
Gain/loss on disposal of assets	58	(168,835.37)	424,968.29
Operating profit		504,349,590.64	476,156,185.00
Add: Non-operating income	59	2,459,567.33	5,750,547.04
Less: Non-operating expenses	60	880,845.25	1,462,018.81
Gross profit		505,928,312.72	480,444,713.23
Less: Income tax expenses	62	22,187,291.43	(11,946,472.42)
Net profit		<u>483,741,021.29</u>	<u>492,391,185.65</u>
Net profit classified by continuing operations			
Net profit from continuing operations		483,741,021.29	492,391,185.65
Net profit classified by attribution of ownership			
Net profit attributable to owners of the parent		447,177,897.38	467,333,661.79
Net profit attributable to non-controlling interests		36,563,123.91	25,057,523.86

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

	<u>Note V</u>	<u>2022</u>	<u>2021</u>
Other comprehensive income, net of tax		56,936,768.65	(58,062,617.01)
Other comprehensive income attributable to owners of the parent, net of tax	43	59,835,580.05	(53,348,752.68)
Other comprehensive income that will not be reclassified to profit or loss		1,856,564.02	(368,435.04)
Changes caused by remeasurements on defined benefit schemes		<u>1,856,564.02</u>	<u>(368,435.04)</u>
Other comprehensive income that will be reclassified to profit or loss		57,979,016.03	(52,980,317.64)
Differences arising from the translation of foreign currency-denominated financial statements		<u>57,979,016.03</u>	<u>(52,980,317.64)</u>
Other comprehensive income attributable to non-controlling interests, net of tax	43	<u>(2,898,811.40)</u>	<u>(4,713,864.33)</u>
Total comprehensive income		<u>540,677,789.94</u>	<u>434,328,568.64</u>
Including:			
Total comprehensive income attributable to owners of the parent		507,013,477.43	413,984,909.11
Total comprehensive income attributable to non-controlling interests		33,664,312.51	20,343,659.53
Earnings per share	63		
Basic earnings per share		<u>0.37</u>	<u>0.35</u>
Diluted earnings per share		<u>0.37</u>	<u>0.35</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
 2022

Expressed in Renminbi Yuan

2022

		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 2021 and 1 January 2022	1,331,938,167.00	3,238,765,859.94	494,335,503.94	(33,322,662.98)	11,252,639.19	51,830,974.45	(424,159,175.27)	3,681,970,298.39	171,605,247.28	3,853,575,545.67
II.	Changes for the year										
(I)	Total comprehensive income	-	-	-	59,835,580.05	-	-	447,177,897.38	507,013,477.43	33,664,312.51	540,677,789.94
(II)	Owner's contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-
1.	Share-based payments included in equity	-	29,628,076.98	-	-	-	-	-	29,628,076.98	-	29,628,076.98
2.	Others	(90,831,767.00)	(321,130,093.39)	(254,080,001.49)	-	-	-	-	(157,881,858.90)	(3,240,607.07)	(161,122,465.97)
(III)	Special reserve								-		-
1.	Provision in the period	-	-	-	-	6,161,824.10	-	-	6,161,824.10	-	6,161,824.10
2.	Utilisation in the period	-	-	-	-	(2,925,507.77)	-	-	(2,925,507.77)	-	(2,925,507.77)
III.	At 31 December 2022	<u>1,241,106,400.00</u>	<u>2,947,263,843.53</u>	<u>240,255,502.45</u>	<u>26,512,917.07</u>	<u>14,488,955.52</u>	<u>51,830,974.45</u>	<u>23,018,722.11</u>	<u>4,063,966,310.23</u>	<u>202,028,952.72</u>	<u>4,265,995,262.95</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 (Cont'd)

2022

Expressed in Renminbi Yuan

2021

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

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

	<u>Note V</u>	<u>2022</u>	<u>2021</u>
I. Cash flows from operating activities			
Proceeds from sale of goods and rendering of services		3,980,777,143.75	3,421,895,227.97
Receipts of taxes and surcharges refunds		65,415,784.48	45,064,378.48
Cash generated from other operating activities	64	<u>37,413,422.25</u>	<u>39,334,554.11</u>
Subtotal of cash generated from operating activities		<u>4,083,606,350.48</u>	<u>3,506,294,160.56</u>
Payments for goods and services		2,469,141,272.41	2,241,460,975.24
Cash payments to and on behalf of employees ¹		672,362,139.67	602,036,898.56
Payments of all types of taxes and surcharges		155,555,899.95	135,039,721.24
Cash used in other operating activities	64	<u>280,252,577.50</u>	<u>221,097,289.50</u>
Subtotal of cash used in operating activities		<u>3,577,311,889.53</u>	<u>3,199,634,884.54</u>
Net cash generated from/used in operating activities	65	<u>506,294,460.95</u>	<u>306,659,276.02</u>
II. Cash flows from investing activities			
Proceeds from disinvestment		5,461,128,307.85	7,023,027,591.06
Investment income		19,977,080.02	93,945,208.58
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		299,284.95	928,029.29
Cash generated from other investing activities	64	<u>20,741,402.85</u>	<u>2,419,748.09</u>
Subtotal of cash generated from investing activities		<u>5,502,146,075.67</u>	<u>7,120,320,577.02</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		217,707,161.02	66,321,945.54
Payments for investments		5,586,038,692.54	5,718,640,747.18
Net payments for the acquisition of subsidiaries and other business units	65	115,932,016.05	30,000,000.00
Cash used in other investing activities	64	<u>20,000,000.00</u>	<u>-</u>
Subtotal of cash used in investing activities		<u>5,939,677,869.61</u>	<u>5,814,962,692.72</u>
Net cash generated from/used in investing activities		<u>(437,531,793.94)</u>	<u>1,305,357,884.30</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
2022

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2022</u>	<u>2021</u>
III. Cash flows from financing activities			
Cash proceeds from investments by others		2,600,000.00	-
Including: Cash receipts from minority investment		2,600,000.00	-
Borrowings raised		255,640,726.89	405,333,187.33
Cash generated from other financing activities	64	<u>740,125,575.61</u>	<u>193,525,797.34</u>
Subtotal of cash generated from financing activities		<u>998,366,302.50</u>	<u>598,858,984.67</u>
Repayment of borrowings		452,030,374.54	390,598,473.42
Interest and dividends paid		8,391,200.32	9,707,118.35
Cash used in other financing activities	64	<u>673,378,550.06</u>	<u>1,357,057,613.48</u>
Subtotal of cash used in financing activities		<u>1,133,800,124.92</u>	<u>1,757,363,205.25</u>
Net cash generated from/used in financing activities		<u>(135,433,822.42)</u>	<u>(1,158,504,220.58)</u>
IV. Effect of foreign exchange rates changes on cash and cash equivalents		<u>41,088,076.94</u>	<u>(54,810,400.78)</u>
V. Net increase/(decrease) in cash and cash equivalents		(25,583,078.47)	398,702,538.96)
Add: Cash and cash equivalents, beginning of the period		<u>1,259,303,775.74</u>	<u>860,601,236.78</u>
VI. Cash and cash equivalents, end of the period	65	<u><u>1,233,720,697.27</u></u>	<u><u>1,259,303,775.74</u></u>

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 2022

Expressed in Renminbi Yuan

<u>Assets</u>	<u>Note XV</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Current assets			
Cash and bank balances		150,462,307.50	526,602,901.98
Financial assets held for trading		544,644,172.35	652,931,497.75
Accounts receivable	1	252,845,901.89	154,703,065.67
Receivables financing		8,665,919.20	14,939,923.99
Prepayments		5,599,366.14	8,893,984.77
Other receivables	2	595,201,759.62	444,140,266.79
Inventories		144,657,557.06	145,283,359.74
Contract assets		28,301,152.72	17,681,315.64
Current portion of non-current assets		311,763,750.00	108,385,000.00
Other current assets		620,238.68	713,296.22
Total current assets		<u>2,042,762,125.16</u>	<u>2,074,274,612.55</u>
Non-current assets			
Long-term receivables		1,294,299.00	143,750.00
Long-term equity investments	3	760,833,667.45	566,779,845.04
Other non-current financial assets		134,097,590.81	110,672,495.38
Fixed assets		311,637,453.98	316,780,357.65
Construction in progress		4,716.98	2,040,059.06
Right-of-use assets		8,298,157.57	17,226,122.41
Intangible assets		56,644,698.03	58,297,372.40
Long-term prepaid expenses		6,215,303.00	4,449,274.82
Deferred tax assets		173,968,753.31	109,447,418.03
Other non-current assets		34,520,000.00	300,150,000.00
Total non-current assets		<u>1,487,514,640.13</u>	<u>1,485,986,694.79</u>
Total assets		<u><u>3,530,276,765.29</u></u>	<u><u>3,560,261,307.34</u></u>

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

<u>Liabilities and equity</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Current liabilities		
Trading financial liabilities	7,230,000.00	5,861,200.00
Notes payable	47,602,955.27	45,445,513.50
Accounts payable	46,036,442.22	61,109,554.88
Contract liabilities	29,803,024.37	21,697,782.14
Employee benefits payable	14,571,839.42	13,205,296.64
Tax payable	430,234.63	2,850,207.94
Other payables	125,142,268.32	195,636,226.94
Current portion of non-current liabilities	1,703,312.89	4,875,266.03
Other current liabilities	1,481,251.36	1,275,327.99
Total current liabilities	<u>274,001,328.48</u>	<u>351,956,376.06</u>
Non-current liabilities		
Lease liabilities	6,781,238.89	13,331,936.29
Provisions	1,283,500.00	1,635,363.75
Deferred income	11,073,651.66	12,190,311.66
Other non-current liabilities	470,437.92	12,262,010.40
Total non-current liabilities	<u>19,608,828.47</u>	<u>39,419,622.10</u>
Total liabilities	<u>293,610,156.95</u>	<u>391,375,998.16</u>

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

<u>Liabilities and equity</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Equity		
Share capital	1,241,106,400.00	1,331,938,167.00
Capital surplus	2,820,661,243.26	3,162,960,902.13
Less: Treasury stock	240,255,502.45	494,335,503.94
Special reserve	7,200,502.88	5,067,104.62
Surplus reserves	51,830,974.45	51,830,974.45
Retained earnings	<u>(643,877,009.80)</u>	<u>(888,576,335.08)</u>
Total Equity	<u>3,236,666,608.34</u>	<u>3,168,885,309.18</u>
Total liabilities and Equity	<u><u>3,530,276,765.29</u></u>	<u><u>3,560,261,307.34</u></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

2022

Expressed in Renminbi Yuan

	<u>Note XV</u>	<u>2022</u>	<u>2021</u>
Operating revenue	4	521,042,097.24	486,757,300.91
Less: Cost of sales	4	272,827,724.91	256,366,100.99
Taxes and surcharges		5,683,155.26	5,401,743.28
Selling expenses		17,209,290.59	19,942,732.31
Administrative expenses		97,805,978.92	84,898,110.60
R&D expenses		18,858,241.84	21,950,643.65
Finance costs		(30,772,961.40)	(11,086,061.90)
Including: Interest expenses		2,212,567.00	2,969,649.37
Interest income		12,296,701.61	17,285,245.87
Add: Other income		6,635,795.27	4,618,346.17
Investment income	5	24,811,647.21	58,085,312.56
Including: Share of profit or loss of joint ventures and associates		3,143,695.45	3,880,256.70
Gain on changes in fair value		8,365,325.57	34,139,842.44
Credit impairment loss		206,054.50	613,952.31
Asset impairment loss		(1,117,287.51)	43,279.19
Gain/loss on disposal of assets		1,379,510.93	275,491.34
Operating profit		179,711,713.09	207,060,255.99
Add: Non-operating income		613,023.15	4,248,968.31
Less: Non-operating expenses		146,746.24	188,495.98
Gross profit		180,177,990.00	211,120,728.32
Less: Income tax expenses		(64,521,335.28)	(83,421,375.16)
Net profit		<u>244,699,325.28</u>	<u>294,542,103.48</u>
Including: Net profit from continuing operations		<u>244,699,325.28</u>	<u>294,542,103.48</u>
Total comprehensive income		<u><u>244,699,325.28</u></u>	<u><u>294,542,103.48</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 Statements of Changes in Equity
 2022

Expressed in Renminbi Yuan

2022

		Share capital	Capital surplus	Less: Treasury stock	Special reserve	Surplus reserves	Retained earnings	Total equity
I.	At 31 December 2021 and 1 January 2022	1,331,938,167.00	3,162,960,902.13	494,335,503.94	5,067,104.62	51,830,974.45	(888,576,335.08)	3,168,885,309.18
II.	Changes for the year							
(I)	Total comprehensive income	-	-	-	-	-	244,699,325.28	244,699,325.28
(II)	Owner's contributions and reduction in capital							
1.	Share-based payments included in equity	-	27,945,791.19	-	-	-	-	27,945,791.19
2.	Others	(90,831,767.00)	(370,245,450.06)	(254,080,001.49)	-	-	-	(206,997,215.57)
(III)	Special reserve							
1.	Provision in the period	-	-	-	2,326,893.29	-	-	2,326,893.29
2.	Amount utilised in the period	-	-	-	(193,495.03)	-	-	(193,495.03)
III.	At 31 December 2022	<u>1,241,106,400.00</u>	<u>2,820,661,243.26</u>	<u>240,255,502.45</u>	<u>7,200,502.88</u>	<u>51,830,974.45</u>	<u>(643,877,009.80)</u>	<u>3,236,666,608.34</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
 2022

Expressed in Renminbi Yuan

2021

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

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 Cash Flows
2022

Expressed in Renminbi Yuan

	<u>2022</u>	<u>2021</u>
I. Cash flows from operating activities		
Proceeds from sale of goods and rendering of services	355,422,382.54	535,230,797.30
Receipts of taxes and surcharges refunds	20,405,793.81	13,605,552.69
Cash generated from other operating activities	<u>33,411,792.89</u>	<u>31,866,204.03</u>
Subtotal of cash generated from operating activities	<u>409,239,969.24</u>	<u>580,702,554.02</u>
Payments for goods and services	238,655,533.97	293,904,947.16
Cash payments to and on behalf of employees	90,655,013.90	84,307,393.88
Payments of all types of taxes and surcharges	9,877,155.70	11,302,053.75
Cash used in other operating activities	<u>35,938,085.85</u>	<u>15,808,751.20</u>
Subtotal of cash used in operating activities	<u>375,125,789.42</u>	<u>405,323,145.99</u>
Net cash generated from/used in operating activities	<u>34,114,179.82</u>	<u>175,379,408.03</u>
II. Cash flows from investing activities		
Proceeds from disinvestment	2,957,634,482.77	2,866,282,671.15
Investment income	3,788,252.05	63,507,216.86
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	23,000.00	449,580.00
Other cash receipts relating to investing activities	<u>20,903,000.00</u>	<u>-</u>
Subtotal of cash generated from investing activities	<u>2,982,348,734.82</u>	<u>2,930,239,468.01</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	47,508,537.31	6,558,484.63
Payments for investments	2,834,602,224.34	1,888,592,448.78
Net payments for the acquisition of subsidiaries and other business units	173,800,000.00	120,000,001.00
Other cash payments relating to other investing activities	<u>20,000,000.00</u>	<u>-</u>
Subtotal of cash used in investing activities	<u>3,075,910,761.65</u>	<u>2,015,150,934.41</u>
Net cash generated from/used in investing activities	<u>(93,562,026.83)</u>	<u>915,088,533.60</u>

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

	<u>2022</u>	<u>2021</u>
III. Cash flows from financing activities		
Borrowings raised	33,431,500.00	129,418,000.00
Cash generated from other financing activities	<u>585,791,128.23</u>	<u>254,961,825.36</u>
Subtotal of cash generated from financing activities	<u>619,222,628.23</u>	<u>384,379,825.36</u>
Repayment of borrowings	33,431,500.00	129,418,000.00
Interest and dividends paid	1,438,732.23	2,005,101.64
Cash used in other financing activities	<u>539,194,859.08</u>	<u>1,313,154,399.85</u>
Subtotal of cash used in financing activities	<u>574,065,091.31</u>	<u>1,444,577,501.49</u>
Net cash generated from/used in financing activities	<u>45,157,536.92</u>	<u>(1,060,197,676.13)</u>
IV. Net increase/(decrease) in cash and cash equivalents	(14,290,310.09)	30,270,265.50
Add: Cash and cash equivalents, beginning of the period	<u>156,610,136.21</u>	<u>126,339,870.71</u>
V. Cash and cash equivalents, end of the period	<u><u>142,319,826.12</u></u>	<u><u>156,610,136.21</u></u>

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

III. Corporate Background

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

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

Business scope of the Company:

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

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

These financial statements were authorized for issue by the Board of Directors of the Company on 24 March 2023.

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.

IV. 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.

V. Principal Accounting Policies and Accounting Estimates

1. Statement of compliance

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

2. Accounting year

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

3. Functional currency

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

4. Business combination

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

Business combinations involving entities under common control

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

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

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

4. Business combination (cont'd)

Business combinations not involving entities under common control

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

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

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

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

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

5. Consolidated financial statements

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

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

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

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

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

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

6. Cash and cash equivalents

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

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

7. Foreign currency translation

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

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

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

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

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

8. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

Classification and measurement of financial assets

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

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

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

8. Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd)

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

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

Debt instruments measured at amortized cost

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

Debt instruments at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

Classification and measurement of financial liabilities

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

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

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

8. Financial instruments (cont'd)

Classification and measurement of financial liabilities (cont'd)

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Impairment of financial instruments

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

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

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

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

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

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

8. Financial instruments (cont'd)

Impairment of financial instruments (cont'd)

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

Derivative financial instruments

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

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

Transfer of financial assets

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

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

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

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

9. Inventories

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

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

The Group adopts the perpetual inventory system.

Inventories on the balance sheet date are stated at the lower of cost or net realisable value. Inventory valuation allowance is made and recognized in profit or loss when the net realisable value is lower than cost. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Valuation allowances for raw materials are established by category, and those for finished goods by individual item. For inventories that relate to products produced and sold in the same region, have the same or similar ultimate purpose, and are difficult to separate in measurement, valuation allowances are established on a combined basis.

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

10. Long-term equity investments

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

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

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

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

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

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

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

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

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

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

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

11. Fixed assets

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

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

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

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

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

12. Construction in progress

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

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

13. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. The Group has no borrowing costs eligible for capitalization in the current year.

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

14. Right-of-use assets

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

15. Intangible assets

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

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

Useful life of respective intangible assets is as follows:

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

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

15. Intangible assets (cont'd)

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

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

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

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

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

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

16. Impairment

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

Impairment of assets (other than the impairment of inventories, contract assets and contract cost assets, investment properties measured using the fair value model, deferred tax assets, and financial assets) is determined in the following way: the Group assesses at the balance sheet date whether there is any indication that an asset may be impaired; if any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing; goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

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

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

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

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

Previously recognized impairment losses are not reversed in subsequent periods.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)**17. Long-term prepaid expenses**

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

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

18. Employee benefits

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

Short-term benefits

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

Retirement benefits (defined contribution schemes)

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

Retirement benefits (defined benefit schemes)

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

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

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

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

18. Employee benefits (cont'd)

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

recognize

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

19. Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and low-value asset leases.

Lease payments include constant payments and the substantial constant payments net of lease incentives, variable lease payments that depend on an index or ratio, the estimated payables of guaranteed residual value, and also include the exercise price of the purchase option or the amount to be paid upon vest of the termination option, provided that the Group is reasonably certain that the option will be vested or that the lease term reflects that the Group will exercise the termination option.

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

After the commencement date, the Group increases the book value of the lease liability when interest is recognized and decreases the book value of the lease liability when lease payments are made. In the event of any change to the substantial constant payments, the estimated payables of guaranteed residual value, the index or ratio used to determine lease payments, the assessment results or actual vesting of the purchase option, the renewal option or the termination option, the Group remeasures the lease liability at the present value of the modified lease payments.

20. Provisions

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

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

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

20. Provisions (cont'd)

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.

21. Share-based payments

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

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

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

22. Revenue generating from contracts with customers

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

III. Principal Accounting Policies and Accounting Estimates (Cont'd)**22. Revenue generating from contracts with customers (cont'd)**Contract for the sales of products

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

Contract for the rendering of installation services

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

Significant financing component

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

Warranty clauses

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

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

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

Principal/agent

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

23. Contract assets and contract liabilities

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

Contract assets

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

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

Contract liabilities

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

24. Assets relating to contract cost

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

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

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

24. Assets relating to contract cost (cont'd)

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

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

25 Government grants

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

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

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

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

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

26. Deferred tax assets

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

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

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

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

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

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

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

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

26. Deferred tax assets (cont'd)

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

27. Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group recognizes leases as the right-of-use asset and lease liabilities, except for short-term leases and leases of low-value assets. For general accounting practice, please see Items 14 and 19 of Note III.

Short-term leases and leases of low-value assets

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

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As a lessor of operating leases

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

Initial direct costs are capitalised and recognised over the lease term on the same basis as rental income, through profit or loss.

28. Share repurchase

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

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

29. Profit distribution

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

30. Expenses for safety production

The expenses for safety production set 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.

31. Put option related to non-controlling interests

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

32. Fair value measurement

At each balance sheet date, the Group measures the fair value of derivative financial instruments and equity instrument investments. Fair value means the price receivable from the disposal of an asset or required to be paid for the transfer of a liability in an orderly transaction incurred by market participants on the measurement date.

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

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

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

33. Significant accounting judgements and estimates

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

Judgement

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

Determination of standalone contractual performance obligations

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

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.

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

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

Estimation uncertainty

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

Impairment of financial instruments and contract assets

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

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.20.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

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

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

Estimation uncertainty (cont'd)

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses, to the extent that it is likely that taxable profit will be available to utilize these unused tax losses. Significant judgments are needed from management to estimate the timing and amount of taxable profit in the future, with tax planning strategies, to determine the amount of the deferred tax assets that should be recognized.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The Group discounted the lease payments using the lessee's incremental borrowing rate. The Group determines the incremental borrowing rate based on the economic environment by reference to the observable interest rate. Then the Group adjusts the reference interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

Provisions

The Group estimates and makes corresponding provision for product quality guaranty according to contract terms, existing knowledge and past experience. When such contingencies have formed a present obligation and it is probable that an outflow of economic benefits from the Group will be required to settle the obligation, the Group recognizes the contingencies as provisions based on the best estimate of the expenditure required to settle the related present obligation. The recognition and measurement of provisions largely depend on the judgment of management. In the process of making judgment, the Group is required to assess the risks, uncertainties, time value of money and other factors related to such contingencies.

The Group will undertake the provisions for post-sale quality maintenance provided to customers for the sale, maintenance and renovation of the sold goods. The provisions have been made taking into account the Group's recent data of maintenance experience, and taking into account the risks, uncertainties and other factors related to maintenance matters. Any increase or decrease in this provision may affect the profit and loss in future years.

VI. Taxation**1. Principal tax items and tax rates**

Value-added tax (VAT) – The output tax of the taxable income is calculated at the rate of 13% and 6% and VAT is levied according to the difference after deducting the input tax which is allowed to be deducted in the current period.

City maintenance and construction tax – Levied at 7% of the turnover tax actually paid

Education surcharge – Levied at 3% of the turnover tax actually paid

Local education Surcharge – Levied at 2% of the turnover tax actually paid

Corporate income tax – Corporate income tax of the Group's subsidiaries located in Mainland China shall be levied at 25% of the taxable income (except for the preferential taxation as described in Note IV 2). Subsidiaries located in Hong Kong shall calculate and pay the corporate income tax at 16.5% of the taxable income, and subsidiaries registered overseas shall apply the corporate income tax rate as required by the local tax law. The details are as follows:

1. Principal tax items and tax rates (Cont'd)

Name of subsidiaries	Income tax rate
Dong Fang Precision (Netherland) Cooperatief U.A. (“Dongfang Precision (Netherland)”)	20%
Fosber S.p.A. (“Fosber Group”)	24%
Fosber America, Inc. (“Fosber America”)	21%
EDF Europe s.r.l. (“Italy EDF”)	24%
Tiruña Group Industrial, S.L. (“Tiruña Group”)	28%
Tiruña America inc. (“Tiruña America”)	21%
Quantum Corrugated S.r.l. (Italy QCorr)	24%
Tiruña S.L.U.	28%
Tratamientos Industriales Tiruña S.A.U.	28%
Tiruña France SARL	15%
SCI Candan	15%

Property tax – Ad valorem tax: levied at 1.2% of the remaining value after deducting 30% from the original value of the property; Tax levied from rent: levied at 12% of the rental income.

IV. Taxation (Cont'd)

2. Tax concessions

On 9 December 2020, the Company passed the high-tech enterprise review by the Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service of State Taxation Administration and Guangdong Provincial Local Taxation Bureau and obtained a High-tech Enterprise Certificate (certificate no.: GR202044007667) jointly issued by the above authorities, with a validity of three years, during which the Company paid the corporate income tax at a reduced rate of 15%, so the preferential tax rate of 15% was applicable to the Company's corporate income tax as at 31 December 2022.

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 18 November 2022 and obtained a High-tech Enterprise Certificate (certificate no.: GR201932000339) jointly issued by the above authorities, with a validity of three years, during which the subsidiary paid the corporate income tax at a reduced rate of 15%, so the preferential tax rate of 15% was applicable to the corporate income tax of Parsun Power as at 31 December 2022.

Guangdong Fosber Intelligent Equipment Co., Ltd. ("Fosber Asia"), a subsidiary of the Company, passed the high-tech enterprise review by the Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province and Guangdong Provincial Tax Service of State Taxation Administration on 20 December 2021 and obtained a High-tech Enterprise Certificate (certificate no.: GR202144003984) jointly issued by the above authorities, with a validity of three years, during which the subsidiary paid the corporate income tax at a reduced rate of 15%, so the preferential tax rate of 15% was applicable to the corporate income tax of Fosber Asia as at 31 December 2022.

Shenzhen Wonder Printing System Co., Ltd. ("Wonder Printing"), 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 19 December 2022 and obtained a High-tech Enterprise Certificate (certificate no.: GR202244206125) jointly issued by the above authorities, with a validity of three years, during which the subsidiary paid the corporate income tax at a reduced rate of 15%, so the preferential tax rate of 15% was applicable to the corporate income tax of Wonder Printing as at 31 December 2022.

VII. Notes to the Consolidated Financial Statements**1. Cash and bank balances**

	2022	2021
Cash on hand	589,575.75	233,281.32
Cash at banks	1,011,562,524.44	999,389,151.51
Other cash balances	<u>262,295,099.55</u>	<u>664,713,906.52</u>
	<u>1,274,447,199.74</u>	<u>1,664,336,339.35</u>
Of which: total restricted amount as collateral, pledge or frozen	<u>40,726,502.47</u>	<u>405,032,563.61</u>

As at 31 December 2022, cash and bank balances of the Group amounting to RMB752,430,975.78 (31 December 2021 : RMB456,521,434.93) were deposited outside Mainland China. The fund deposited abroad with restrictions on repatriation was equivalent to RMB17,937,703.00 (31 December 2021: RMB16,374,076.37).

Current bank deposits earn interest income based on interest rates for current deposits.

2. Financial assets held for trading

	2022	2021
Financial assets at fair value through profit or loss		
Asset management plans	307,794,620.13	628,007,924.74
Investments in bank's wealth management products	351,182,315.74	140,609,523.19
Stocks and Funds	200,355,381.34	-
Investments in trust products	717,241.38	6,631,573.01
Derivative financial assets	<u>782,720.29</u>	<u>12,936,500.63</u>
	<u>860,832,278.88</u>	<u>788,185,521.57</u>

V. Notes to the Consolidated Financial Statements (cont'd)**3. Notes receivable**

	2022	2021
Bank acceptance notes	<u>24,566,100.12</u>	<u>13,272,025.04</u>

Notes receivable that were endorsed or discounted but undue at the balance sheet date are as follows:

	2022		2021	
	Derecognized	Un-derecognized	Derecognized	Un-derecognized
Bank acceptance notes	<u>-</u>	<u>1,449,810.18</u>	<u>-</u>	<u>9,391,823.29</u>

As at 31 December 2022, 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:

	2022	2021
Within 1 year	759,915,056.92	688,188,131.13
1-2 years	74,419,438.55	51,234,902.10
2-3 years	13,000,155.24	12,623,284.90
3-4 years	7,711,547.63	8,127,517.87
4-5 years	7,653,168.93	2,115,679.86
Over 5 years	7,018,540.90	5,074,242.03
	<u>869,717,908.17</u>	<u>767,363,757.89</u>
Less: allowances for doubtful accounts receivable	<u>32,412,150.71</u>	<u>26,228,109.80</u>
	<u>837,305,757.46</u>	<u>741,135,648.09</u>

V. Notes to the Consolidated Financial Statements (cont'd)

4. Accounts receivable (cont'd)

	2022				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	3,004,100.00	0.35	3,004,100.00	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	866,713,808.17	99.65	29,408,050.71	3.39	837,305,757.46
	<u>869,717,908.17</u>	<u>100.00</u>	<u>32,412,150.71</u>		<u>837,305,757.46</u>
	2021				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	7,038,180.40	0.92	7,038,180.40	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	760,325,577.49	99.08	19,189,929.40	2.52	741,135,648.09
	<u>767,363,757.89</u>	<u>100.00</u>	<u>26,228,109.80</u>		<u>741,135,648.09</u>

V. Notes to the Consolidated Financial Statements (cont'd)**4. Accounts receivable (cont'd)**

As at 31 December 2022, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 1	939,000.00	939,000.00	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	516,000.00	516,000.00	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
Customer 6	15,700.00	15,700.00	100.00	Customer's inability to settle the amount due
	<u>3,004,100.00</u>	<u>3,004,100.00</u>		

As at 31 December 2021, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 14	4,027,086.20	4,027,086.20	100.00	Customer's inability to settle the amount due
Customer 1	939,000.00	939,000.00	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
Other companies	306,099.20	306,099.20	100.00	Customer's inability to settle the amount due
	<u>7,038,180.40</u>	<u>7,038,180.40</u>		

V. Notes to the Consolidated Financial Statements (cont'd)

4. Accounts receivable (cont'd)

Accounts receivable for which allowances are established by group with similar credit risk characteristics are as follows:

	2022			2021		
	Gross amount estimated to be in default	ECL (%)	Lifetime ECL	Gross amount estimated to be in default	ECL (%)	Lifetime ECL
Within 1 year	759,915,056.92	1.09	8,301,269.30	688,188,131.13	1.02	7,024,121.70
1-2 years	74,419,438.55	4.62	3,436,770.55	51,234,902.10	3.93	2,011,112.67
2-3 years	13,000,155.24	9.17	1,191,919.75	8,596,198.70	4.90	421,019.36
3-4 years	7,711,547.63	74.72	5,762,337.52	8,127,517.87	69.96	5,686,380.04
4-5 years	7,653,168.93	87.56	6,701,312.69	661,084.86	80.10	529,552.80
Over 5 years	4,014,440.90	100.00	4,014,440.90	3,517,742.83	100.00	3,517,742.83
	<u>866,713,808.17</u>		<u>29,408,050.71</u>	<u>760,325,577.49</u>		<u>19,189,929.40</u>

Movements in allowances for doubtful accounts receivable are as follows:

	Opening balance	Established in the period	Reversed in the period	Written off in the period	Effect of exchange rate movements	Changes resulting from entity consolidation	Closing balance
2022	26,228,109.80	8,768,582.83	(4,351,182.11)	(828,752.82)	912,607.14	1,682,785.87	32,412,150.71
2021	23,792,330.92	10,210,960.55	(1,713,874.29)	(5,062,385.81)	(998,921.57)	-	26,228,109.80

In 2022, provision for bad debts of RMB8,768,582.83 (2021: RMB10,210,960.55), and write-off of bad debts of RMB828,752.82 (2021: RMB5,062,385.81). The reason for the write-off was that the receivables were recognized as uncollectible.

Top 5 of accounts receivable are as follows:

	2022	As a % of the closing balance of total accounts receivable	Allowance
Customer 7	120,390,518.83	13.84	1,664,169.32
Customer 8	99,399,466.68	11.43	932,623.82
Customer 9	38,672,142.34	4.45	305,278.49
Customer 10	37,323,902.38	4.29	256,866.20
Customer 11	34,022,800.00	3.91	1,701,140.00
	<u>329,808,830.23</u>	<u>37.92</u>	<u>4,860,077.83</u>

V. Notes to the Consolidated Financial Statements (cont'd)**4. Accounts receivable (cont'd)**

Top 5 of accounts receivable are as follows:

	2021	As a % of the closing balance of total accounts receivable	Allowance
Customer 7	71,357,633.89	9.30	632,103.65
Customer 15	57,526,895.71	7.50	393,080.22
Customer 9	45,503,030.02	5.93	423,960.57
Customer 16	18,669,670.80	2.43	295,183.15
Customer 17	18,391,174.99	2.40	187,589.98
	<u>211,448,405.41</u>	<u>27.56</u>	<u>1,931,917.57</u>

5. Receivables financing

	2022	2021
Bank acceptance notes	<u>15,305,668.26</u>	<u>30,692,449.25</u>

Notes receivable that were endorsed or discounted but undue at the balance sheet date are as follows:

	2022		2021	
	Derecognized	Un-derecognized	Derecognized	Un-derecognized
Bank acceptance notes	<u>37,725,855.84</u>	<u>-</u>	<u>24,598,786.91</u>	<u>-</u>

6. Prepayments

The aging of prepayments is analyzed as follows:

	2022		2021	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	64,413,090.83	99.18	33,901,158.84	99.19
1-2 years	275,315.22	0.42	38,710.83	0.11
2-3 years	31,175.83	0.05	144,972.14	0.43
Over 3 years	<u>227,319.38</u>	<u>0.35</u>	<u>92,960.55</u>	<u>0.27</u>
	<u>64,946,901.26</u>	<u>100.00</u>	<u>34,177,802.36</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:

	2022	As a % of total prepayments
Supplier 1	5,315,462.75	8.18
Supplier 2	5,159,254.99	7.94
Supplier 3	5,112,443.69	7.87
Supplier 4	3,505,084.66	5.40
Supplier 5	3,497,331.75	5.38
	<u>22,589,577.84</u>	<u>34.77</u>
	2021	As a % of total prepayments
Supplier 6	6,146,589.78	17.98
Supplier 7	5,383,577.05	15.75
Supplier 4	5,297,682.90	15.50
Supplier 1	3,702,992.69	10.83
Supplier 8	1,859,780.28	5.44
	<u>22,390,622.70</u>	<u>65.50</u>

7. Other receivables

	2022	2021
Other receivable	83,996,902.82	71,363,166.84

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:

	2022	2021
Within 1 year	39,240,181.70	29,975,763.18
1-2 years	5,772,952.90	6,571,130.64
2-3 years	3,174,795.18	178,398.25
3-4 years	176,147.32	38,260,742.08
4-5 years	38,260,742.08	1,495,285.41
Over 5 years	1,260,558.08	168,531.88
	<u>87,885,377.26</u>	<u>76,649,851.44</u>
Less: allowances for doubtful other receivables	3,888,474.44	5,286,684.60
	<u>83,996,902.82</u>	<u>71,363,166.84</u>

Other receivables are classified by nature as follows:

	2022	2021
Amount for transfer of equity investments	39,461,356.50	37,903,425.00
Prepaid service charges	12,446,401.37	10,386,867.47
Security deposits	8,340,341.53	5,452,788.82
Export tax refunds	1,294,466.80	912,287.93
Employee loans and petty cash	3,388,217.50	4,537,207.00
Others	22,954,593.56	17,457,275.22
	<u>87,885,377.26</u>	<u>76,649,851.44</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:

2022

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening balance	4,786,684.60	500,000.00	-	5,286,684.60
Established in the period	2,542,321.14	-	-	2,542,321.14
Reversed in the period	(1,860,447.99)	-	-	(1,860,447.99)
Written off in the period	(2,301,163.14)	-	-	(2,301,163.14)
Changes resulting from entity consolidation	91,820.12	-	-	91,820.12
Other changes	<u>129,259.71</u>	<u>-</u>	<u>-</u>	<u>129,259.71</u>
Closing balance	<u><u>3,388,474.44</u></u>	<u><u>500,000.00</u></u>	<u><u>-</u></u>	<u><u>3,888,474.44</u></u>

2021

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening balance	2,861,774.13	500,000.00	-	3,361,774.13
Established in the period	4,229,550.20	-	-	4,229,550.20
Reversed in the period	(1,969,247.27)	-	-	(1,969,247.27)
Other changes	<u>(335,392.46)</u>	<u>-</u>	<u>-</u>	<u>(335,392.46)</u>
Closing balance	<u><u>4,786,684.60</u></u>	<u><u>500,000.00</u></u>	<u><u>-</u></u>	<u><u>5,286,684.60</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)**7 Other receivables (cont'd)**

Movements in allowances for doubtful other receivables are as follows:

	Opening balance	Established in the period	Reversed in the period	Decrease due to disposal of subsidiaries	Effect of exchange rate movements	Changes resulting from entity consolidation	Closing balance
2021	5,286,684.60	2,542,321.14	(1,860,447.99)	(2,301,163.14)	129,259.71	91,820.12	3,888,474.44
2020	3,361,774.13	4,229,550.20	-	(1,969,247.27)	(335,392.46)	-	5,286,684.60

In 2022, the Group accrued RMB2,542,321.14 of provision (2021: RMB4,229,550.20), reversed RMB1,860,447.99 (2021: RMB0), wrote off RMB2,301,163.14 of provision (2020: RMB1,969,247.27) because other receivables were confirmed uncollectable.

As at 31 December 2022, top 5 of other receivables are as follows:

	2022	As a % of total other receivables	Nature	Age	Closing balance of allowance
Entity 1	39,461,356.50	44.90	Amount for transfer of equity investments	4-5 years	-
Entity 2	4,908,932.81	5.59	Insurance	Within 1 year	-
Entity 3	3,000,000.00	3.41	Government grants	Within 1 year	-
Entity 4	1,743,064.05	1.98	Prepaid service charges	Within 1 year	-
Entity 5	1,630,000.00	1.85	Warranty deposits	2-3 years	-
	<u>50,743,353.36</u>	<u>57.73</u>			<u>-</u>

V. Notes to the Consolidated Financial Statements (cont'd)

7 Other receivables (cont'd)

As at 31 December 2021, top 5 of other receivables are as follows:

	2021	As a % of total other receivables	Nature	Age	Closing balance of allowance
Entity 1	37,903,425.00	49.45	Amount for transfer of equity investments	3-4 years	1,899,115.81
Entity 5	1,630,000.00	2.13	Warranty deposits	1-2 years	-
Entity 6	1,500,000.00	1.96	Prepaid service charges	Within 1 year	-
Entity 7	1,000,020.00	1.30	Prepaid service charges	Within 1 year	-
Entity 8	919,717.58	1.20	Security deposits	Within 1 year	-
	<u>42,953,162.58</u>	<u>56.04</u>			<u>1,899,115.81</u>

As at December 31, 2022, the amounts due from government grants are as follows:

	Program	Amount	Age	Expected collection time amount and balance
Bureau of industry and information technology of Foshan city	Digital Intelligent Manufacturing Workshop for Corrugated Paper Packaging Equipment	2,000,000.00	Within 1 year	2023; 2,000,000.00; publicized in November 2022
Bureau of industry and information technology of Foshan city	Industrial Design Center and Industrial Design Institute Construction Project	1,000,000.00	Within 1 year	2023; 2,000,000.00; publicized in November 2022
		<u>3,000,000.00</u>		

V. Notes to the Consolidated Financial Statements (cont'd)

8. Inventories

	2022		
	Gross amount	Valuation allowance	Carrying amount
Work-in-progress	368,570,631.39	19,879,129.16	348,691,502.23
Raw materials	582,372,253.76	18,010,104.87	564,362,148.89
Finished goods	108,150,704.87	4,681,895.11	103,468,809.76
Product deliveries	35,190,253.35	-	35,190,253.35
Semi-finished goods	28,847,199.70	787,613.38	28,059,586.32
Materials consigned for processing	13,209,583.96	-	13,209,583.96
	<u>1,136,340,627.03</u>	<u>43,358,742.52</u>	<u>1,092,981,884.51</u>
	2021		
	Gross amount	Valuation allowance	Carrying amount
Work-in-progress	332,359,371.92	16,467,899.02	315,891,472.90
Raw materials	365,907,967.74	9,445,201.52	356,462,766.22
Finished goods	80,356,852.12	7,117,802.59	73,239,049.53
Product deliveries	48,592,282.34	-	48,592,282.34
Semi-finished goods	72,050,412.10	1,004,893.76	71,045,518.34
Materials consigned for processing	2,048,924.14	-	2,048,924.14
	<u>901,315,810.36</u>	<u>34,035,796.89</u>	<u>867,280,013.47</u>

V. Notes to the Consolidated Financial Statements (cont'd)

8 Inventories (cont'd)

Movements in inventory valuation allowances are as follows:

2022

	Opening balance	Established in the period	Decrease in the period		Closing balance
			Reversed or written off	Others	
Raw materials	9,445,201.52	5,629,235.50	(877,805.24)	3,813,473.09	18,010,104.87
Work-in-progress	16,467,899.02	3,223,893.24	-	187,336.90	19,879,129.16
Finished goods	7,117,802.59	2,231,773.91	(4,667,681.39)	-	4,681,895.11
Semi-finished goods	1,004,893.76	-	(217,280.38)	-	787,613.38
	<u>34,035,796.89</u>	<u>11,084,902.65</u>	<u>(5,762,767.01)</u>	<u>4,000,809.99</u>	<u>43,358,742.52</u>

2021

	Opening balance	Established in the period	Decrease in the period		Closing balance
			Reversed or written off	Others	
Raw materials	8,477,773.27	4,613,526.07	(3,923,240.80)	277,142.98	9,445,201.52
Work-in-progress	27,512,393.21	467,938.75	(11,312,154.94)	(200,278.00)	16,467,899.02
Finished goods	2,209,825.73	5,107,721.38	(199,744.52)	-	7,117,802.59
Semi-finished goods	114,428.27	1,004,893.76	(114,428.27)	-	1,004,893.76
	<u>38,314,420.48</u>	<u>11,194,079.96</u>	<u>(15,549,568.53)</u>	<u>76,864.98</u>	<u>34,035,796.89</u>

31 December 2022	Basis for determining the net realizable value	Basis for provision for write-down of inventories	Reasons for reversal of provision for write-down of inventories in the period
Raw materials	Market prices of raw materials	Scrapped, defective and unpopular materials	Market prices of related finished goods rebounded
Work-in-progress	Market prices of related finished goods	Market prices of related finished goods declined	Market prices of related finished goods rebounded
Finished goods	Market price/contract price	Market price declined	Market price rebounded

As at 31 December 2022, the Group has no inventories with restricted ownership (31 December 2021: Nil).

V. Notes to the Consolidated Financial Statements (cont'd)

9. Contract assets

	2022			2021		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Contract assets	67,018,545.44	1,928,694.23	65,089,851.21	25,144,462.49	730,344.85	24,414,117.64

When the Group hands over equipment to customers, the control over the equipment is considered transferred and the final payment for the equipment is recorded in contract assets.

Movements in impairment allowances for contract assets are as follows:

	Opening balance	Established in the period	Reversed in the period	Written off in the period	Other decreases	Closing balance
2022	730,344.85	1,928,694.23	-	(715,474.33)	(14,870.52)	1,928,694.23
2021	1,061,524.05	-	(257,325.86)		(73,853.34)	730,344.85

Contract assets for which impairment allowances are established by aging analysis are as follows:

	2022			2021		
	Gross amount estimated to be in default	ECL (%)	Lifetime ECL	Gross amount estimated to be in default	ECL (%)	Lifetime ECL
Within 1 year	48,267,281.45	0.58	277,699.73	24,414,117.64	-	-
1-2 years	18,751,263.99	8.80	1,650,994.50	730,344.85	100	730,344.85
	<u>67,018,545.44</u>		<u>1,928,694.23</u>	<u>25,144,462.49</u>		<u>730,344.85</u>

10. Current portion of non-current assets

	2022	2021
Current portion of long-term receivables	1,463,750.00	4,595,000.00
Current portion of security deposits for loans	310,300,000.00	-
Current portion of large-amount deposit certificates	-	103,790,000.00
	<u>311,763,750.00</u>	<u>108,385,000.00</u>

As at 31 December 2022, there's no need to establish impairment allowances for the current portion of non-current assets in the management's opinion.

V. Notes to the Consolidated Financial Statements (cont'd)**11. Other current assets**

Notes to the Financial Statements

2022

Expressed in Renminbi Yuan

	2022	2021
Overpaid value-added tax (VAT)	23,483,390.49	18,681,339.03
Input VAT to be deducted	15,469,529.33	3,358,040.70
Tax repayments	13,582,808.39	8,202,256.30
Others	8,834,723.10	1,882,370.96
	<u>61,370,451.31</u>	<u>32,124,006.99</u>

12. Long-term receivables

	2022			2021		
	Gross amount	Provision for bad debts	Carrying amount	Gross amount	Provision for bad debts	Carrying amount
Amounts receivable by installment for selling goods	1,305,000.00	(10,701.00)	1,294,299.00	143,750.00	-	143,750.00

	2022					
	Gross amount		Allowance		Carrying amount	
	Amount	Percentage (%)	Amount	Percentage (%)		
Long-term receivables for which allowances are established by group with similar credit risk characteristics	1,305,000.00	100.00	10,701.00	0.82	1,294,299.00	

Movements in allowances for doubtful long-term receivables are as follows:

	Opening balance	Established in the period	Reversed in the period	Written off in the period	Closing balance
2022	-	10,701.00	-	-	10,701.00

V. Notes to the Consolidated Financial Statements (cont'd)**13. Long-term equity investments**

2022

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements

2022

Expressed in Renminbi Yuan

	Opening balance	Change in the period			Closing balance
		Additional investment	Return on investment under the equity method	Other equity changes	
Associates					
Jaten Robot	74,780,345.62	-	3,143,695.45	8,609,443.05	86,533,484.12
Talleres Tapre	1,593,382.09	-	-	113,845.20	1,707,227.29
Profeta	8,403,868.96	-	(1,291,898.85)	-	7,111,970.11
	<u>84,777,596.67</u>	<u>-</u>	<u>1,851,796.60</u>	<u>8,723,288.25</u>	<u>95,352,681.52</u>

2021

	Opening balance	Change in the period			Closing balance
		Additional investment	Return on investment under the equity method	Other equity changes	
Associates					
Jaten Robot	70,900,088.92	-	3,880,256.70	-	74,780,345.62
Talleres Tapre	1,771,115.81	-	-	(177,733.72)	1,593,382.09
Profeta (Note)	-	8,403,868.96	-	-	8,403,868.96
	<u>72,671,204.73</u>	<u>8,403,868.96</u>	<u>3,880,256.70</u>	<u>(177,733.72)</u>	<u>84,777,596.67</u>

Note: The Group invested in Nanjing Profeta Intelligent Technology Co., Ltd. (“Profeta”) in September 2021, and the Group has appointed one of the five members in Profeta’s Board of Directors, and owned a substantive participation right of 20%, having a significant impact on accounting as a joint venture.

As at 31 December 2022, there’s no need to establish impairment allowances for long-term equity investments in the management’s opinion.

V. Notes to the Consolidated Financial Statements (cont'd)**14. Other non-current financial assets**

	2022	2021
Financial assets at fair value through profit or loss	<u>334,449,603.33</u>	<u>162,523,519.41</u>

Other non-current financial assets mainly refer to the Group's investment in equity instrument investments, long-term wealth management product investments and long-term derivative financial assets.

15. Fixed assets

2022

	Buildings and constructions	Machinery	Transportation facility	Other equipment	Total
Gross amount					
Opening balance	574,983,938.89	448,050,277.32	30,835,181.82	57,871,455.89	1,111,740,853.92
Purchases	4,438,680.16	14,741,893.02	5,395,971.41	8,253,872.61	32,830,417.20
Transfers from construction in progress	7,900,064.51	19,746,680.51	-	-	27,646,745.02
Business combinations not involving entities under common control	-	4,131,189.29	1,307,079.90	66,669.99	5,504,939.18
Disposal or retirement	(1,107,098.85)	(1,372,524.49)	(3,405,813.09)	(1,811,094.46)	(7,696,530.89)
Effect of exchange rate movements	9,551,580.06	10,644,185.12	1,049,356.32	1,059,404.93	22,304,526.43
Closing balance	<u>595,767,164.77</u>	<u>495,941,700.77</u>	<u>35,181,776.36</u>	<u>65,440,308.96</u>	<u>1,192,330,950.86</u>
Accumulated depreciation					
Opening balance	179,915,645.47	336,782,386.13	19,027,736.61	31,834,926.62	567,560,694.83
Provision	15,869,048.97	20,385,725.76	3,057,404.05	7,452,453.75	46,764,632.53
Disposal or retirement	(83,595.00)	(1,888,997.03)	(2,703,431.52)	(1,608,613.30)	(6,284,636.85)
Effect of exchange rate movements	4,121,091.13	9,043,490.37	914,044.79	11,520.27	14,090,146.56
Closing balance	<u>199,822,190.57</u>	<u>364,322,605.23</u>	<u>20,295,753.93</u>	<u>37,690,287.34</u>	<u>622,130,837.07</u>
Carrying amount					
Closing	<u>395,944,974.20</u>	<u>131,619,095.54</u>	<u>14,886,022.43</u>	<u>27,750,021.62</u>	<u>570,200,113.79</u>
Opening	<u>395,068,293.42</u>	<u>111,267,891.19</u>	<u>11,807,445.21</u>	<u>26,036,529.27</u>	<u>544,180,159.09</u>

As at 31 December 2022, the Group has no fixed assets subject to operating lease

As at 31 December 2022, the Group has no fixed assets without certificates of title.

V. Notes to the Consolidated Financial Statements (cont'd)

15. Fixed assets (cont'd)

2021

	Buildings and constructions	Machinery	Transportation facility	Other equipment	Total
Gross amount					
Opening balance	589,751,776.97	450,190,483.35	29,625,946.16	54,535,783.13	1,124,103,989.61
Purchases	1,189,374.97	14,276,894.12	5,288,470.83	6,120,000.21	26,874,740.13
Transfers from construction in progress	-	8,331,019.81	-	-	8,331,019.81
Disposal or retirement	(901,617.54)	(2,788,942.24)	(3,467,463.79)	(2,680,584.25)	(9,838,607.82)
Effect of exchange rate movements	(15,055,595.51)	(21,959,177.72)	(611,771.38)	(103,743.20)	(37,730,287.81)
Closing balance	<u>574,983,938.89</u>	<u>448,050,277.32</u>	<u>30,835,181.82</u>	<u>57,871,455.89</u>	<u>1,111,740,853.92</u>
Accumulated depreciation					
Opening balance	170,382,986.59	335,115,748.64	19,447,337.09	27,744,437.15	552,690,509.47
Provision	17,854,660.74	21,711,968.56	2,982,429.17	6,792,822.21	49,341,880.68
Disposal or retirement	(901,613.73)	(2,321,838.53)	(3,216,478.16)	(2,410,169.00)	(8,850,099.42)
Effect of exchange rate movements	(7,420,388.13)	(17,723,492.54)	(185,551.49)	(292,163.74)	(25,621,595.90)
Closing balance	<u>179,915,645.47</u>	<u>336,782,386.13</u>	<u>19,027,736.61</u>	<u>31,834,926.62</u>	<u>567,560,694.83</u>
Carrying amount					
Closing	<u>395,068,293.42</u>	<u>111,267,891.19</u>	<u>11,807,445.21</u>	<u>26,036,529.27</u>	<u>544,180,159.09</u>
Opening	<u>419,368,790.38</u>	<u>115,074,734.71</u>	<u>10,178,609.07</u>	<u>26,791,345.98</u>	<u>571,413,480.14</u>

V. Notes to the Consolidated Financial Statements (cont'd)

16. Construction in progress

	2022			2021		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Plants and buildings	36,216,546.63	-	36,216,546.63	11,582,347.78	-	11,582,347.78
Equipment installation	2,687,991.22	-	2,687,991.22	715,911.80	-	715,911.80
	<u>38,904,537.85</u>	<u>-</u>	<u>38,904,537.85</u>	<u>12,298,259.58</u>	<u>-</u>	<u>12,298,259.58</u>

Movements in substantial construction in progress in 2022 are as follows:

	Budget	Opening balance	Increase in the period	Transferred to fixed assets in the period	Other decrease	Closing balance	Funding source	Input as a % of budget
Equipment installation of Fosber Group	12,808,069.56	-	1,012,034.04	-	-	1,012,034.04	Self-funded	94.50
Equipment installation of Parsun Power	54,800,000.00	1,504,855.28	19,717,299.66	19,546,197.76	-	1,675,957.18	Self-funded	38.73
Dongfang Precision - Plant Construction Project	7,759,142.53	2,035,342.08	5,864,722.43	7,900,064.51	-	-	Self-funded	-
Yinglian - Plant Construction Project	50,000,000.00	8,548,699.09	24,302,832.96	-	-	32,851,532.05	Self-funded	65.70
Parsun Power - Plant Construction Project	348,500,000.00	-	1,570,900.95	-	-	1,570,900.95	Self-funded	0.45
Fosber Asian - Fosber Songgang Plant Construction Project	171,547,000.00	-	1,673,461.65	-	-	1,673,461.65	Self-funded	0.98
Others	-	209,363.13	115,935.00	200,482.75	4,163.40	120,651.98	Self-funded	-
	<u>645,414,212.09</u>	<u>12,298,259.58</u>	<u>54,257,186.69</u>	<u>27,646,745.02</u>	<u>4,163.40</u>	<u>38,904,537.85</u>		

Movements in substantial construction in progress in 2021 are as follows:

	Budget	Opening balance	Increase in the period	Transferred to fixed assets in the period	Other decrease	Closing balance	Funding source	Input as a % of budget
Equipment installation of Fosber Group	12,021,450.00	8,426,602.70	-	8,087,962.73	338,639.97	-	Self-funded	-
Dongfang Precision - Plant Construction Project	7,759,142.53	-	2,035,342.08	-	-	2,035,342.08	Self-funded	26.23
Yinglian - Plant Construction Project	50,000,000.00	-	8,548,699.09	-	-	8,548,699.09	Self-funded	17.10
Others	-	635,435.82	1,324,587.30	243,057.08	2,747.63	1,714,218.41	Self-funded	-
	<u>69,780,592.53</u>	<u>9,062,038.52</u>	<u>11,908,628.47</u>	<u>8,331,019.81</u>	<u>341,387.60</u>	<u>12,298,259.58</u>		

V. Notes to the Consolidated Financial Statements (cont'd)**17. Right-of-use assets**

2022

	Buildings	Vehicles	Total
Cost			
Opening balance	86,255,355.01	10,568,691.42	96,824,046.43
Increase	31,633,928.78	5,362,634.47	36,996,563.25
Business combinations not involving entities under common control	6,080,817.77	-	6,080,817.77
Disposal	(17,770,118.19)	-	(17,770,118.19)
Effect of exchange rate movements	1,681,942.65	297,458.08	1,979,400.73
	<u>107,881,926.02</u>	<u>16,228,783.97</u>	<u>124,110,709.99</u>
Accumulated depreciation			
Opening balance	12,444,892.40	3,992,321.12	16,437,213.52
Provision	18,185,749.81	4,473,198.09	22,658,947.90
Disposal	(1,737,505.11)	-	(1,737,505.11)
Effect of exchange rate movements	190,710.93	112,364.73	303,075.66
	<u>29,083,848.03</u>	<u>8,577,883.94</u>	<u>37,661,731.97</u>
Carrying amount			
Closing	<u>78,798,077.99</u>	<u>7,650,900.03</u>	<u>86,448,978.02</u>
Opening	<u>73,810,462.61</u>	<u>6,576,370.30</u>	<u>80,386,832.91</u>

V. Notes to the Consolidated Financial Statements (cont'd)**17. Right-of-use assets (cont'd)**

2021

	Buildings	Vehicles	Total
Cost			
Opening balance	-	-	-
Change in accounting policy	92,921,046.07	5,765,803.21	98,686,849.28
Increase	-	5,381,480.29	5,381,480.29
Effect of exchange rate movements	(6,665,691.06)	(578,592.08)	(7,244,283.14)
	<u>86,255,355.01</u>	<u>10,568,691.42</u>	<u>96,824,046.43</u>
Accumulated depreciation			
Opening balance	-	-	-
Provision	12,822,890.19	4,219,704.87	17,042,595.06
Effect of exchange rate movements	(377,997.79)	(227,383.75)	(605,381.54)
	<u>12,444,892.40</u>	<u>3,992,321.12</u>	<u>16,437,213.52</u>
Carrying amount			
Closing	<u>73,810,462.61</u>	<u>6,576,370.30</u>	<u>80,386,832.91</u>
Opening	<u>-</u>	<u>-</u>	<u>-</u>

Note: The Group has initially implemented the new lease standard since January 1, 2021.

V. Notes to the Consolidated Financial Statements (cont'd)

18. Intangible assets

2022

	Land use rights	Land ownership	Patented technologies	Trademarks and software	Total
Gross amount					
Opening balance	114,739,730.08	15,446,573.78	83,813,525.48	179,201,859.84	393,201,689.18
Purchases	63,043,498.41	-	4,266,553.14	3,335,452.73	70,645,504.28
Business combination not involving entities under common control	-	-	21,858,600.00	-	21,858,600.00
Effect of exchange rate movements	-	434,747.12	2,572,442.99	4,526,733.54	7,533,923.65
Closing balance	<u>177,783,228.49</u>	<u>15,881,320.90</u>	<u>112,511,121.6</u>	<u>187,064,046.11</u>	<u>493,239,717.11</u>
Accumulated					
Opening balance	22,218,954.91	-	52,413,720.96	24,850,025.69	99,482,701.56
Provision	2,539,310.94	-	12,018,177.53	8,373,997.32	22,931,485.79
Effect of exchange rate movements	-	-	1,989,032.28	733,102.37	2,722,134.65
Closing balance	<u>24,758,265.85</u>	<u>-</u>	<u>66,420,930.77</u>	<u>33,957,125.38</u>	<u>125,136,322.00</u>
Carrying amount					
Closing	<u>153,024,962.64</u>	<u>15,881,320.90</u>	<u>46,090,190.84</u>	<u>153,106,920.73</u>	<u>368,103,395.11</u>
Opening	<u>92,520,775.17</u>	<u>15,446,573.78</u>	<u>31,399,804.52</u>	<u>154,351,834.15</u>	<u>293,718,987.62</u>

V. Notes to the Consolidated Financial Statements (cont'd)

18. Intangible assets (cont'd)

2021

	Land use rights	Land ownership	Patented technologies	Trademarks and software	Total
Gross amount					
Opening balance	114,739,730.08	17,169,515.99	94,087,773.87	188,146,579.45	414,143,599.39
Purchases	-	-	270,088.07	7,126,949.32	7,397,037.39
Effect of exchange rate movements	-	(1,722,942.21)	(10,544,336.46)	(16,071,668.93)	(28,338,947.60)
Closing balance	<u>114,739,730.08</u>	<u>15,446,573.78</u>	<u>83,813,525.48</u>	<u>179,201,859.84</u>	<u>393,201,689.18</u>
Accumulated depreciation					
Opening balance	19,772,711.70	-	44,892,936.80	17,090,768.20	81,756,416.70
Provision	2,446,243.21	-	12,676,060.37	8,714,845.76	23,837,149.34
Effect of exchange rate movements	-	-	(5,155,276.21)	(955,588.27)	(6,110,864.48)
Closing balance	<u>22,218,954.91</u>	<u>-</u>	<u>52,413,720.96</u>	<u>24,850,025.69</u>	<u>99,482,701.56</u>
Carrying amount					
Closing	<u>92,520,775.17</u>	<u>15,446,573.78</u>	<u>31,399,804.52</u>	<u>154,351,834.15</u>	<u>293,718,987.62</u>
Opening	<u>94,967,018.38</u>	<u>17,169,515.99</u>	<u>49,194,837.07</u>	<u>171,055,811.25</u>	<u>332,387,182.69</u>

As at 31 December 2022, intangible assets arising from internal R&D accounted for 3.07% of the carrying amount of total intangible assets (31 December 2021: 5.15%).

As at 31 December 2022, the Group has no intangible assets without certificates of title.

V. Notes to the Consolidated Financial Statements (cont'd)**19. Research and development costs**

2022

	Opening balance	Increase in the period	Decrease in the period		Closing balance
		Internal research and development	Recognition of intangible assets	Current profit or loss	
Data Platform Project	-	108,069.78	-	-	108,069.78
Business Platform Project	-	2,874,316.59	-	-	2,874,316.59
IoT Platform Project	-	719,843.39	-	-	719,843.39
	-	<u>3,702,229.76</u>	-	-	<u>3,702,229.76</u>

The Group uses the time when a product development project is established as the starting point for capitalization, and the research and development projects are progressing normally based on the milestones.

20. Goodwill

	2022	2021
Gross amount of goodwill	557,939,051.93	432,207,416.82
Less: impairment allowances	<u>127,022,203.19</u>	<u>125,238,269.06</u>
	<u>430,916,848.74</u>	<u>306,969,147.76</u>

2022

	Opening balance	Increase in the period	Decrease in the period	Closing balance
		Business acquisition	Exchange rate movements	
Fosber Group	148,224,623.58	-	4,171,813.73	152,396,437.31
Parsun Power	208,031,946.10	-	-	208,031,946.10
Italy EDF	63,383,214.71	-	1,783,934.13	65,167,148.84
Italy QCorr	12,567,632.43	-	353,718.69	12,921,351.12
Wonder Printing	-	119,422,168.56	-	119,422,168.56
	<u>432,207,416.82</u>	<u>119,422,168.56</u>	<u>6,309,466.55</u>	<u>557,939,051.93</u>

V. Notes to the Consolidated Financial Statements (cont'd)

19. Goodwill (cont'd)

2021

	Opening balance	Increase in the period Business acquisition	Increase in the period Exchange rate movements	Closing balance
Fosber Group	164,757,896.55	-	(16,533,272.97)	148,224,623.58
Parsun Power	208,031,946.10	-	-	208,031,946.10
Italy EDF	70,453,107.20	-	(7,069,892.49)	63,383,214.71
Italy QCorr	13,969,451.67	-	(1,401,819.24)	12,567,632.43
	<u>457,212,401.52</u>	<u>-</u>	<u>(25,004,984.70)</u>	<u>432,207,416.82</u>

Movements in impairment allowances for goodwill are as follows:

2022

	Opening balance	Decrease in the period Exchange rate movements	Closing balance
Parsun Power	61,855,054.35	-	61,855,054.35
Italy EDF	<u>63,383,214.71</u>	<u>1,783,934.13</u>	<u>65,167,148.84</u>
	<u>125,238,269.06</u>	<u>1,783,934.13</u>	<u>127,022,203.19</u>

2021

	Opening balance	Increase in the period Exchange rate movements	Closing balance
Parsun Power	61,855,054.35	-	61,855,054.35
Italy EDF	<u>70,453,107.20</u>	<u>(7,069,892.49)</u>	<u>63,383,214.71</u>
	<u>132,308,161.55</u>	<u>(7,069,892.49)</u>	<u>125,238,269.06</u>

Goodwill acquired in business combinations is allocated to the following asset groups or asset group portfolios for impairment testing:

- Corrugator line business asset group of Fosber Group
- Power machine business asset group of Parsun Power
- Corrugator line business asset group of Italy QCorr
- Corrugated carton printer business asset group of Italy EDF
- Corrugated digital printer business asset group of Wonder Printing

According to the impairment test results of goodwill, the Group did not need to establish impairment allowances for goodwill for the period under review.

V. Notes to the Consolidated Financial Statements (cont'd)**19. Goodwill (cont'd)**

Corrugator line business asset group of Fosber Group

The corrugator line business asset group is an asset group owned by Fosber Group, consistent with the asset group combination determined on the purchase date and during impairment tests of the previous years. The carrying amount of the corrugator line business asset group was RMB 475.71 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The perpetual cash flows are determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 19.85% (17.68% in 2021).

Power machine business asset group of Parsun Power

The power machine business asset group is the asset group owned by Parsun Power, consistent with the asset group combination determined on the purchase date and during impairment tests of the previous years. The carrying amount of the power machine business asset group was RMB 303.42 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The perpetual cash flows will be determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 12.22% (14.35% in 2021).

Corrugator line business asset group of Italy QCorr

The corrugator line business asset group of Italy QCorr is the only asset group owned by Italy QCorr, consistent with the asset group combination determined on the purchase date. The carrying amount of the corrugator line asset group was RMB 66.44 million. The recoverable amount is determined using the present value of the projected future cash flows of the asset group combination according to the cash flow forecasting based on the financial budget over a five-year period approved by the management. The perpetual cash flows will be determined at the level of the last year of the detailed forecast period and based on the industry development trend and other factors. The discount rate used in cash flow forecasting was 18.61% (17.02% in 2021).

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.

Corrugated digital printer business asset group of Wonder Printing

The digital printer business asset group is the only asset group owned by Wonder Printing, consistent with the asset group combination determined on the purchase date. The carrying amount of the digital printer business asset group was RMB 268.05 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 and the industry development trend and other factors. The discount rate used in cash flow forecasting was 13.27%.

The following describes the key assumptions made by the management in determining cash flow forecasting for goodwill impairment testing:

V. Notes to the Consolidated Financial Statements (cont'd)**19. Goodwill (cont'd)**

Budget gross margin — Developed based on the average gross margin of historical operating results and expectations for market development.

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2022

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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.
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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.

21. Long-term prepaid expenses

2022

	Opening balance	Increase in the period	Amortization in the period	Other decreases	Closing balance
Plant decoration expenditures	3,070,959.67	1,803,202.54	1,487,022.48	-	3,387,139.73
Office decoration expenditures	2,463,148.78	3,460,523.61	598,398.01	497.90	5,324,776.48
Amortization of moulds	4,213,276.71	1,406,425.56	3,314,658.92	-	2,305,043.35
Amortization of lease assets	57,918.55	2,114,285.71	-	-	2,172,204.26
Internet access for offices	968,696.77	18,584.91	176,067.54	-	811,214.14
CE certification fee	94,009.22	651,518.90	127,965.83	-	617,562.29
Expenditures on supporting engineering for plants	1,094,117.37	1,311,602.19	288,106.83	-	2,117,612.73
	<u>11,962,127.07</u>	<u>10,766,143.42</u>	<u>5,992,219.61</u>	<u>497.90</u>	<u>16,735,552.98</u>

2021

	Opening balance	Increase in the period	Amortization in the period	Other decreases	Closing balance
Plant decoration expenditures	3,502,191.47	1,304,963.59	(1,190,005.86)	(546,189.53)	3,070,959.67
Office decoration expenditures	2,796,808.88	28,712.87	(359,199.20)	(3,173.77)	2,463,148.78
Amortization of moulds	5,513,088.39	2,733,991.28	(4,033,802.96)	-	4,213,276.71
Amortization of lease assets	144,783.00	17,326.73	(104,191.18)	-	57,918.55
Internet access for offices	73,997.11	1,153,953.03	(259,253.37)	-	968,696.77
CE certification fee	66,112.93	88,453.76	(60,557.47)	-	94,009.22
Expenditures on supporting engineering for plants	-	1,291,609.07	(197,491.70)	-	1,094,117.37
	<u>12,096,981.78</u>	<u>6,619,010.33</u>	<u>(6,204,501.74)</u>	<u>(549,363.30)</u>	<u>11,962,127.07</u>

V. Notes to the Consolidated Financial Statements (cont'd)**22. Deferred tax assets/liabilities**

Deferred tax assets and liabilities before offsetting:

V. Notes to the Consolidated Financial Statements (cont'd)**21. Deferred tax assets/liabilities (cont'd)**

Deferred tax assets and liabilities are offset and presented as a net amount:

	2022	
	Offset amount	Offset balance
Deferred tax assets	27,138,883.56	244,542,124.61
Deferred tax liabilities	27,138,883.56	6,825,450.77

Deductible temporary differences and deductible losses not recognized as deferred tax assets are as follows:

	2022	2021
Deductible temporary differences	9,196,588.97	8,615,142.53
Deductible losses	90,723,784.03	869,889,774.71
	<u>99,920,373.00</u>	<u>878,504,917.24</u>

Deductible temporary differences and tax losses not recognized as deferred tax assets will expire as follows:

	2022	2021
2022	-	8,615,142.53
2023	11,447,032.87	-
2024	493,437.20	834,076,473.87
2025	13,984,168.64	-
2026	12,841,957.31	35,813,300.84
2027	61,153,776.98	-
	<u>99,920,373.00</u>	<u>878,504,917.24</u>

The Company has accrued deferred tax assets of RMB164,436,231.16 (2021: RMB103,248,656.87) for the accumulated deductible losses of RMB1,096,241,541.07 based on the forecast of its profits in the next five years.

V. Notes to the Consolidated Financial Statements (cont'd)

2022

Expressed in Renminbi Yuan

23. Other non-current assets

	2022	2021
Security deposits for loans	-	300,150,000.00
Prepayment for acquisition of long-term assets	45,320,004.82	-
Others	-	4,446,841.54
	<u>45,320,004.82</u>	<u>304,596,841.54</u>

24. Short-term borrowings

	2022	2021
Guaranteed loan	2,800,000.00	176,738,256.00
Credit loan	<u>39,015,129.24</u>	<u>51,574,624.73</u>
	<u>41,815,129.24</u>	<u>228,312,880.73</u>

As at 31 December 2022, the annual interest rates of the above borrowings ranged from 1.4% to 4.4% (31 December 2021: 0.4%-3.61%).

As at 31 December 2022 and 31 December 2021, the Group has no borrowings overdue.

25. Financial liabilities held for trading

	2021	2020
Financial liabilities at fair value through profit or loss		
Non-controlling interests put options	<u>57,022,555.58</u>	<u>110,746,939.04</u>

Non-controlling interests put options related to the non-controlling interests of Fosber Asia. As at 31 December 2022, the Group recognized derivative financial liabilities of RMB 57,022,555.58 (31 December 2021: RMB 110,746,939.04) according to the assessment results.

V. Notes to the Consolidated Financial Statements (cont'd)**26. Notes payable**

	2022	2021
Bank acceptance notes	<u>149,918,253.31</u>	<u>149,191,690.00</u>

As at 31 December 2022, outstanding notes payable upon maturity were nil (31 December 2020: nil).

27. Accounts payable

Accounts payable are interest-free.

	2022	2021
Purchases of inventories	747,704,598.49	618,943,392.87
Others	<u>614,962.72</u>	<u>322,463.31</u>
	<u>748,319,561.21</u>	<u>619,265,856.18</u>

As at 31 December 2022, substantial accounts payable with aging over 1 year were nil.

28. Contract liabilities

	2022	2021
Contract liabilities	<u>692,567,968.60</u>	<u>405,842,932.51</u>

Information about contractual performance obligations is as follows:

Corrugator line, corrugated case printing and packaging equipment and outboard engine sales
Fulfill the contractual performance obligations when relevant products are delivered to the customers and the control over the equipment is transferred. For all customers, the contract price usually expires within 30 to 180 days after relevant products are delivered and the control over the equipment is transferred.

V. Notes to the Consolidated Financial Statements (cont'd)

29. Employee benefits payable

2022

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term benefits	96,387,794.91	613,794,118.96	596,048,452.85	114,133,461.02
Retirement benefits (defined contribution schemes)	7,421,988.67	80,183,112.26	78,043,233.64	9,561,867.29
	<u>103,809,783.58</u>	<u>693,977,231.22</u>	<u>674,091,686.49</u>	<u>123,695,328.31</u>

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term benefits	84,647,882.17	547,373,917.72	535,634,004.98	96,387,794.91
Retirement benefits (defined contribution schemes)	7,975,680.76	65,849,201.49	66,402,893.58	7,421,988.67
	<u>92,623,562.93</u>	<u>613,223,119.21</u>	<u>602,036,898.56</u>	<u>103,809,783.58</u>

Short-term benefits are as follows:

2022

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	90,585,519.60	546,530,403.53	528,701,548.72	108,414,374.41
Employee welfare	4,599,852.75	27,514,806.27	27,398,155.77	4,716,503.25
Social security contributions	587,926.96	34,487,623.95	34,521,450.20	554,100.71
Including: Medical insurance	576,923.13	23,145,982.96	23,193,746.22	529,159.87
Work injury insurance	10,914.73	10,709,608.71	10,697,258.60	23,264.84
Maternity insurance	89.10	632,032.28	630,445.38	1,676.00
Housing funds	15,749.64	4,338,208.55	4,331,610.19	22,348.00
Labour union funds and employee education funds	598,745.96	923,076.66	1,095,687.97	426,134.65
	<u>96,387,794.91</u>	<u>613,794,118.96</u>	<u>596,048,452.85</u>	<u>114,133,461.02</u>

V. Notes to the Consolidated Financial Statements (cont'd)

29. Employee benefits payable (cont'd)

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	79,573,190.90	489,454,279.60	478,441,950.90	90,585,519.60
Employee welfare	4,218,192.78	24,650,214.29	24,268,554.32	4,599,852.75
Social security contributions	112,446.62	29,193,688.77	28,718,208.43	587,926.96
Including: medical insurance	120,597.45	19,562,582.16	19,106,256.48	576,923.13
Work injury insurance	(8,150.83)	9,051,922.98	9,032,857.42	10,914.73
Maternity insurance	-	579,183.63	579,094.53	89.10
Housing funds	-	3,209,806.66	3,194,057.02	15,749.64
Labour union funds and employee education funds	744,051.87	865,928.40	1,011,234.31	598,745.96
	<u>84,647,882.17</u>	<u>547,373,917.72</u>	<u>535,634,004.98</u>	<u>96,387,794.91</u>

Defined contribution schemes are as follows:

2022

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic endowment insurance	7,421,853.15	79,758,414.33	77,627,039.00	9,553,228.48
Unemployment insurance	<u>135.52</u>	<u>424,697.93</u>	<u>416,194.64</u>	<u>8,638.81</u>
	<u>7,421,988.67</u>	<u>80,183,112.26</u>	<u>78,043,233.64</u>	<u>9,561,867.29</u>

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic endowment insurance	7,975,680.76	65,468,209.37	66,022,036.98	7,421,853.15
Unemployment insurance	<u>-</u>	<u>380,992.12</u>	<u>380,856.60</u>	<u>135.52</u>
	<u>7,975,680.76</u>	<u>65,849,201.49</u>	<u>66,402,893.58</u>	<u>7,421,988.67</u>

V. Notes to the Consolidated Financial Statements (cont'd)**30. Tax payable**

	2022	2021
Value-added tax	2,794,718.85	25,459,136.69
Corporate income tax	9,990,213.17	22,054,501.83
Individual income tax	9,978,972.79	11,666,453.95
City maintenance and construction tax	552,631.31	691,680.71
Education surcharge	411,264.85	494,057.61
Property tax	218,184.92	239,225.19
Stamp duties	109,070.84	55,317.40
Land use tax	47,325.67	34,530.60
Others	9,321.30	6,442.26
	<u>24,111,703.70</u>	<u>60,701,346.24</u>

31. Other payables

	2022	2021
Other payables	<u>90,080,142.50</u>	<u>100,018,273.09</u>

Other payables

	2022	2021
Accrued expenses	36,647,193.30	47,435,654.91
Repurchase obligation of restricted shares	28,440,000.00	25,790,000.00
Payables for settled lawsuit	3,127,963.30	3,440,221.96
Security deposits	4,807,183.50	3,583,099.39
Others	17,057,802.40	19,769,296.83
	<u>90,080,142.50</u>	<u>100,018,273.09</u>

As at 31 December 2022, substantial other payables with aging over 1 year were nil.

V. Notes to the Consolidated Financial Statements (cont'd)**32. Current portion of non-current liabilities**

	2022	2021
Current portion of long-term borrowings	295,113,556.27	21,342,646.25
Of which: Pledge loan	254,610.59	240,946.37
Mortgage loan	7,100,000.00	-
Guaranteed loan	263,030,910.73	10,273,279.33
Credit loan	24,728,034.95	10,828,420.55
Current portion of lease liabilities	20,653,874.99	17,153,078.58
	<u>315,767,431.26</u>	<u>38,495,724.83</u>

33. Other current liabilities

	2022	2021
Endorsed notes receivable	1,449,810.18	9,391,823.29
Output tax to be written off	4,539,069.11	3,429,923.76
Others	-	14,725.95
	<u>5,988,879.29</u>	<u>12,836,473.00</u>

34. Long-term borrowings

	2022	2021
Guaranteed loan	296,130,679.37	298,477,313.32
Credit loan	47,504,838.39	45,450,825.31
Pledge loan	2,262,533.40	2,440,696.11
Mortgage loan	7,100,000.00	-
	<u>352,998,051.16</u>	<u>346,368,834.74</u>
Of which: Current portion of long-term borrowings	(295,113,556.27)	(21,342,646.25)
	<u>57,884,494.89</u>	<u>325,026,188.49</u>

As at 31 December 2022, the annual interest rates of the above borrowings ranged from 0.0% to 4.55% (31 December 2021: 0.0%-2.4%). The mortgage loans for the period have been fully repaid in advance.

As at 31 December 2022 and 31 December 2021, the Group has no loans overdue.

V. Notes to the Consolidated Financial Statements (cont'd)

35. Lease liabilities

	2022	2021
Lease payments	89,642,986.32	82,366,634.45
Less: Current portion of non-current liabilities	<u>20,653,874.99</u>	<u>17,153,078.58</u>
	<u>68,989,111.33</u>	<u>65,213,555.87</u>

36. Long-term employee benefits payable

	2022	2021
Net liabilities of defined benefit schemes	<u>13,179,944.17</u>	<u>16,083,170.32</u>

Defined benefit schemes refer to retirement compensation (Trattamento di Fine Rapporto, for short, “TFR”) of the Group according to Italian regulations. The latest actuarial valuation of the scheme assets and the present value of the obligation associated with the defined benefit scheme were determined as at 31 December 2022 by Italian actuarial institution Managers & Partners – Actuarial Services S.p.A. using the expected accumulated benefit unit method.

Key actuarial assumptions used as at the balance sheet date are as follows:

	2022	2021
Separation rate	2.50%	2.50%
Inflation rate	2.30%	1.75%
Discount rate	3.63%	0.44%

The quantitative sensitivity analysis of key assumptions used is as follows:

2022

	Increase %	Increase/(decrease) in obligations of defined benefit scheme	Decrease %	Increase/(decrease) in obligations of defined benefit scheme
Separation rate	1.00%	73,125.51	1.00%	(2,644.11)
Inflation rate	0.25%	120,180.83	0.25%	(44,483.29)
Discount rate	0.25%	(91,077.57)	0.25%	169,657.13

V. Notes to the Consolidated Financial Statements (cont'd)**36. Long-term employee benefits payable (cont'd)**

2021

	Increase %	Increase/(decrease) in obligations of defined benefit scheme	Decrease %	Increase/(decrease in obligations of defined benefit scheme
Separation rate	1.00%	(94,653.95)	1.00%	106,274.92
Inflation rate	0.25%	118,117.68	0.25%	(115,757.71)
Discount rate	0.25%	(187,124.73)	0.25%	194,398.22

The above sensitivity analysis is based on an inference of the impact of key assumptions on the defined benefit scheme obligation at a reasonable change on the balance sheet date. Sensitivity analysis is made according to the changes in major assumptions on the premise that other assumptions remain unchanged. Since the changes in assumptions are often not isolated from one another, sensitivity analysis may not represent an actual change in the defined benefit obligation.

37. Provisions

2022

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Product quality warranty	111,207,164.86	57,278,241.47	60,079,251.50	108,406,154.83
Others	6,725,556.73	8,680,224.46	4,865,982.24	10,539,798.95
	<u>117,932,721.59</u>	<u>65,958,465.93</u>	<u>64,945,233.74</u>	<u>118,945,953.78</u>

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Product quality warranty	104,845,110.36	50,180,309.14	43,818,254.64	111,207,164.86
Others	605,147.27	6,544,276.17	423,866.71	6,725,556.73
	<u>105,450,257.63</u>	<u>56,724,585.31</u>	<u>44,242,121.35</u>	<u>117,932,721.59</u>

V. Notes to the Consolidated Financial Statements (cont'd)

38. Deferred income

2022

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Government grants	<u>12,190,311.66</u>	<u>-</u>	<u>1,116,660.00</u>	<u>11,073,651.66</u>

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Government grants	<u>16,861,488.27</u>	<u>-</u>	<u>4,671,176.61</u>	<u>12,190,311.66</u>

As at 31 December 2022, 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
Industrial revitalization and technological renovation funds (4 Mitsubishi machining centers and 3 vertical machining centers)	12,190,311.66	1,116,660.00	11,073,651.66	Asset-related
	<u>12,190,311.66</u>	<u>1,116,660.00</u>	<u>11,073,651.66</u>	

As at 31 December 2021, liabilities in relation to government grants are as follows:

	Opening balance	Recognized in other income of non-operating income in the period	Closing balance	Asset/income-related
Compensation for demolition of old plant at Jinfeng Road	3,554,516.61	3,554,516.61	-	Asset-related
Industrial revitalization and technological renovation funds (4 Mitsubishi machining centers and 3 vertical machining centers)	13,306,971.66	1,116,660.00	12,190,311.66	Asset-related
	<u>16,861,488.27</u>	<u>4,671,176.61</u>	<u>12,190,311.66</u>	

V. Notes to the Consolidated Financial Statements (cont'd)**39. Other non-current liabilities**

	2022	2021
Non-controlling interests put options	132,077,339.29	136,178,304.44
Other	<u>4,318,953.26</u>	<u>-</u>
	<u>136,396,292.55</u>	<u>136,178,304.44</u>

Non-controlling interests put options related to non-controlling interests in Italy QCorr and Parsun Power. As at 31 December 2022, the Group recognized other non-current liabilities of RMB 132,077,339.29 according to the assessment results (31 December 2021: RMB 136,178,304.44).

40. Share capital

2022

	Opening balance	Decrease in the period	Closing balance
Total share capital	<u>1,331,938,167.00</u>	<u>90,831,767.00</u>	<u>1,241,106,400.00</u>

For the current year, the total number of shares cancelled by the Company was 90,831,767 shares, and the total number of shares of the Company changed from 1,331,938,167 shares to 1,241,106,400 shares after the cancellation.

2021

	Opening balance	Decrease in the period	Closing balance
Total share capital	<u>1,545,126,957.00</u>	<u>213,188,790.00</u>	<u>1,331,938,167.00</u>

V. Notes to the Consolidated Financial Statements (cont'd)**41. Capital surplus**

2022

	Opening balance	Increase in the period (Note 1)	Decrease in the period (Note 2)	Closing balance
Share premium	3,198,064,392.09	29,628,076.98	378,854,893.11	2,848,837,575.96
Others	40,701,467.85	57,724,799.72	-	98,426,267.57
	<u>3,238,765,859.94</u>	<u>87,352,876.70</u>	<u>378,854,893.11</u>	<u>2,947,263,843.53</u>

2021

	Opening balance	Increase in the period (Note 1)	Decrease in the period (Note 2)	Closing balance
Share premium	3,976,935,100.86	17,140,596.95	796,011,305.72	3,198,064,392.09
Others	25,457,960.95	15,243,506.90	-	40,701,467.85
	<u>4,002,393,061.81</u>	<u>32,384,103.85</u>	<u>796,011,305.72</u>	<u>3,238,765,859.94</u>

Notes:

Note 1: Increases of capital surplus in the period are as follows:

- (1) The Company's share-based payments in the period were included in shareholder's equity and increased other capital surplus by RMB 29,628,076.98.
- (2) The Company acquired 30% non-controlling interests of its subsidiary Tiruna in the period, increasing other capital surplus by RMB 49,115,356.67.
- (3) Other equity of the Company's associated enterprises changed, increasing other capital surplus by RMB 8,609,443.05.

Note 2: Decreases of capital surplus in the period are as follows:

- (1) The Company retired a total of 90,831,767 shares in the period (as described in Item 40 of Note V), reducing other capital surplus by RMB 378,811,780.27.
- (2) The Company repurchased shares in the period, which resulted in payment of related commissions and charges, reducing other capital surplus by RMB 43,112.84.

V. Notes to the Consolidated Financial Statements (cont'd)**42. Treasury shares**

2022

	Opening balance	Increase in the period (Note)	Decrease in the period (Note)	Closing balance
Share repurchase	<u>494,335,503.94</u>	<u>215,563,545.78</u>	<u>469,643,547.27</u>	<u>240,255,502.45</u>

2021

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share repurchase	<u>579,403,185.12</u>	<u>825,386,681.52</u>	<u>910,454,362.70</u>	<u>494,335,503.94</u>

Note: Changes in the period are as follows:

The increase in treasury shares was driven by the Company's repurchase of shares in the period, and the decrease in treasury shares was mainly driven by the Company's retirement of shares in the period (as described in Item 40 of Note V).

43. Other comprehensive income

Cumulative balance of other comprehensive income attributable to shareholders of the Company in the consolidated balance sheet:

2022

	1 January 2022	Change	31 December 2022
Changes due to remeasurement of defined benefit schemes	(647,558.19)	1,856,564.02	1,209,005.83
Differences arising from the translation of foreign currency-denominated financial statements	(32,631,132.72)	57,979,016.03	25,347,883.31
Others	<u>(43,972.07)</u>	<u>-</u>	<u>(43,972.07)</u>
	<u>(33,322,662.98)</u>	<u>59,835,580.05</u>	<u>26,512,917.07</u>

V. Notes to the Consolidated Financial Statements (cont'd)**43. Other comprehensive income (cont'd)**

Cumulative balance of other comprehensive income attributable to shareholders of the Company in the consolidated balance sheet: (cont'd)

2021

	1 January 2021	Change	31 December 2021
Changes due to remeasurement of defined benefit schemes	(279,123.15)	(368,435.04)	(647,558.19)
Differences arising from the translation of foreign currency-denominated financial statements	20,349,184.92	(52,980,317.64)	(32,631,132.72)
Others	<u>(43,972.07)</u>	<u>-</u>	<u>(43,972.07)</u>
	<u>20,026,089.70</u>	<u>(53,348,752.68)</u>	<u>(33,322,662.98)</u>

Other comprehensive income:

2022

	Before tax	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss				
Changes caused by remeasurements on defined benefit schemes	1,856,564.02	-	1,856,564.02	-
Other comprehensive income that will be reclassified to profit or loss				
Differences arising from the translation of foreign currency-denominated financial statements	55,080,204.63	-	57,979,016.03	(2,898,811.40)
	<u>56,936,768.65</u>	<u>-</u>	<u>59,835,580.05</u>	<u>(2,898,811.40)</u>

V. Notes to the Consolidated Financial Statements (cont'd)**43. Other comprehensive income (cont'd)**

2021

	Before tax	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss				
Changes caused by remeasurements on defined benefit schemes	(368,435.04)	-	(368,435.04)	-
Other comprehensive income that will be reclassified to profit or loss				
Differences arising from the translation of foreign currency-denominated financial statements	(57,694,181.97)	-	(52,980,317.64)	(4,713,864.33)
	<u>(58,062,617.01)</u>	<u>-</u>	<u>(53,348,752.68)</u>	<u>(4,713,864.33)</u>

44. Special reserve

2022

	Opening balance	Provision in the period	Utilisation in the period	Closing balance
Expenses for Safety Production	<u>11,252,639.19</u>	<u>6,161,824.10</u>	<u>(2,925,507.77)</u>	<u>14,488,955.52</u>

2021

	Opening balance	Provision in the period	Utilisation in the period	Closing balance
Expenses for Safety Production	<u>10,057,438.97</u>	<u>4,513,399.49</u>	<u>(3,318,199.27)</u>	<u>11,252,639.19</u>

V. Notes to the Consolidated Financial Statements (cont'd)**45. Surplus reserves**

2022

	Opening and closing balance
Statutory surplus reserves	<u>51,830,974.45</u>

2021

	Opening and closing balance
Statutory surplus reserves	<u>51,830,974.45</u>

Pursuant to the Company Law, when the Company allocates after-tax profits of the year, the Company shall set aside 10% net profit after making up losses in previous years as its statutory surplus reserves. When the Company's statutory reserves are not enough to make up losses in previous years, the Company shall first make up the losses with profits in the year before it withdraws statutory surplus reserves according to the above-mentioned regulation. As there is still losses that can be made up in the Company's account, statutory surplus reserves are not made in the current year.

46. Retained earnings

	2022	2021
Opening retained earnings	(424,159,175.27)	(891,492,837.06)
Net profit attributable to owners of the parent	<u>447,177,897.38</u>	<u>467,333,661.79</u>
Closing retained earnings	<u>23,018,722.11</u>	<u>(424,159,175.27)</u>

V. Notes to the Consolidated Financial Statements (cont'd)**47. Operating revenue and costs**

	2022		2021	
	Revenue	Costs	Revenue	Costs
Principal operations	3,861,267,826.14	2,811,064,346.64	3,471,892,485.62	2,522,244,108.28
Other operations	<u>31,440,683.50</u>	<u>22,241,401.90</u>	<u>52,842,298.32</u>	<u>32,827,951.51</u>
	<u>3,892,708,509.64</u>	<u>2,833,305,748.54</u>	<u>3,524,734,783.94</u>	<u>2,555,072,059.79</u>

Operating revenue is as follows:

	2022	2021
Revenue arising from contracts with customers	3,891,406,986.70	3,523,514,431.39
Others	<u>1,301,522.94</u>	<u>1,220,352.55</u>
	<u>3,892,708,509.64</u>	<u>3,524,734,783.94</u>

Breakdown of operating revenue arising from contracts with customers is as follows:

2022

	Total
Principal operating segment	
Mainland China	441,664,388.05
Other regions	<u>3,449,742,598.65</u>
	<u>3,891,406,986.70</u>
Principal product type	
Goods	3,530,766,862.10
Services	<u>360,640,124.60</u>
	<u>3,891,406,986.70</u>

By revenue recognition time

Revenue recognition at a point of time	
Sale of goods	3,530,766,862.10
Revenue recognition for a period of time	
Rendering of services	<u>360,640,124.60</u>
	<u>3,891,406,986.70</u>

V. Notes to the Consolidated Financial Statements (cont'd)

47. Operating revenue and costs (cont'd)

Breakdown of operating revenue arising from contracts with customers is as follows:
(cont'd)

2021

	Total	
Principal operating segment		
Mainland China		528,007,403.05
Other regions		<u>2,995,507,028.34</u>
		<u><u>3,523,514,431.39</u></u>
Principal product type		
Goods		3,224,038,841.57
Services		<u>299,475,589.82</u>
Others		<u><u>3,523,514,431.39</u></u>
By revenue recognition time		
Revenue recognition at a point of time		
Sale of goods		3,224,038,841.57
Revenue recognition for a period of time		
Rendering of services		<u>299,475,589.82</u>
		<u><u>3,523,514,431.39</u></u>
Revenue recognized that was included in contract liabilities at the beginning of the year:		
	2022	2021
Sales payment in advance	<u>334,296,679.75</u>	<u>312,794,330.81</u>

V. Notes to the Consolidated Financial Statements (cont'd)**47. Operating revenue and costs (cont'd)**

Information about contractual performance obligations is as follows:

Sale of goods

Contractual performance obligations are fulfilled when delivering manufactured goods to customers, and normally the payment in advance for some customers are needed.

Rendering of services

Contractual performance obligations are fulfilled during the rendering of services.

The expected time for recognizing in revenue the total transaction price allocated to outstanding contractual performance obligations as at the period-end is as follows:

	2022	2021
Within 1 year	<u>692,567,968.60</u>	<u>405,842,932.51</u>

48. Taxes and surcharges

	2022	2021
Property tax	4,472,175.71	4,612,247.54
City maintenance and construction tax	3,556,299.02	2,928,855.08
Education surcharge	1,354,323.03	1,664,857.56
Stamp tax	836,666.85	780,312.71
Local education surcharge	892,159.78	734,432.96
Land use tax	518,958.69	548,091.99
Vehicle and vessel tax	11,064.76	19,943.53
Environmental protection tax	16,321.08	5,852.88
Others	<u>298,321.03</u>	<u>201,912.47</u>
	<u>11,956,289.95</u>	<u>11,496,506.72</u>

V. Notes to the Consolidated Financial Statements (cont'd)**49. Selling expenses**

	2022	2021
Commissions and agency fees	47,370,007.70	59,870,536.49
Employee benefits	56,966,000.14	48,815,734.92
Product quality warranties	42,349,630.26	42,420,792.60
Advertising and exhibition expenses	7,889,277.47	8,916,532.18
Travel expenses	11,572,146.49	8,279,440.26
Office expenses	2,216,107.13	1,816,870.39
Depreciation and amortization expenses	1,327,867.77	1,170,873.85
Other expenses	12,864,838.75	14,036,897.49
	<u>182,555,875.71</u>	<u>185,327,678.18</u>

50. Administrative expenses

	2022	2021
Employee benefits	151,890,144.23	137,770,894.42
Depreciation and amortization expenses	30,683,414.09	33,075,924.90
Intermediary expenses	32,748,743.44	26,331,269.13
Equity incentives	28,245,389.68	15,243,506.90
Office expenses	15,241,253.59	14,704,181.88
Travel and reception expenses	9,797,492.56	9,799,959.60
Conference expenses	11,037,605.97	4,146,471.59
Property management expenses	3,168,050.31	2,789,669.82
Maintenance expenses	1,060,687.27	1,405,398.19
Car expenses	814,131.46	1,232,050.28
Materials consumption	1,857,128.89	722,185.83
Rental expenses	4,952,760.91	544,034.30
Other expenses	19,966,810.76	24,325,181.24
	<u>311,463,613.16</u>	<u>272,090,728.08</u>

V. Notes to the Consolidated Financial Statements (cont'd)**51. R&D expenses**

	2022	2021
Employee benefits	63,368,875.04	51,438,135.36
Depreciation and amortization expenses	12,327,999.54	17,208,658.35
Material expenses	11,111,028.94	22,383,588.65
Utilities	1,708,605.10	1,269,392.10
Assembly testing and debugging expenses	176,934.19	87,859.47
Other expenses	9,261,010.59	7,169,931.53
	<u>97,954,453.40</u>	<u>99,557,565.46</u>

52. Finance costs

	2022	2021
Interest expenses	13,839,292.38	13,182,088.01
Less: Interest income	19,042,851.72	24,674,196.61
Exchange losses	(6,540,524.94)	2,528,095.79
Discounted interest	-	7,238.89
Others	2,773,390.59	2,960,299.46
	<u>(8,970,693.69)</u>	<u>(5,996,474.46)</u>

V. Notes to the Consolidated Financial Statements (cont'd)

53. Other income

	2022	2021
Government grants related to routine activities	20,754,916.28	14,700,007.84
Refund of handling charges for individual income tax withheld	178,461.16	192,559.05
	<u>20,933,377.44</u>	<u>14,892,566.89</u>

Government grants related to routine activities are as follows:

	2022	2021	Asset/income-related
Immediate VAT refund for embedded software	7,234,133.62		Income-related
Foreign government subsidies	2,727,199.95		Income-related
Support fund for the development of digital intelligent transformation of manufacturing industry	2,000,000.00		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 awards for high-tech design	1,000,000.00		Income-related
Special awards for Big Enterprise	1,000,000.00		Income-related
The second batch of project funding for the first major technical equipment Support Plan in 2022	790,000.00		Income-related
Support fund for development of Science and technology in Suzhou	700,000.00		Income-related
Subsidies for gazelle companies in 2020	681,148.49		Income-related
The research and development subsidies can be deducted for Manufacturing Champion in 2020	500,000.00		Income-related
One-time training subsidies	303,425.00		Income-related
Manufacturing Champion in 2021	300,000.00		Income-related
The 22nd batch of science and technology development Plan appropriated by Suzhou in 2022	300,000.00		Income-related
One-time training subsidies awarded by Administration of Social Insurance Fund of Guangdong Province	239,715.00		Income-related
Pro-employment fund	232,103.09		Income-related
Special fund for business development in 2022	202,900.00		Income-related
Special fund of Nanhai Administration Bureau of Foshan High tech Industrial Development Zone	200,000.00		Income-related
Special Fund of Suzhou National New & Hi-Tech Industrial Development Zone	200,000.00		Income-related
Social security insurance refunds	136,370.00		Income-related
Funds of Market Supervision Administration of High-tech Zone	120,000.00		Income-related
The second batch of R&D incentive Bonuses for science and technology Enterprises in 2021 (Results Section)	100,000.00		Income-related
Special funds for business development of Suzhou Bureau of Commerce	95,900.00		Income-related
Support funds for 2020 exhibition	90,000.00		Income-related
Subsidy funds after R&D expenses for high-tech enterprises in 2022	72,267.00		Income-related
Support funds for Manufacturing Champion policies in 2021	60,000.33		Income-related
2022 enterprise rewards for highly skilled leading talent	50,000.00		Income-related
2022 annual bank loan premium subsidy for small and micro enterprises	50,000.00		Income-related

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Pro-employment fund in 2021 from Foshan Social Insurance Fund Management Bureau	48,215.23	Income-related
R&D expenses for high-tech enterprises of Foshan Science and Technology Bureau	45,732.00	Income-related
Special fund for science and technology plan in 2022	33,000.00	Income-related
Special funds for export credit insurance of Nanhai District Economic Promotion Bureau in 2021	29,741.94	Income-related
Annual research and development expense award in 2022 of Science and Technology Innovation Bureau	23,600.00	Income-related
Special funds for business development of Suzhou High-tech Zone Bureau of Commerce	20,300.00	Income-related
Special funds for business development	20,000.00	Income-related
Special funds for export credit insurance of Foshan Bureau of Commerce	10,000.00	Income-related
Award for trademark registration of "Branded Project" of Administration in high-tech zone in 2022	5,000.00	Income-related
Disinfection subsidies for manufacturing enterprises	5,000.00	Income-related
Employment subsidies for key enterprises in Suzhou High-tech Zone	5,000.00	Income-related
Job subsidies	4,500.00	Income-related
Social security subsidies for small, low-profit manufacturing enterprises	1,504.63	Income-related
Award for trademark registration of "Branded Project" of Administration for Market Regulation	1,500.00	Income-related
Compensation for demolition of the old plant in Jinfeng Road	3,554,516.61	Asset-related
Foreign government subsidies	2,902,405.18	Income-related
Immediate VAT refund for embedded software	1,526,488.01	Income-related
Project subsidy funds for overseas R&D institutions in 2020	1,000,000.00	Income-related
Special funds for promoting foreign economic cooperation in Foshan City in 2021	1,000,000.00	Income-related
Municipal technology innovation award for key industries in 2017/2018 from the Scientific and Technological Innovation Bureau	400,000.00	Income-related
Award for stabilizing employment positions and benefiting enterprises from High-tech Zone Economic and Development Commission	300,000.00	Income-related
Manufacturing Champion in 2020 awarded by Nanhai Park Administration	300,000.00	Income-related
Subsidy funds after R&D expenses for high-tech enterprises	259,500.00	Income-related
Subsidies for gazelle companies	250,000.00	Income-related
Special awards for high-tech enterprises in 2020	200,000.00	Income-related
Funds for quality improvement of industrial products in Foshan City in 2021	200,000.00	Income-related
Subsidies for National and Provincial Intellectual Property Demonstration Enterprise	200,000.00	Income-related
Special funds for business development of Suzhou High-tech Zone Bureau of Commerce	182,600.00	Income-related
Special funds for leading enterprises in 2020	150,000.00	Income-related
Subsidies for leading enterprises identification in Foshan High-tech Zone	150,000.00	Income-related
Subsidies from Suzhou High-tech Zone Bureau of Commerce in 2019	111,958.59	Income-related
Subsidies for high-tech enterprises identification in Foshan City in 2020	100,000.00	Income-related
Subsidies for economic development from High-tech Zone Economic Development Committee	100,000.00	Income-related
Intellectual property thematic funds of 2019 patent subsidies of Nanhai District Administration for Market Regulation	100,000.00	Income-related
R&D expenses for high-tech enterprises of Foshan Science and Technology Bureau	74,700.00	Income-related
Award for R&D of enterprises from Technology and Innovation Bureau	55,000.00	Income-related
2020 enterprise rewards for highly skilled leading talent	50,000.00	Income-related
2021 enterprise rewards for highly skilled leading talent	50,000.00	Income-related
Patent subsidies for foreign invention of Administration for Market Regulation	50,000.00	Income-related
Subsidies for work-based training of Suzhou Labor and Employment Management Service Center	45,518.59	Income-related
Government subsidies for the projects with excellent technology staying in Suzhou	39,300.00	Income-related
Special funds for environmental protection support and reward of Nanhai Branch of Foshan Ecological Environment Bureau in 2020	37,633.00	Income-related
Funds for invention patent annual fee of Foshan Administration for Market Regulation	35,630.00	Income-related
Special funds for intellectual property in 2020	31,626.00	Income-related
Special funds for export credit insurance in Nanhai District, Foshan City in 2021 of Nanhai District Economic Promotion Bureau, Foshan City	23,992.00	Income-related
Funds for invention patents in China of Foshan "Fuchitong"	21,000.00	Income-related
Special funds for business development	20,103.00	Income-related
Special funds for business development of Suzhou High-tech Zone Bureau of Commerce	20,000.00	Income-related

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Provincial promotion of high-quality economic development in 2020 of Nanhai District Economic Promotion Bureau, Foshan City		
Special funds for development, for the purposes of foreign economic and trade development and the development of modern service industry	16,363.24	Asset-related
Subsidies for stabilizing employment positions of Foshan Social Insurance Fund Administration in 2020	14,274.14	Income-related
Subsidies for work-based training	4,000.00	Income-related

V. Notes to the Consolidated Financial Statements (cont'd)**53. Other income (cont'd)**

Funds for invention patents in China of Administration for Market Regulation	3,000.00	Income-related
Subsidies for stabilizing employment positions	1,739.48	Income-related
Award for trademark registration of "Branded Project" of Administration for Market Regulation of Nanhai District, Foshan City	1,000.00	Income-related
Pandemic-related subsidies	1,000.00	Income-related
	<u>20,745,916.28</u>	<u>14,700,007.84</u>

54. Investment income

	2022	2021
Income from financial assets held for trading	17,279,281.22	94,792,849.32
Income from long-term equity investments measured at equity method	1,851,796.60	3,880,256.70
	<u>19,131,077.82</u>	<u>98,673,106.02</u>

55. Gains and losses on changes in fair value

	2022	2021
Changes in fair value of non-controlling interests call/put options	5,337,601.98	(50,864,345.69)
Financial assets at fair value through profit or loss	13,423,921.51	29,506,559.88
Financial liability at fair value through profit or loss	(844,476.88)	-
	<u>17,917,046.61</u>	<u>(21,357,785.81)</u>

56. Credit impairment loss

	2022	2021
Loss on doubtful accounts receivable	4,417,400.72	8,497,086.26
Allowances losses for other receivables	681,873.15	4,229,550.20
Impairment loss on contract assets	10,701.00	-
	<u>5,109,974.87</u>	<u>12,726,636.46</u>

V. Notes to the Consolidated Financial Statements (cont'd)**57. Asset impairment loss**

	2022	2021
Inventory valuation loss	10,867,629.33	11,194,079.96
Reversed impairment loss on contract assets	<u>1,928,694.23</u>	<u>(257,325.86)</u>
	<u>12,796,323.56</u>	<u>10,936,754.10</u>

58. Gains and losses on disposal of assets

	2022	2021
Gain/(loss) on disposal of fixed assets	<u>(168,835.37)</u>	<u>424,968.29</u>

59. Non-operating income

	2022	2021	Recognized in exceptional gains and losses of 2022
Compensation fee	283,274.15	-	283,274.15
Others	<u>2,176,293.18</u>	<u>5,750,547.04</u>	<u>2,176,293.18</u>
	<u>2,459,567.33</u>	<u>5,750,547.04</u>	<u>2,459,567.33</u>

60. Non-operating expenses

	2022	2021	Recognized in exceptional gains and losses of 2022
Donations	224,849.92	83,988.03	224,849.92
Loss on disposal of non-current assets	182,551.41	501,064.13	182,551.41
Others	<u>473,443.92</u>	<u>876,966.65</u>	<u>473,443.92</u>
	<u>880,845.25</u>	<u>1,462,018.81</u>	<u>880,845.25</u>

V. Notes to the Consolidated Financial Statements (cont'd)**61. Expenses by nature**

Supplementary information of the Group's cost of sales, selling expenses, administrative expenses, and R&D expenses by nature is as follows:

	2022	2021
Raw materials consumed	1,985,363,537.36	1,859,784,815.80
Employee benefits	684,582,240.74	613,223,119.21
Transportation expenses and miscellaneous expenses associated with import and export	191,131,032.36	125,384,252.47
Depreciation and amortization expenses	96,227,980.90	96,426,126.81
Commissions and agency fees	47,370,007.70	59,870,536.49
Product quality warranties	42,622,459.66	42,420,792.60
Intermediary expenses	35,907,474.82	26,331,269.13
Utilities	26,280,501.27	18,322,758.67
Equity incentives	29,628,076.94	15,243,506.90
Travel and business reception expenses	113,117,355.40	85,673,533.80
Technology licensing expenses	9,543,670.88	9,350,533.75
Advertising and exhibition expenses	8,706,020.81	8,916,532.18
Rental expenses	2,758,021.35	544,034.30
Office and other expenses	152,041,310.62	150,556,219.40
	<u>3,425,279,690.81</u>	<u>3,112,048,031.51</u>

V. Notes to the Consolidated Financial Statements (cont'd)**62. Income tax expenses**

	2022	2021
Current income tax expenses	83,948,000.57	88,328,101.49
Deferred tax expenses	<u>(61,760,709.14)</u>	<u>(100,274,573.91)</u>
	<u>22,187,291.43</u>	<u>(11,946,472.42)</u>

Reconciliation between income tax expenses and gross profit is as follows:

	2022	2021
Gross profit	505,928,312.72	480,444,713.23
Income tax calculated at applicable tax rates (Note)	75,889,246.91	72,066,706.98
Different tax rates for specific provinces or enacted by local authority	18,881,060.06	38,186,704.25
Adjustment to current income tax in previous periods	(775,371.61)	(8,715,965.71)
Income not subject to tax	(471,554.32)	(13,811,012.93)
Over-deduction for R&D	(9,884,156.68)	(5,813,981.03)
Expenses not deductible for tax	5,666,686.60	995,625.70
Utilization and recognition of deductible losses of previous periods	(82,173,231.29)	(100,238,844.22)
Effect of unrecognized deductible temporary differences and deductible losses	<u>15,054,611.76</u>	<u>5,384,294.54</u>
Income tax expenses	<u>22,187,291.43</u>	<u>(11,946,472.42)</u>

Note: The provision for income tax of the Group was recognized based on the estimated taxable income to be derived from mainland China and applicable tax rate. Taxable income derived from other jurisdictions shall be taxed based on applicable tax rate in accordance with the current laws, interpretations and conventions in the country/jurisdiction where the Group operates.

V. Notes to the Consolidated Financial Statements (cont'd)**63. Earnings per share**

	2022 RMB/share	2021 RMB/share
Basic earnings per share		
Continuing operations	<u>0.37</u>	<u>0.35</u>
Diluted earnings per share		
Continuing operations	<u>0.37</u>	<u>0.35</u>

Basic earnings per share is computed by dividing the net profit attributable to ordinary shareholders of the Company for the period by the weighted average number of ordinary shares in issue.

In the calculation of diluted earnings per share, the numerator shall be determined based on the net profit attributable to ordinary shareholders of the Company for the period after adjusting the following factors: (1) the interest of diluted potential ordinary shares that have been recognized as expenses in the period; (2) gains or expenses that will be incurred when the diluted potential ordinary shares are converted; and (3) the income tax impact related to the above adjustments.

In the calculation of diluted earnings per share, the denominator shall be the sum of: (1) weighted average number of ordinary shares of the Company in issue adopted in the calculation of basic earnings per share; and (2) weighted average number of ordinary shares created assuming conversion of potentially dilutive ordinary shares into ordinary shares.

In calculating the weighted average number of ordinary shares created upon conversion of potentially dilutive ordinary shares into ordinary shares, potentially dilutive ordinary shares issued in previous periods are assumed to have been converted at the beginning of the current period, whereas potentially dilutive ordinary shares issued in the current period are assumed to have been converted on the date of issue.

V. Notes to the Consolidated Financial Statements (cont'd)**63. Earnings per share(cont'd)**

Calculations of basic and diluted earnings per share are as follows:

	2022	2021
Earnings		
Net profit attributable to ordinary shareholders of the Company for the period	<u>447,177,897.38</u>	<u>467,333,661.79</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,214,301,810.17</u>	<u>1,327,715,640.50</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	1,214,301,810.17	1,327,715,640.50
Diluting effect—weighted average number of ordinary shares		
Restricted shares	<u>8,044,635.29</u>	<u>12,915,588.73</u>
Adjusted weighted average number of ordinary shares in issue of the Company	<u>1,222,346,445.46</u>	<u>1,340,631,229.23</u>

V. Notes to the Consolidated Financial Statements (cont'd)**64. Notes to cash flow statement line items**

	2022	2021
Cash generated from other operating activities		
Government grants	19,804,538.17	10,221,390.28
Interest income	9,167,093.01	24,674,196.61
Current accounts and others	<u>8,441,791.07</u>	<u>4,438,967.22</u>
	<u>37,413,422.25</u>	<u>39,334,554.11</u>
Cash used in other operating activities		
Selling expenses in cash	130,038,891.90	105,107,763.31
Administrative expenses in cash	105,291,187.76	74,613,114.65
R&D expenses in cash	13,993,627.09	17,901,111.33
Security deposits	2,187,739.39	187,068.49
Letter of guarantee paid	695,566.59	2,171,914.25
Current accounts and others	<u>28,045,564.77</u>	<u>21,116,317.47</u>
	<u>280,252,577.50</u>	<u>221,097,289.50</u>
Cash generated from other investing activities		
Performance compensation	741,402.85	2,419,748.09
Investment deposit	<u>20,000,000.00</u>	<u>-</u>
	<u>20,741,402.85</u>	<u>2,419,748.09</u>
Cash used in other investing activities		
Investment deposit	<u>20,000,000.00</u>	<u>-</u>

V. Notes to the Consolidated Financial Statements (cont'd)**64. Notes to cash flow statement line items (cont'd)**

	2022	2021
Cash generated from other financing activities		
Disposal of equity to non-controlling interests	-	100,000,000.00
Security deposits for bank acceptance notes	177,363,575.61	93,525,797.34
Security deposits recovered for internal guarantees for external loans	420,000,000.00	-
Security deposits for loan	140,000,000.00	-
Share subscription	2,762,000.00	-
	<u>740,125,575.61</u>	<u>193,525,797.34</u>
Cash used in other financing activities		
Share repurchase	215,606,658.62	828,741,759.63
Security deposits paid for loans	210,000,000.00	355,075,000.00
Security deposits for bank acceptance notes	170,580,626.43	120,056,676.70
Purchase of non-controlling interests	50,866,860.00	36,121,968.12
Lease and interest payments	26,324,405.01	17,062,209.03
	<u>673,378,550.06</u>	<u>1,357,057,613.48</u>

V. Notes to the Consolidated Financial Statements (cont'd)**65. 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:

	2022	2021
Net profit	483,741,021.29	492,391,185.65
Add: Asset impairment allowances	12,796,323.56	10,936,754.10
Depreciation of fixed assets	46,764,632.53	49,341,880.68
Depreciation of right-of-use assets	22,658,947.90	17,042,595.06
Amortization of intangible assets	22,931,485.79	23,837,149.34
Credit impairment loss	5,109,974.87	12,726,636.46
Amortization of long-term prepaid expenses	5,992,219.61	6,204,501.74
Loss and gain on disposal of fixed assets, intangible assets and other long-lived assets	168,835.37	(424,968.29)
Loss on retirement of fixed assets	182,551.41	490,962.41
Loss and gain on changes in fair value	(17,917,046.61)	21,357,785.81
Finance costs	3,689,292.38	13,182,088.01
Investment income	(19,131,077.82)	(98,673,106.02)
Increase in deferred tax assets	(63,715,107.07)	(81,298,463.69)
Decrease/(increase) in deferred tax liabilities	1,377,055.21	(17,549,248.21)
Increase in inventories	(181,404,611.30)	(128,880,794.62)
Increase/(decrease) in operating receivables	(237,029,947.97)	(397,793,709.49)
Increase in operating payables	385,587,050.58	374,249,103.02
Others	34,492,861.22	9,518,924.06
Net cash generated from/used in operating activities	<u>506,294,460.95</u>	<u>306,659,276.02</u>

V. Notes to the Consolidated Financial Statements (cont'd)**65. 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:

	2022	2021
Transfer of endorsed bank acceptance notes received for selling goods and rendering services	91,221,566.30	53,118,728.50
Acquisition of right-of-use assets by assuming lease liabilities	36,996,563.25	80,386,832.91
	<u>128,218,129.55</u>	<u>133,505,561.41</u>

Net change in cash and cash equivalents:

	2022	2021
Closing balance of cash	1,233,720,697.27	1,259,303,775.74
Less: Opening balance of cash	1,259,303,775.74	860,601,236.78
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase/(decrease) in cash and cash equivalents	<u>(25,583,078.47)</u>	<u>398,702,538.96</u>

(2) Information on subsidiaries and other business units acquired or disposed of

Information on subsidiaries and other business units acquired

	2022	2021
Prices for acquiring subsidiaries and other business units	148,300,000.00	30,000,000.00
Cash and cash equivalents paid to acquire subsidiaries and other business units	173,800,000.00	30,000,000.00
Less: cash and cash equivalents held by subsidiaries and other business units acquired	57,867,983.95	-
Net payments for the acquisition of subsidiaries and other business units	<u>115,932,016.05</u>	<u>30,000,000.00</u>

(3) Cash and cash equivalents

	2022	2021
Cash	1,233,720,697.27	1,259,303,775.74
Including: cash on hand	587,935.98	233,281.32
Bank deposits readily available	1,011,564,164.21	999,389,151.51
Other cash and bank balances readily available	221,568,597.08	259,681,342.91
Cash equivalents	-	-
Closing balance of cash and cash equivalents	<u>1,233,720,697.27</u>	<u>1,259,303,775.74</u>

V. Notes to the Consolidated Financial Statements (cont'd)

66. Assets with restricted ownership or right of use

	2022	2021	
Cash and bank balances	40,726,502.47	405,032,563.61	Note 1
Fixed assets	4,409,110.42	4,533,314.25	Note 2
Other non-current assets	-	300,150,000.00	Note 3
Current portion of non-current assets	310,300,000.00	-	Note 3
	<u>355,435,612.89</u>	<u>709,715,877.86</u>	

Note 1: As at 31 December 2022, cash and bank balances in the carrying amount of RMB40,726,502.47 were used as security deposits for bank acceptance notes and letter of guarantee and the like (31 December 2021: RMB405,032,563.61).

Note 2: As at 31 December 2022, the fixed assets in the carrying amount of RMB4,409,110.42 (31 December 2020: RMB4,533,314.25) was used as collateral for obtaining bank borrowings for subsidiaries, with the term expiring on 2023

Note 4: As at 31 December 2022, security deposits in the carrying amount of RMB 310,300,000.00 (31 December 2020: RMB 300,150,000.00) were used for loans of subsidiaries. As the subsidiary's loan will expire on June 2023, the amount was transferred from other noncurrent assets to current portion of non-current assets.

V. Notes to the Consolidated Financial Statements (cont'd)

67. Monetary items in foreign currencies

	2022			2021		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances			837,901,528.55			685,152,963.98
Including: USD	51,568,121.01	6.9646	359,151,335.60	56,147,869.58	6.3757	357,981,972.08
EUR	63,332,369.86	7.4229	470,109,848.24	45,306,958.43	7.2197	327,102,647.78
HKD	70,837.93	0.8933	63,279.52	83,591.14	0.8176	68,344.12
GBP	1,021,796.88	8.3941	8,577,065.19	-	8.6081	-
Accounts receivable			781,623,990.32			714,281,331.38
Including: USD	6,224,516.08	6.9646	43,351,264.69	8,067,507.42	6.3757	51,436,007.06
EUR	99,458,799.88	7.4229	738,272,725.63	91,810,646.47	7.2197	662,845,324.32
Contract assets			25,889,024.27			19,971,462.55
Including: USD	2,627,445.80	6.9646	18,299,109.02	2,773,235.20	6.3757	17,681,315.66
EUR	1,022,500.00	7.4229	7,589,915.25	317,208.04	7.2197	2,290,146.89
Other receivables			64,322,223.29			210,931,472.20
Including: USD	-	6.9646	-	8,856,610.50	6.3757	56,467,091.56
EUR	8,665,376.51	7.4229	64,322,223.29	21,394,847.52	7.2197	154,464,380.64
Accounts payable			579,166,380.90			580,255,405.04
Including: USD	17,933.26	6.9646	124,897.96	20,811,908.90	6.3757	132,690,487.57
EUR	78,007,447.62	7.4229	579,041,482.94	61,992,176.61	7.2197	447,564,917.47
Short-term borrowings			39,015,129.24			228,312,880.73
Including: EUR	5,256,049.42	7.4229	39,015,129.24	31,623,596.65	7.2197	228,312,880.73
Current portion of non-current liabilities			287,544,266.74			32,455,649.04
Including: EUR	38,737,456.62	7.4229	287,544,266.74	4,495,429.04	7.2197	32,455,649.04
Long-term borrowings			57,884,494.89			325,026,188.49
Including: EUR	7,798,097.09	7.4229	57,884,494.89	45,019,348.24	7.2197	325,026,188.49
Lease liabilities			47,237,141.39			49,459,973.23
Including: EUR	6,363,704.40	7.4229	47,237,141.39	6,850,696.46	7.2197	49,459,973.23
Other payables			18,360,654.60			18,820,269.40
Including: USD	419,190.02	6.9646	2,919,490.81	397,040.50	6.3757	2,531,411.12
EUR	2,080,206.36	7.4229	15,441,163.79	2,256,168.30	7.2197	16,288,858.28

The principal places of business overseas, the functional currencies and their determination basis of the major overseas business entities included in the consolidated financial statements are as follows:

Major overseas business entities	Principal place of business	Functional currency	Determination basis
Fosber Group	Italy	EUR	Settlement currency for local business activities
Fosber America	America	USD	Settlement currency for local business activities
Italy EDF	Italy	EUR	Settlement currency for local business activities
Tiruña Group	Spain	EUR	Settlement currency for local business activities

VIII. Changes to the Scope of Consolidation**1. Business combinations not involving entities under common control**

Within the current period, the Company acquired a 50% stake in Shenzhen Wonder Printing System Co.,Ltd at RMB173,800,000.00 in cash, including a capital increase of RMB50,000,000.00 and a equity transfer payment of RMB123,800,000. The date of acquisition is determined as 7 June 2022 based on the completion of the business change registration procedures and completion of shareholding rights transfer on 7 June 2022.

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:

	7 Jun. 2022 Fair Value	7 Jun. 2022 Book Value
Cash and bank balances	22,867,983.95	22,867,983.95
Notes receivable	740,481.63	740,481.63
Accounts receivable	12,147,478.25	12,147,478.25
Prepaid expense	2,411,228.55	2,411,228.55
Other receivables	2,072,194.20	2,072,194.20
Inventories	44,297,259.74	42,548,955.95
Other current assets	37,841.92	37,841.92
Fixed assets	5,504,939.18	4,492,581.48
Intangible assets	21,858,600.00	-
Deferred tax assets	581,494.60	581,494.60
Right-of-use assets	6,080,817.77	6,080,817.77
Short-term borrowings	4,200,000.00	4,200,000.00
Accounts payable	10,200,334.69	10,200,334.69
Contracts liabilities	6,448,103.80	6,448,103.80
Employee benefit payable	2,729,488.28	2,729,488.28
Tax payable	4,962,681.84	4,962,681.84
Other payable	15,034,104.80	15,034,104.80
Current portion of non-current liabilities	4,204,477.63	4,204,477.63
Current liabilities	709,454.49	709,454.49
Long-term borrowings	6,600,000.00	6,600,000.00
Derferred tax liabilities	3,701,257.61	8,368.38
Lease liabilities	3,187,217.75	3,187,217.75
	<u>56,623,198.90</u>	<u>35,696,826.64</u>
Minority stockholder's interest	<u>(27,745,367.46)</u>	<u>(17,491,445.05)</u>
Total	28,877,831.44	18,205,381.59
Goodwill arising from the acquisition	<u>119,422,168.56</u>	
	<u>148,300,000.00</u>	<u>Note</u>

Note: The merger consideration consisted of (1) a cash payment of RMB123,800,000.00 for the equity transfer and (2) RMB24,500,000.00 for the portion of the capital increase attributable to the minority shareholders in proportion to their shareholdings.

VI. Changes to the Scope of Consolidation (cont'd)**1. Business combinations not involving entities under common control (cont'd)**

The operating results and cash flows of Shenzhen Wonder Printing System Co.,Ltd for the period from the date of acquisition to the period-end are as follows:

	7 June.-31 Dec. 2022
Operating revenue	81,875,354.35
Net profit	18,633,830.83
Net cash flow	19,674,096.45

2. Changes to the scope of consolidation for other reasons

Information about the newly established subsidiary:

In February 2022, the Company established Dongfang Yineng International Holdings Co., Ltd (hereinafter referred to as “Yineng International”) with a registered capital of RMB50 million and a shareholding ratio of 100%.

In February 2022, Hainan Yineng, a subsidiary of the Company, established Changzhou Xincheng Investment Partnership (Limited Partnership) (hereinafter referred to as “Changzhou Xincheng”), with a subscribed capital contribution of RMB48 million and a shareholding ratio of 94.86%.

In February 2022, Parsun Power, a subsidiary of the Company, established Suzhou Baisheng International Trade Co., Ltd (hereinafter referred to as “Baisheng International”) with a registered capital of RMB3 million and a shareholding ratio of 69.62%.

IX. 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	89.20	-
Italy QCorr	Italy	Italy	Manufacturing	EUR375,000	-	60.00
Suzhou High-Tech Zone Jinquan Business Management Partnership (Limited Partnership)*	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Investment	RMB9.65 million	-	1.27
Parsun Power Technology	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Manufacturing	RMB10 million	-	69.62
Baisheng International	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Trading	RMB3 million	-	69.62
Dongfang Digicom	Haikou, Hainan, China	Haikou, Hainan, China	Industrial Internet	RMB100 million	100.00	-
Dongfang Digicom (Guangdong)	Foshan, Guangdong, China	Foshan, Guangdong, China	Industrial Internet	RMB8 million	100.00	-
Hainan Yineng	Haikou, Hainan, China	Haikou, Hainan, China	Investment	RMB100 million	100.00	-
Yineng International	Foshan, Guangdong, China	Foshan, Guangdong, China	Investment	RMB50 million	100.00	-
Tianjin Hangchuang	Tianjin, China	Tianjin, China	Investment	RMB21 million	95.24	-
Changzhou Xinchen	Changzhou, Jiangsu, China	Changzhou, Jiangsu, China	Investment	RMB50.6 million	-	94.86
Subsidiaries acquired in business combinations not under common control						
Fosber Group	Italy	Italy	Manufacturing	EUR1.56 million	-	100.00
Fosber America	America	America	Manufacturing	USD1.10 million	-	100.00
Fosber Tianjin	Tianjin, China	Tianjin, China	Manufacturing	USD500,000	-	100.00
Parsun Power	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Manufacturing	RMB85.3 million	7.83	61.79
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

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SCI Candan	France	France	Manufacturing	EUR10,000	-	70.00	
Tiru ña America	America	America	Manufacturing	USD3 million	-	85.00	
Tiru ña Guangdong	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	EUR21 million	-	66.3	
Yinglian Digital	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	RMB50 million	100.00	-	
Wonder Printing	Shenzhen, Guangdong, China	Shenzhen, Guangdong, China	Manufacturing	RMB117.19 million	51	-	
Wonder Digital	Dongguan, Guangdong, China	Dongguan, Guangdong, China	Manufacturing	RMB1 million	-	51	

*According to the partnership agreement, the general partner of the partnership shall execute partnership affairs, and other partners shall not execute partnership affairs. As the sole general partner, the Company forms control over the partnership, which is included in the scope of consolidation of the Group.

2. Interests in associates

	Principal place of business	Place of registration	Business nature	Registered capital	The Company's interest (%)		Accounting method
					Direct	Indirect	
Associates							
Guangdong Jaten Robot & Automation Co., Ltd.	Foshan	Foshan	manufacturing	RMB31.759 million	19.84	-	Equity method
Talleres Tapre,S.L.	Spain	Spain	manufacturing	EUR37,563	-	14.00	Equity method
Nanjing Profeta (Note)	Nanjing	Nanjing	manufacturing	RMB3.8613 million	-	6.66	Equity method

Note: The board of directors of Nanjing Profeta Intelligent Technology Co., Ltd. has 5 members. The Group has appointed one of the directors, and he accordingly enjoys 20% of the substantive participation rights, forming a significant influence.

The table below presents the aggregate financial information of associates insignificant to the Group:

	2021	2020
Associates		
Total carrying amount of investments	9,997,251.05	84,777,596.67
Total amounts based on the Company's interests:		
Net loss	1,851,796.60	3,880,256.70
Total comprehensive loss	1,851,796.60	3,880,256.70

Guangdong Dongfang Precision Science & Technology Co., Ltd.**Notes to the Financial Statements****2022****Expressed in Renminbi Yuan****X. 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:

2022

Financial assets

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	As required by standard		As required by standard	
Cash and bank balances	-	1,274,447,199.74	-	1,274,447,199.74
Financial assets held for trading	860,832,278.88	-	-	860,832,278.88
Notes receivable	-	24,566,100.12	-	24,566,100.12
Accounts receivable	-	837,305,757.46	-	837,305,757.46
Receivables financing	-	-	15,305,668.26	15,305,668.26
Other receivables	-	80,996,902.82	-	80,996,902.82
Current portion of non-current assets	-	311,763,750.00	-	311,763,750.00
Long-term receivables	-	1,294,299.00	-	1,294,299.00
Other non-current financial assets	334,449,603.33	-	-	334,449,603.33
	<u>1,195,281,882.21</u>	<u>2,530,374,009.14</u>	<u>15,305,668.26</u>	<u>3,740,961,559.61</u>

Financial liabilities

	At fair value through profit or loss	At amortized cost	Total
	As required by standard		
Short-term borrowings	-	41,815,129.24	41,815,129.24
Financial liabilities held for trading	57,022,555.58	-	57,022,555.58
Notes payable	-	149,918,253.31	149,918,253.31
Accounts payable	-	748,319,561.21	748,319,561.21
Other payables	-	90,080,142.50	90,080,142.50
Current portion of non-current liabilities	-	315,767,431.26	315,767,431.26
Long-term borrowings	-	57,884,494.89	57,884,494.89
Lease liabilities	-	68,989,111.33	68,989,111.33
Other current liabilities	-	1,449,810.18	1,449,810.18
Other non-current liabilities	26,142,283.35	110,254,009.20	136,396,292.55
	<u>83,164,838.93</u>	<u>1,584,477,943.12</u>	<u>1,667,642,782.05</u>

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VIII. Risks Associated with Financial Instruments (cont'd)

1. Classification of financial instruments (cont'd)

The carrying amounts of various financial instruments as at the balance sheet date are as follows: (cont'd)

2021

Financial assets

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	As required by standard		As required by standard	
Cash and bank balances	-	1,664,336,339.35	-	1,664,336,339.35
Financial assets held for trading	788,185,521.57	-	-	788,185,521.57
Notes receivable	-	13,272,025.04	-	13,272,025.04
Accounts receivable	-	741,135,648.09	-	741,135,648.09
Receivables financing	-	-	30,692,449.25	30,692,449.25
Other receivables	-	70,220,378.02	-	70,220,378.02
Current portion of non-current assets	-	108,385,000.00	-	108,385,000.00
Long-term receivables	-	143,750.00	-	143,750.00
Other non-current financial assets	162,523,519.41	-	-	162,523,519.41
Other non-current assets	-	300,150,000.00	-	300,150,000.00
	<u>950,709,040.98</u>	<u>2,897,643,140.50</u>	<u>30,692,449.25</u>	<u>3,879,044,630.73</u>

Financial liabilities

	At fair value through profit or loss	At amortized cost	Total
	As required by standard		
Short-term borrowings	-	228,312,880.73	228,312,880.73
Financial liabilities held for trading	110,746,939.04	-	110,746,939.04
Notes payable	-	149,191,690.00	149,191,690.00
Accounts payable	-	619,265,856.18	619,265,856.18
Other payables	-	100,018,273.09	100,018,273.09
Current portion of non-current liabilities	-	38,495,724.83	38,495,724.83
Long-term borrowings	-	325,026,188.49	325,026,188.49
Lease liability	-	65,213,555.87	65,213,555.87
Other current liabilities	-	9,391,823.29	9,391,823.29
Other non-current liabilities	29,074,219.95	107,104,084.49	136,178,304.44
	<u>139,821,158.99</u>	<u>1,642,020,076.97</u>	<u>1,781,841,235.96</u>

VIII. Risks Associated with Financial Instruments (cont'd)**2. Transfer of financial assets**Financial assets already transferred but not wholly derecognized

On 31 December 2022, the carrying value of the bank acceptance notes (BAs) endorsed by the Group to suppliers for the settlement of accounts payable was RMB1,449,810.18 (31 December 2021: RMB9,391,823.29). 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 2022, the carrying value of the accounts payable settled with them totaled RMB1,449,810.18 (31 December 2021: RMB9,391,823.29).

Transferred financial assets that have been wholly derecognized but continue to be involved

On 31 December 2022, the carrying value of the BAs endorsed by the Group to suppliers for the settlement of accounts payable was RMB23,495,743.47 (31 December 2021: RMB23,598,786.91). On 31 December 2022, 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 2022, 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.

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.

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks (cont'd)

The Group's Board of Directors is fully responsible for the determination of risk management objectives and policies and assumes ultimate responsibility for such risk management objectives and policies, but the Board of Directors has authorized the Chief Executive's Office of the Group to design and implement procedures to ensure the effective execution of risks management objectives and policies. The Board of Directors reviews the effectiveness of the executed procedures and the rationality of the risk management objectives and policies through the monthly reports submitted by the treasury supervisor. The internal auditors of the Group will also audit the risk management policies and procedures and will report relevant findings to the Audit Committee.

The Group's overall goals for risk management are to develop risk management policies to minimize risks without unduly affecting the competitiveness and strain capacity of the Group.

Credit Risk

The Group transacts only with recognized and reputable third parties. According to the Group's policies, credit checks are needed for all customers that require transactions should be conducted by means of credit. Additionally, the Group performs continuous monitoring of the balance of accounts receivable to ensure that the Group will not face major bad debt risk. For transactions not settled in the accounting standard currency of the relevant business unit, unless specifically approved by the credit control department of the Group, the Group will not provide credit transaction conditions.

Since the counterparties of cash and bank balances and notes receivable are banks with a good reputation and high credit rating, the credit risk of such financial instruments is low.

Other financial assets of the Group mainly include accounts receivable, other receivables and contract assets, the credit risk of which arises from counterparty default, and the maximum risk exposure is equal to the carrying value of these instruments.

The Group transacts only with recognized and reputable third parties, so no collateral is required. Credit risk concentration is managed by customer/counterparty, geographic region and industry. Because the customer base of accounts receivable of the Group is widely dispersed in different departments and industries, there is no major credit risk concentration within the Group. The Group does not hold any collateral or other credit enhancement on the balance of accounts receivable.

Criteria for judging significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Company takes into account the reasonable and substantiated information that is accessible without exerting undue extra cost or effort, including qualitative and quantitative analysis based on the historical data of the Company, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to determine changes in the risk of default during the expected lifetime of financial instruments.

VIII. Risks Associated with Financial Instruments (cont'd)

3. Financial instrument risks (cont'd)

Credit risk (cont'd)

Definition of credit-impaired financial assets

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the principal factors considered are as follows:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) Debtors' breach of contract, such as defaulting or becoming overdue on interest or principal payments;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurrence of credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Liquidity risk**

The Group monitors its risk to the shortage of funds using a recurring liquidity planning tool. This tool considers the maturity profile of its financial instruments and projected cash flows from operations.

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarized as follows:

2022

	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	10,109,326.19	13,053,856.47	18,592,633.64	-	-	41,755,816.30
Financial liabilities held for trading	-	-	57,022,555.58	-	-	57,022,555.58
Notes payable	-	-	149,918,253.31	-	-	149,918,253.31
Accounts payable	-	-	748,319,561.21	-	-	748,319,561.21
Other payables	-	-	90,080,142.50	-	-	90,080,142.50
Current portion of non-current liabilities	769,865.02	2,725,256.25	302,043,449.86	-	-	305,538,571.13
Long-term borrowings	-	-	-	58,982,718.09	1,075,526.84	60,058,244.93
Lease liabilities	-	-	-	68,989,111.33	-	68,989,111.33
Other current liabilities	-	-	1,449,810.18	-	-	1,449,810.18
Other non-current liabilities	-	-	-	26,142,283.35	-	26,142,283.35
	<u>10,879,191.21</u>	<u>15,779,112.72</u>	<u>1,367,426,406.28</u>	<u>154,114,112.77</u>	<u>1,075,526.84</u>	<u>1,549,274,349.82</u>

2021

	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	190,705,475.51	30,521,787.76	7,394,911.43	-	-	228,622,174.70
Financial liabilities held for trading	-	-	110,746,939.04	-	-	110,746,939.04
Notes payable	-	-	149,191,690.00	-	-	149,191,690.00
Accounts payable	-	-	619,265,856.18	-	-	619,265,856.18
Other payables	-	-	100,018,273.09	-	-	100,018,273.09
Current portion of non-current liabilities	1,430,597.18	2,498,486.89	37,889,311.44	-	-	41,818,395.51
Long-term borrowings	-	-	-	325,847,350.33	3,602,076.70	329,449,427.03
Lease liabilities	-	-	-	65,213,555.87	-	65,213,555.87
Other current liabilities	-	-	9,391,823.29	-	-	9,391,823.29
Other non-current liabilities	-	-	-	136,178,304.44	-	136,178,304.44
	<u>192,136,072.69</u>	<u>33,020,274.65</u>	<u>1,033,898,804.47</u>	<u>527,239,210.64</u>	<u>3,602,076.70</u>	<u>1,789,896,439.15</u>

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Market Risk**Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term liabilities with floating interest rates.

The sensitivity analysis of interest rate risks is set out in the following table, reflecting the impact of reasonable and probable change in interest rates on net profit or loss (through the impact on floating rate loans) and other comprehensive income (net of tax) assuming that other variables remain constant.

2022

	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	(1,458,187.97)	-	(1,458,187.97)
Loans	(0.5)	1,458,187.97	-	1,458,187.97

2021

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Loans	0.5	(1,361,068.13)	-	(1,361,068.13)
Loans	(0.5)	1,361,068.13	-	1,361,068.13

VIII. Risks Associated with Financial Instruments (cont'd)**3. Financial instrument risks (cont'd)****Market Risk**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 87% (2021: 85%) of the Group's sales are priced in currencies other than the functional currencies of the business units that incur the sales, and approximately 13% (2021: 15%) 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.

2022

	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	(8,836,102.40)	-	(8,836,102.40)
Weaker RMB against EUR	(2)	8,836,102.40	-	8,836,102.40
Stronger RMB against USD	2	(6,699,491.41)	-	(6,699,491.41)
Weaker RMB against USD	(2)	6,699,491.41	-	6,699,491.41

2021

	Increase/ (decrease) in exchange rate (%)	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total equity
Stronger RMB against EUR	2	(1,228,442.79)	-	(1,228,442.79)
Weaker RMB against EUR	(2)	1,228,442.79	-	1,228,442.79
Stronger RMB against USD	2	(5,522,074.97)	-	(5,522,074.97)
Weaker RMB against USD	(2)	5,522,074.97	-	5,522,074.97

VIII. Risks Associated with Financial Instruments (cont'd)**4. Capital management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and in the risk profiles of relevant assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during 2022 and 2021.

XI. Disclosure of Fair Values**1. Assets and liabilities measured at fair value**

2022

	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	860,832,278.88	-	-	860,832,278.88
Receivables financing	-	15,305,668.26	-	15,305,668.26
Other non-current financial assets	28,708,356.60	99,633,064.36	206,108,182.37	334,449,603.33
	<u>889,540,635.48</u>	<u>114,938,732.62</u>	<u>206,108,182.37</u>	<u>1,210,587,550.47</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	-	-	57,022,555.58	57,022,555.58
Other non-current liabilities	-	1,298,626.48	135,097,666.07	136,396,292.55
	-	<u>1,298,626.48</u>	<u>192,120,221.65</u>	<u>193,418,848.13</u>

IX. Disclosure of Fair Values (cont'd)**1. Assets and liabilities measured at fair value (cont'd)**

2021

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial assets held for trading	775,249,020.94	-	12,936,500.63	788,185,521.57
Receivables financing	-	30,692,449.25	-	30,692,449.25
Other non-current financial assets	5,640,775.44	-	156,882,743.97	162,523,519.41
	<u>780,889,796.38</u>	<u>30,692,449.25</u>	<u>169,819,244.60</u>	<u>981,401,490.23</u>

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial liabilities held for trading	-	-	110,746,939.04	110,746,939.04
Other non-current liabilities	-	-	136,178,304.44	136,178,304.44
	-	-	<u>246,925,243.48</u>	<u>246,925,243.48</u>

IX. Disclosure of Fair Values (cont'd)**2 Assets and liabilities disclosed at fair value**

2022

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
Long-term receivables	-	-	1,305,000.00	1,305,000.00
Long-term borrowings	-	57,884,494.89	-	57,884,494.89
Current portion of non-current assets	-	-	1,463,750.00	1,463,750.00
Current portion of non-current liabilities	-	315,767,431.26	-	315,767,431.26
	-	<u>373,651,926.154</u>	<u>2,768,750.00</u>	<u>376,420,676.15</u>

2021

	Input applied in the measurement of fair value			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
Long-term receivables	-	-	143,750.00	143,750.00
Long-term borrowings	-	325,026,188.49	-	325,026,188.49
Current portion of non-current assets	-	-	4,595,000.00	4,595,000.00
Current portion of non-current liabilities	-	21,342,646.25	-	21,342,646.25
	-	<u>346,368,834.74</u>	<u>4,738,750.00</u>	<u>351,107,584.74</u>

IX. Disclosure of Fair Values (cont'd)**3. Estimation of fair value**Fair value of financial instruments

The management has assessed cash and bank balances, notes receivable, accounts receivable, notes payable and accounts payable, and because the remaining maturity is not long, their fair value is similar to their carrying value.

In a fair transaction, the fair value of financial assets and financial liabilities is determined by the amount of voluntary asset exchange or debt redemption between the parties to the transaction, rather than the amount in the case of force sale or liquidation. The following methods and assumptions are used to estimate the fair value.

The fair value of long-term receivables and long- and short-term borrowings is determined by the discounted future cash flow method, where the market yield of other financial instruments with similar contract terms, credit risks and remaining maturity serves as the discount rate. On 31 December 2022, the result of the self-default risk assessment of long- and short-term borrowings was not significant.

The fair values of unlisted equity investments have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the Group to determine comparable listed companies based on industry, size, leverage and strategy, and to calculate an appropriate price multiple for each comparable company identified. They are adjusted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The Group believes that the estimated fair values resulting from the valuation technique and the related changes in fair values are reasonable, and that they were the most appropriate values at the balance sheet date.

4. Unobservable inputs

Below is a summary of the significant unobservable inputs to the fair value measurement of Level 3:

	Closing fair value	Valuation technique	Unobservable inputs	Range
Other non-current financial assets	17,530,308.16	Option pricing model	Volatility	39.12%-44.63%
Other non-current financial assets	188,577,874.21	Comparison approach	Liquidity discount	10.00%-20.00%
Financial liabilities held for trading	57,022,555.58	Discounted cash flow method	Weighted average cost	4.48%
Other non-current liabilities	135,097,666.07	Discounted cash flow method	Weighted average cost	4.76%-14.10%

IX. Disclosure of Fair Values (cont'd)**5. Reconciliation in fair value measurement (cont'd)**

Reconciliation of continuous fair value measurements categorized within Level 3 of the fair value hierarchy: (cont'd)

2021

	Opening	Total current gains and losses		Purchase	Disposal	Closing	Change in unrealized gains and losses for the period of assets held at end of period through profit or loss
	balance	Through profit or loss	Through other comprehensive income			Balance	
Financial liabilities held for trading	-	13,181,681.67	(245,181.04)	-	-	12,936,500.63	13,181,681.67
Other non-current financial liabilities	-	25,029,844.93	(559,232.00)	132,412,131.04	-	156,882,743.97	25,029,844.93
		<u>38,211,526.60</u>	<u>(804,413.04)</u>	<u>132,412,131.04</u>	<u>-</u>	<u>169,819,244.60</u>	<u>38,211,526.60</u>

	Opening	Total current gains and losses		Purchase	Disposal	Settlement	Closing	Change in unrealized gains and losses for the period of liabilities held at end of period through profit or loss
	balance	Through profit or loss	Through other comprehensive income				balance	
Financial liabilities held for trading	41,408,109.80	95,161,739.92	(3,739,957.81)	-	(36,121,968.12)	14,039,015.25	110,746,939.04	95,161,739.92
Other non-current liabilities	68,737,415.25	(18,949,558.78)	(4,342,115.80)	104,771,579.02	-	(14,039,015.25)	136,178,304.44	(18,949,558.78)
	<u>110,145,525.05</u>	<u>76,212,181.14</u>	<u>(8,082,073.61)</u>	<u>104,771,579.02</u>	<u>(36,121,968.12)</u>	<u>-</u>	<u>246,925,243.48</u>	<u>76,212,181.14</u>

IX. Disclosure of Fair Values (cont'd)**5. Reconciliation in fair value measurement (cont'd)**

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:

	2022	
	Gains and losses relating to financial assets	Gains and losses relating to non- financial assets
Total gains and losses through profit or loss	36,825,740.43	-
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	45,117,740.43	-
	2021	
	Gains and losses relating to financial assets	Gains and losses relating to non- financial assets
Total gains and losses through profit or loss	38,211,526.60	-
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	38,211,526.60	-

In the continuous fair value measurement at Level 3, gains and losses through profit or loss relating to financial assets and non-financial assets is analyzed as follows:

	2022	
	Gains and losses relating to financial liabilities	Gains and losses relating to non- financial liabilities
Total gains and losses through profit or loss	(4,282,796.34)	
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	(4,282,796.34)	
	2021	
	Gains and losses relating to financial liabilities	Gains and losses relating to non- financial liabilities
Total gains and losses through profit or loss	76,212,181.14	
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	76,212,181.14	

6. Transfers between levels of fair value measurement

In 2022, due to the recent financing, the fair value measurement of the trading financial assets held by the Group is transfer from the third level to the second level, and the conversion amount is RMB 94,496,262.63. There are no other material transfer during the year. (2021: No such transfers in the Reporting Period.)

XII. Relationships and Transactions with Related Parties**1. Controlling Shareholder**

	Relationship with the Company	Interest in the Company (%)
Tang Zhuolin (individual)	One of the Company's controlling shareholders and actual controllers	21.81
Tang Zhuomian (individual)	One of the Company's controlling shareholders and actual controllers	7.81

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
Xie Weiwei	Director and Deputy General Manager
Mai Zhirong	Independent Director (left on August 12, 2022)
Peng Xiaowei	Independent Director (left on August 12, 2022)
He Weifeng	Independent Director (left on August 12, 2022)
Chen Huiyi	Chairman of the Supervisory Committee
Zhao Xiuhe	Supervisor
He Baohua	Supervisor
Zhou Wenhui	Director and Board Secretary (left on July 26, 2022)
Shao Yongfeng	Chief Financial Officer and Vice President
Li Ketian	Independent Director (Started on August 12, 2022)
Liu Da	Independent Director (Started on August 12, 2022)
Tu Haichuan	Independent Director (Started on August 12, 2022)
Feng Jia	Director and Board Secretary (Started on July 26, 2022)

5. Major transactions between the Group and related parties**(1) Salary of key management**

	2022	2021
Salary of key management	12,448,768.93	13,521,226.06

XIII. Share-based Payments**1. Overview**

	2022	2021
Total equity instruments granted	29,490,000.00	26,840,000.00

	2022	2021
Total employee services exchanged with share-based payments	70,041,990.38	40,413,913.40

Equity-settled share-based payments are as follows:

	2022	2021
Cumulative amount of equity-settled share-based payments recognized in capital surplus	70,041,990.38	40,413,913.40
Total costs of equity-settled share-based payments	29,628,076.98	15,243,506.90

The fair value of equity instruments at the date of grant was determined at that date. The fair value of the first grant of restricted shares in 27 March 2020 was RMB 4.38/share (RMB 60.07 million). The fair value of the reserved restricted shares in 29 December 2020 was RMB 4.44/share (RMB 14.59 million) and the fair value of the restricted shares in 21 March 2022 was RMB 4.57/share (RMB9.91 million). The number of exercisable equity instruments at each balance sheet date during the vesting period is determined taking into account the separation rate, the company performance requirements and the individual performance requirements.

XI. Share-based Payments (cont'd)**2. Share-based payment plan**

On 27 March 2020, the Company convened the 44th (Extraordinary) Meeting of the Third Board of Directors, where the Proposal on Granting Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant 22.85 million restricted shares to 42 awardees. The grant date for the first grant of restricted shares was 27 March 2020. On 8 June 2020, the Company approved the Proposal on Adjusting Matters Related to the 2020 Restricted Share Incentive Plan, the number of awardees was adjusted to 40, and the number of granted restricted shares was adjusted to 22.6 million. The exercise price of this restricted share grant was RMB1. As at 31 December 2020, the accumulated amount of subscription funds received by the Company for the first grant of restricted shares under this incentive plan totaled RMB22,600,000.00.

As authorized by the first Extraordinary Meeting of the Third Board of Directors in 2020, on 29 December 2020, the Company convened the 4th (Extraordinary) Meeting of the Fourth Board of Directors, where the Proposal on Granting Reserved Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant 4.24 million restricted shares to 18 awardees. The grant date was 29 December 2020. As at 31 December 2021, the accumulated amount of subscription funds received by the Company for the reserved restricted shares under this incentive plan totaled RMB4,240,000.00.

The maximum number of unexercised share options currently available under the plan is equal to 10% of the shares issued by the Company. According to the plan, the maximum number of shares in the share options granted to each eligible grantee during any period spanning 12 months is 1% of the shares issued by the Company at any time. Any grant of share options above this limit shall be subject to the approval of the General Meeting.

The arrangements for unlocking the restricted shares under the restricted share incentive plan are as follows:

Unlocking arrangements	Time of unlocking	Percentage of unlocking
1 st unlocking period	From the first trading day 12 months after the date of listing of the first grant of/reserved restricted shares to the day of the last trading day within 24 months after the date of listing of the first grant of restricted shares	20%
2 nd unlocking period	From the first trading day 24 months after the date of listing of the first grant of/reserved restricted shares to the day of the last trading day within 36 months from the date of listing of the first grant of restricted shares	40%
3 rd unlocking period	From the first trading day 36 months after the date of listing of the first grant of/reserved restricted shares to the day of the last trading day within 48 months from the date of listing of the first grant of restricted shares	40%

XI. Share-based Payments (cont'd)**2. Share-based payment plan (cont'd)**

The unlocking conditions of the restricted share incentive plan are as follows:
In addition to meeting the relevant requirements for granting, awardees must also meet the following unlocking conditions on the sale of granted restricted shares:

Performance appraisal requirements at the company level:

Unlocking period	Performance appraisal objectives
1 st unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2020 shall not be less than 20%
2 nd unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2021 shall not be less than 35%
3 rd unlocking period	The adjusted average net profit for 2018 and 2019 is used as the base of the performance appraisal, and the growth rate of net profit in 2022 shall not be less than 55%

The net profit during the appraisal period from 2020 to 2022 mentioned above refers to the audited consolidated statement of net profit attributable to the shareholders of the Company excluding the impact of share-based payments under this and other equity incentive plans. The base of performance appraisal is the average net profit (the net profit attributable to shareholders of the listed company in consolidated statements) of the Company for 2018 and 2019 after deducting the relevant financial impacts of Beijing Pride New Energy Battery Technology Co., Ltd.

Performance appraisal requirements at the personal level:

The performance appraisal results of the awardees are divided into Levels A, B, C and D. The non-resalable restricted shares of those awardees with appraisal results of Level D will be repurchased and retired by the Company, and the repurchase price is the grant price.

As authorized by the first Extraordinary Meeting of the Fourth Board of Directors in 2022, on 21 March 2022, the Company convened the 15th (Extraordinary) Meeting of the Fourth Board of Directors, where the Proposal on Granting Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant 2.65 million restricted shares to 7 awardees. The grant date was 21 March 2022. As at 31 December 2022, the accumulated amount of subscription funds received by the Company for the reserved restricted shares under this incentive plan totaled RMB2,650,000.00.

XI. Share-based Payments (cont'd)**2. Share-based payment plan (cont'd)**

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%

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 average net profit for 2020 and 2021 is used as the base, and the growth rate of net profit in 2022 shall not be less than 10%
2 nd unlocking period	The average net profit for 2020 and 2021 is used as the base, and the growth rate of net profit in 2023 shall not be less than 20%
3 rd unlocking period	The average net profit for 2020 and 2021 is used as the base, and the growth rate of net profit in 2024 shall not be less than 30%

The above assessment annual net profit index refers to the net profit attributable to the shareholders of the Company in the audited consolidated statements and excluding the impact of the share payment expenses of this and other equity incentive plans as the calculation basis.

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.

XIV. Commitments and Contingent Events

1. Significant commitments

As at the balance sheet date, the Group had no commitments which were required to be disclosed.

2. Contingent Events

As at the balance sheet date, the Group had no contingent events which were required to be disclosed.

XV. 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.

XVI. Other Significant Matters**1. Segment reporting****Operating segment**

For management purposes, the Group divides its business in to two operating segments—domestic and overseas. Operating segment

2022

Item	Domestic entities	Overseas entities	Offset	Total
Operating revenue	1,581,783,109.71	2,756,556,385.95	(445,630,986.02)	3,892,708,509.64
Cost of sales	1,081,978,416.13	2,141,063,654.54	(389,736,322.13)	2,833,305,748.54
Total assets	5,407,121,469.14	2,914,415,535.60	(1,392,959,889.64)	6,928,577,115.10
Total liabilities	1,489,530,074.02	1,952,540,777.80	(779,488,999.67)	2,662,581,852.15

2021

Item	Domestic entities	Overseas entities	Offset	Total
Operating revenue	1,432,489,346.39	2,404,840,482.92	(312,595,045.37)	3,524,734,783.94
Cost of sales	963,221,707.93	1,820,431,964.95	(228,581,613.09)	2,555,072,059.79
Total assets	5,013,665,276.72	2,480,339,949.36	(1,136,836,390.89)	6,357,168,835.19
Total liabilities	1,385,366,306.26	1,778,520,920.31	(660,293,937.05)	2,503,593,289.52

XIV. Other Significant Matters (cont'd)**2. Leases**(1) As lessee

2022

Interest expense on lease liabilities	2,474,602.57
Short term lease expense through profit or loss adopting simplified approach	1,205,273.76
Total cash outflows related to lease	<u>29,438,261.70</u>

Assets leased by the Group include houses and buildings, and transportation equipment used in the course of business, the lease term of houses, buildings and machinery is usually 8 years, and the lease term of transportation equipment is usually 3 years.

Significant operating leases

According to the lease contracts signed with the lessors, minimum lease payments under irrevocable operating leases falling due are as follows:

2022

Within 1 year (inclusive)	25,598,122.85
1-2 years (inclusive of 2 years)	23,464,449.78
2-3 years (inclusive of 3 years)	20,701,964.22
Over 3 years	<u>37,161,132.39</u>
	<u>106,925,669.24</u>

Other information on lease

For the right-of-use assets, see Note V.17; for the simplified approach on short-term leases and leases of assets of low value, see Note III.27; for lease liabilities, see Note V.31&34.

XVII. Notes to Major Items in the Company Financial Statements

1. Account Receivable

Accounts receivable are interest-free. The aging of accounts receivable is analyzed as follows:

	2022	2021
Within 1 year	212,140,018.11	114,456,911.82
1-2 years	39,011,159.02	38,918,748.38
2-3 years	1,456,776.00	2,987,247.70
3-4 years	1,688,672.44	-
4-5 years	-	1,454,595.00
Over 5 years	3,004,100.00	1,556,499.20
	<u>257,300,725.57</u>	<u>159,374,002.10</u>
Less: allowances for doubtful accounts receivable	<u>4,454,823.68</u>	<u>4,670,936.43</u>
	<u><u>252,845,901.89</u></u>	<u><u>154,703,065.67</u></u>

	2022				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	3,004,100.00	1.17	3,004,100.00	100	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>254,296,625.57</u>	<u>98.83</u>	<u>1,450,723.68</u>	<u>0.57</u>	<u>252,845,901.89</u>
	<u><u>257,300,725.57</u></u>	<u><u>100.00</u></u>	<u><u>4,454,823.68</u></u>		<u><u>252,845,901.89</u></u>

	2021				Carrying amount
	Gross amount		Allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	3,011,094.20	1.89	3,011,094.20	100	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>156,362,907.90</u>	<u>98.11</u>	<u>1,659,842.23</u>	<u>1.06</u>	<u>154,703,065.67</u>
	<u><u>159,374,002.10</u></u>	<u><u>100.00</u></u>	<u><u>4,670,936.43</u></u>		<u><u>154,703,065.67</u></u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**1. Accounts receivable (cont'd)**

As at 31 December 2022, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 1	939,000.00	939,000.00	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	516,000.00	516,000.00	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
Customer 6	15,700.00	15,700.00	100.00	Customer's inability to settle the amount due
	<u>3,004,100.00</u>	<u>3,004,100.00</u>		

As at 31 December 2021, accounts receivable for which allowances are established individually are as follows:

	Gross amount	Allowance	ECL (%)	Reason for allowance
Customer 1	939,000.00	939,000.00	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	23,099.20	23,099.20	100.00	Customer's inability to settle the amount due
	<u>3,011,094.20</u>	<u>3,011,094.20</u>		

Accounts receivable for provision for bad debts according to the combination of credit risk characteristics:

	2022			2021		
	Estimated book balance of default	ECL(%)	Expected credit losses within the existing period	Estimated book balance of default	ECL(%)	Expected credit losses within the existing period
Within 1 year	212,140,018.11	0.11	240,789.05	114,456,911.82	0.34	390,298.12
1-2 years	39,011,159.02	0.11	42,024.92	38,918,748.38	0.94	365,205.21
2-3 years	3,145,448.44	37.13	1,167,909.71	2,987,247.70	30.27	904,338.90
	<u>254,296,625.57</u>		<u>1,450,723.68</u>	<u>156,362,907.90</u>		<u>1,659,842.23</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**1. Accounts receivable (cont'd)**

Movements in allowances for doubtful accounts receivable are as follows:

	Opening balance	Established in the period	Written off in the period	Reversed in the period	Closing balance
2022	4,670,936.43	-	-	(216,112.75)	4,454,823.68
2021	6,654,009.15	84,975.11	(1,369,120.41)	(698,927.42)	4,670,936.43

Top 5 of accounts receivable are as follows:

	2022	As a % of the closing balance of total accounts receivable	Allowance
Dongfang Precision (HK)	125,873,821.40	48.92	-
Dongfang Precision (Netherland)	86,838,377.31	33.75	-
EDF	11,999,541.34	4.66	-
Customer 12	9,074,479.80	3.53	74,410.73
Customer 13	5,630,879.10	2.19	46,173.21
	<u>239,417,098.95</u>	<u>93.05</u>	<u>120,583.94</u>
	2021	As a % of the closing balance of total accounts receivable	Allowance
Dongfang Precision (HK)	77,716,283.13	48.76	-
Dongfang Precision (Netherland)	33,917,508.35	21.28	-
Customer 18	7,126,000.00	4.47	145,370.40
Customer 19	4,558,625.50	2.86	92,995.96
Customer 20	2,730,000.00	1.71	55,692.00
	<u>126,048,416.98</u>	<u>79.08</u>	<u>294,058.36</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**2. Other receivables**

	2022	2021
Other receivables	577,361,759.62	444,140,266.79
Dividends receivable	17,840,000.00	-
	<u>595,201,759.62</u>	<u>444,140,266.79</u>

The aging of other receivables is analyzed as follows:

	2022	2021
Within 1 year	139,336,039.54	442,798,058.31
1-2 years	437,233,397.22	548,952.82
2-3 years	117,761.18	52,186.57
3-4 years	24,092.04	288,333.00
4-5 years	217,983.00	1,495,285.41
Over 5 years	1,587,511.18	112,475.22
	<u>578,516,784.16</u>	<u>445,295,291.33</u>
Less: allowances for doubtful other receivables	1,155,024.54	1,155,024.54
	<u>577,361,759.62</u>	<u>444,140,266.79</u>

Other receivables are classified by nature as follows:

	2022	2021
Internal transactions with related parties	562,762,515.20	438,222,987.97
Prepaid service charges	2,772,188.53	3,277,042.22
Security deposits	2,089,429.81	1,427,885.96
Employee loans and petty cash	1,806,931.45	1,722,721.94
Performance compensation	500,000.00	500,000.00
Others	8,585,719.17	144,653.24
	<u>578,516,784.16</u>	<u>445,295,291.33</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**2. Other receivables (cont'd)**

Movements in allowances for doubtful other receivables that are established based on the 12-month ECL and the lifetime ECL are as follows:

2022

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Opening and closing balance	655,024.54	500,000.00	-	1,155,024.54

2021

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Financial assets with credit impairment (lifetime ECL)	
Closing balance	<u>655,024.54</u>	<u>500,000.00</u>	<u>-</u>	<u>1,155,024.54</u>

Movements in allowances for doubtful other receivables are as follows:

	Opening balance	Established in the period	Reversed in the period	Closing balance
2022	1,155,024.54	-	-	1,155,024.54
2021	1,155,024.54	-	-	1,155,024.54

XV. Notes to Major Items in the Company Financial Statements (cont'd)

2. Other receivables (cont'd)

As at 31 December 2022, top 5 of other receivables are as follows:

	2022	As a % of total other receivables	Nature	Age	Closing balance of allowance
Hainan Yineng	466,903,350.55	80.71	Current account	Within 1 year;1-2 years	-
Yinglian Digital	52,856,671.23	9.14	Current account	Within 1 year;1-2 years	-
Dongfang Digicom (Guangdong)	25,031,945.37	4.33	Current account	Within 1 year;1-2 years	-
Dongfang Precision (Netherlands)	6,608,152.98	1.14	Current account	Within 1 year;1-2 years	-
Dongfang Digicom	<u>6,424,864.39</u>	<u>1.11</u>	Current account	Within 1 year;1-2 years	-
	<u><u>557,824,984.52</u></u>	<u><u>96.43</u></u>			-

As at 31 December 2021, top 5 of other receivables are as follows:

	2021	As a % o f total other receivable s	Nature	Age	Closing balance of allowance
Hainan Yineng	412,234,185.81	92.58	Current account	Within 1 year	-
Yinglian Digital	15,156,527.09	3.40	Current account	Within 1 year	-
Dongfang Digicom (Guangdong)	4,704,601.17	1.06	Current account	Within 1 year	-
Dongfang Digicom	3,065,170.33	0.69	Current account	Within 1 year	-
Shunyi Investment	<u>1,698,000.00</u>	<u>0.38</u>	Current account	Within 1 year	-
	<u><u>436,858,484.40</u></u>	<u><u>98.11</u></u>			-

Guangdong Dongfang Precision Science & Technology Co., Ltd.

Notes to the Financial Statements

2022

Expressed in Renminbi Yuan

XV. Notes to Major Items in the Company Financial Statements (cont'd)

3. Long-term equity investments

2022

	Opening balance	Opening impairment allowance	Change in the period				Period-end Closing balance	Closing impairment allowance
			Additional investment	Reduction in investment	Change in other e quity	Write-off impairm ent		
Subsidiaries								
Dong Fang Precision (HK) Limited	1,856,010.00	-	-	-	-	-	1,856,010.00	-
Dongfang Precision (Netherland)	307,666.80	-	-	-	660,101.01	-	967,767.81	-
Guangdong Fosber Intelligent Equipment Co., Ltd.	54,242,190.72	-	-	-	1,033,279.72	-	55,275,470.44	-
Suzhou Shunyi Investment Co., Ltd.	305,584,828.17	-	-	-	-	-	305,584,828.17	-
Suzhou Parsun Power Machine Co., Ltd.	28,720,378.11	(45,303,485.99)	-	-	2,836,047.20	-	31,556,425.31	(45,303,485.99)
Foshan Yinglian Digital Printing Equipment Co., Ltd.	21,903,462.34	-	-	-	-	-	21,903,462.34	-
Dongfang Digicom Data Technology Co., Ltd.	3,710,751.60	-	-	-	1,708,976.31	-	5,419,727.91	-
Dongfang Digicom Data Technology (Guangdong) Co., Ltd.	1.00	-	-	-	470,212.33	-	470,213.33	-
Hainan Yineng Investment Co., Ltd.	100,000,000.00	-	-	-	1,572,033.67	-	101,572,033.67	-
Italy EDF	977,696.67	-	-	-	220,033.67	-	1,197,730.34	-
Tianjin Hangchuang	20,000,000.00	-	-	-	-	-	20,000,000.00	-
Shenzhen WonderPrinting System Co.,Ltd	-	-	173,800,000.00	-	-	-	173,800,000.00	-
	<u>537,302,985.41</u>	<u>(45,303,485.99)</u>	<u>173,800,000.00</u>	<u>-</u>	<u>8,500,683.91</u>	<u>-</u>	<u>719,603,669.32</u>	<u>(45,303,485.99)</u>

	Opening balance	Opening impairment allowance	Change in the period		Period-end	
			Investment income underequity method	Other investment change	Closing balance	Closing impairment allowance
Associates/joint ventures						
Guangdong Jaten Robot & Automation Co., Ltd.	74,780,345.62	-	3,143,695.45	8,609,443.05	86,533,484.12	-

XV. Notes to Major Items in the Company Financial Statements (cont'd)**4. Operating revenue and costs**

	2022		2021	
	Revenue	Costs	Revenue	Costs
Principal operations	451,368,550.29	269,503,960.08	384,635,560.97	244,033,927.30
Other operations	<u>69,673,546.95</u>	<u>3,323,764.83</u>	<u>102,121,739.94</u>	<u>12,332,173.69</u>
	<u>521,042,097.24</u>	<u>272,827,724.91</u>	<u>486,757,300.91</u>	<u>256,366,100.99</u>

Operating revenue is as follows:

	2022	2021
Revenue arising from contracts with customers	518,957,952.12	482,430,794.95
Lease revenue	<u>2,084,145.12</u>	<u>4,326,505.96</u>
	<u>521,042,097.24</u>	<u>486,757,300.91</u>

Breakdown of operating revenue arising from contracts with customers is as follows:

2022	Total
Reporting segments	
Principal place of business	
Mainland China	152,236,401.33
Other regions	<u>366,721,550.79</u>
	<u>518,957,952.12</u>
Principal product type	
Goods	450,366,148.27
Services	26,023,502.28
Interest income	38,612,370.94
Others	<u>3,955,930.63</u>
	<u>518,957,952.12</u>
By revenue recognition time	
Revenue recognition at a point of time	
Sale of goods	450,366,148.27
Others	<u>3,955,930.63</u>
	<u>454,322,078.90</u>
Revenue recognition for a period of time	
Rendering of services	26,023,502.28
Interest income	<u>38,612,370.94</u>
	<u>64,635,873.22</u>
	<u>518,957,952.12</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**4. Operating revenue and costs (cont'd)**

Revenue recognized in the period included in the book value of contractual liabilities at the beginning of year is as follows:

	2022
Advances on sales	<u>18,352,946.11</u>

The Company's information about contractual performance obligations is as follows:

Sale of manufactured goods

Contractual performance obligations are fulfilled when delivering manufactured goods to customers, and normally the payment in advance for some customers are needed.

Rendering of services

Contractual performance obligations are fulfilled during the rendering of services.

The expected time for recognizing in revenue the total transaction price allocated to outstanding (or partly outstanding) contractual performance obligations as at the period-end is as follows:

	2022	2021
Within 1 year	<u>29,803,024.37</u>	<u>21,697,782.14</u>

5. Investment income

	2022	2021
Dividends under cost method	17,840,000.00	18,992,000.00
Income from disposal of long-term equity investments	-	21,681,323.17
Income from financial assets held for trading	3,827,951.76	13,531,732.69
Income from long-term equity investments measured at equity method	<u>3,143,695.45</u>	<u>3,880,256.70</u>
	<u>24,811,647.21</u>	<u>58,085,312.56</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**6. Major transactions between the Company and related parties**

(1) Transaction of goods and services with related parties

Purchases of goods and services from related parties

		2022	2021
Fosber Group	Purchases of goods	-	4,134.82
Italy EDF	Purchases of goods	2,868,721.41	1,423,463.44
		<u>2,868,721.41</u>	<u>1,427,598.26</u>

Sales of goods and services to related parties

	Nature of transaction	2022	2021
Sales of goods			
Dongfang Precision (HK)	Sales of goods	171,028,352.25	104,120,103.27
Dongfang Precision (Netherland)	Sales of goods	56,133,478.23	34,585,113.86
Fosber ASIA	Sales of goods	4,950,006.92	7,016,887.07
Italy EDF	Sales of goods	12,834,213.72	8,028,881.97
		<u>244,946,051.12</u>	<u>153,750,986.17</u>
Rendering of services			
Hainan Yineng	Rendering of services	18,273,836.24	45,999,823.31
Fosber ASIA	Rendering of leasing	2,064,483.40	4,297,934.53
Italy EDF	Rendering of services	-	631,728.39
Fosber ASIA	Rendering of services	1,628,341.84	246,169.29
Yinglian Digital	Rendering of services	153,842.22	105,216.14
Dongfang Digicom	Rendering of services	-	54,665.21
Dongfang Digicom (Guangdong)	Rendering of services	246,417.10	9,312.91
		<u>22,366,920.80</u>	<u>51,344,849.78</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**6. Major transactions between the Company and related parties (cont'd)**

(2) Interest income of related parties

	Nature of transaction	2022	2021
Hainan Yineng	Interest income	34,878,049.06	30,593,754.97
Yinglian Digital	Interest income	2,686,891.68	227,996.66
Dongfang Digicom	Interest income	494,726.27	56,624.19
Dongfang Digicom (Guangdong)	Interest income	1,247,087.29	76,672.53
		<u>39,306,754.30</u>	<u>30,955,048.35</u>

(3) Interest expenses of related parties

	Nature of transaction	2022	2021
Dongfang Precision (Netherland)	Interest expenses	<u>-</u>	<u>605,927.88</u>

(4) Lending to and borrowing from related parties

Lending to related parties

2022	Note	Borrowing amount	Start date	End date
Dongfang Digicom (Guangdong)	a	19,000,000.00	2022/1/14-2022/12/19	2027/1/13-2027/12/18
Hainan Yineng		50,000,000.00	2022/11/24	2022/11/24
Dongfang Precision (Netherland)		6,594,298.45	2022/3/22	2027/3/22
Dongfang Digicom	b	3,000,000.00	2022/5/13-2022/10/14	2027/5/12-2027/10/13
Yinglian Digital		35,007,925.89	2022/1/23-2022/12/19	2024/1/22-2024/12/18
	c	<u>113,602,224.34</u>		

Note:

- Dongfang Digicom (Guangdong) borrowed RMB 19,000,000.00 from the Group at an annual interest rate of 9.8% in 2022. (2021: RMB 4,500,000.00, an annual interest rate of 9.8%).
- Dongfang Digicom borrowed RMB 3,000,000.00 from the Group at an annual interest rate of 9.8% in 2022. (2021: RMB 2,950,000.00, an annual interest rate of 9.8%).
- Yinglian Digital borrowed RMB 35,007,925.89 from the Group at an annual interest rate of 9.8% in 2022. (2021: RMB 10,994,480.66, an annual interest rate of 9.8%).

XV. Notes to Major Items in the Company Financial Statements (cont'd)**6. Major transactions between the Company and related parties (cont'd)**

(5) Guarantees for related parties

Provision of guarantees for related parties

2022

	Amount of guarantee	Start date	End date	Having expired or not
Dongfang Precision (Netherlands)	241,859,950.00	2020/6/29	2023/6/29	No

2021

	Amount of guarantee	Start date	End date	Having expired or not
Dongfang Precision (Netherlands)	241,859,950.00	2020/6/29	2023/6/29	No
Dongfang Precision (Netherlands)	177,604,620.00	2021/2/3	2022/2/3	No

7. Balances of amounts due from related parties

(1) Accounts receivable

	2022		2021	
	Gross amount	Allowance	Gross amount	Allowance
Dongfang Precision (HK)	125,873,821.40	-	77,716,283.13	-
Dongfang Precision (Netherlands)	86,838,377.31	-	33,917,508.35	-
Italy EDF	11,999,515.22	-	2,666,531.33	-
Fosber ASIA	2,033,754.02	-	1,934,399.54	-
Yinglian Digital	941,966.99	-	778,894.24	-
	<u>227,687,434.94</u>	<u>-</u>	<u>117,013,616.59</u>	<u>-</u>

XV. Notes to Major Items in the Company Financial Statements (cont'd)**7. Balances of amounts due from related parties (cont'd)**

(2) Other Receivables

	2022		2021	
	Gross amount	Allowance	Gross amount	Allowance
Hainan Yineng	466,903,350.55	-	412,234,185.81	-
Yinglian Digital	53,013,045.29	-	15,156,527.09	-
Dongfang Digicom (Guangdong)	25,031,945.37	-	4,704,601.17	-
Dongfang Digicom	6,424,864.39	-	3,065,170.33	-
Shunyi Investment	1,698,000.00	-	1,698,000.00	-
Suzhou High-Tech Zone			903,000.00	
Jinquan Business	-	-		-
Management Partnership (Limited Partnership)				
Fosber ASIA	1,280,118.38	-	447,649.04	-
Dongfang Precision (Netherland)	6,608,152.98	-	13,854.53	-
Yining International	1,000.00	-	-	-
	<u>560,960,476.96</u>	<u>-</u>	<u>438,222,987.97</u>	<u>-</u>

Except the borrowings receivable from related parties, all receivables from related parties are non-interest bearing, unsecured, and have no fixed repayment period.

XV. Notes to Major Items in the Company Financial Statements (cont'd)**8. Balances of amounts due to related parties**

(1) Accounts payable

	2022	2021
Italy EDF	177,681.12	88,980.71
Dongfang Precision (Netherland)	51,212.19	46,755.18
Dongfang Precision (HK)	6,155.19	5,852.89
Yinglian Digital	205,124.43	-
Dongfang Digicom (Guangdong)	1,130,000.00	-
Fosber Group	1,899.00	-
	<u>1,572,071.93</u>	<u>141,588.78</u>

(2) Other payables

	2022	2021
Dongfang Precision (Netherland)	331,099.71	91,664,646.54
Hainan Yineng	68,000,000.00	50,000,000.00
Fosber ASIA	1,015,465.78	1,138,167.89
Yinglian Digital	171,706.39	11,020.46
Italy EDF	56,189.26	-
	<u>69,574,461.14</u>	<u>142,813,834.89</u>

Except the borrowings receivable from related parties, all payables to related parties are non-interest bearing, unsecured, and have no fixed repayment period.

XVIII. Supplementary information**1. Schedule of exceptional gains and losses**

	2022
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	(351,386.78)
Government grants through profit or loss	20,933,377.44
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	35,196,327.83
Non-operating income and expenses other than the above	<u>1,761,273.49</u>
Subtotal of non-recurring gain or loss	<u>57,539,591.98</u>
Income tax effects	<u>(7,277,576.78)</u>
Subtotal of non-recurring gain or loss, net of tax	<u>50,262,015.20</u>
Non-controlling interests effects (net of tax)	<u>(1,460,765.90)</u>
	<u><u>48,801,249.30</u></u>

2. Return on equity (ROE) and earnings per share (EPS)

2022

	<u>Weighted average ROE (%)</u>	<u>EPS</u>	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	11.72	0.37	0.37
Net profit attributable to ordinary shareholders of the Company before exceptional gains and losses	10.44	0.33	0.33

2021

	<u>Weighted average ROE (%)</u>	<u>EPS</u>	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	11.72	0.35	0.35
Net profit attributable to ordinary shareholders of the Company before exceptional gains and losses	9.55	0.29	0.28