



Guangdong Dongfang Precision Science & Technology Co., Ltd.

Annual Report 2023

【Date of Disclosure】 28 March 2024

Message to Our Shareholders

Upon the pass of a fruitful year, we are now ready to embark on a new journey!

In 2023, the world is evolving like never before. At this historical juncture, alongside our domestic and international partners, we have forged ahead with steadfast, pragmatic measures that have led to 13 consecutive years of robust main business growth since our IPO.

Throughout 13 years of perseverance and resilience, from our 2011 debut on the stock market to 2023, our operating revenue soared from RMB360 million to RMB4,746 million, multiplying by over twelvefold; gross profit jumped from RMB89 million to RMB659 million, maintaining a compound annual growth rate (CAGR) of 18%; and net profit attributable to our shareholders leaped from RMB76 million to RMB433 million, achieving a CAGR of close to 16%. Today, Dongfang Precision stands as a global powerhouse, with operations and assets spanning Asia, Europe, and North America. With our base in China, we provide products and services for customers in over 100 countries and regions. Bolstered by the synergy of worldwide resources, leading-edge design concepts, and strong R&D capabilities, our high-end intelligent packaging equipment division now commands **approximately 15% of the global market of this industry**, the largest in China and the second largest worldwide.

Looking back, what truly fills us with pride is not merely how Dongfang Precision evolved from a follower into a trailblazer in the industry, but also the fact that we have actively paved the way and garnered invaluable lessons for Chinese private enterprises venturing abroad. Our efforts include carrying out overseas M&As, and adeptly managing the subsequent integration and optimisation of acquired foreign entities.

In 2014, we strategically acquired Fosber (now Fosber Group) in Italy, a professional manufacturer of high-end corrugated cardboard production lines, thereby swiftly integrating upstream and downstream sectors to assume leadership in the global industry. Subsequently, we took over EDF, a top-ranking manufacturer of box printing and packaging equipment, and Tiruña (now Tiruña Group), Spain's esteemed corrugated roller and pressure roller maker, along with Agnati (now Qcorr), an illustrious Italian provider of corrugated cardboard production lines. These moves culminated in a profound synergy among intelligent corrugated cardboard production lines, intelligent corrugated box printing equipment, and auxiliary intelligent systems for these equipment. This strategic expansion notably augmented our market share and core competencies, extended the

reach of our industrial chain, and unlocked access to premium overseas assets, cutting-edge technologies, and sophisticated management expertise.

Capitalising on our profound industry insights, foresight into market trends, and clear strategic development goals, coupled with robust strategic control and industrial integration capabilities, we have effectively integrated each of our merged and acquired businesses. This has unleashed continuous industrial chain synergies. As exemplified by Fosber Group and Parsun Power, following strategic empowerment by our management team, Fosber Group has surged into a phase of rapid expansion, registering a CAGR of roughly 15% in operating revenue and 26% in net profit between 2015 and 2023. Similarly, during 2016 to 2023, Parsun Power achieved a CAGR of around 20% in both operating revenue and net profit. Notably, Parsun Power's ChiNext IPO application has been approved by the Shenzhen Stock Exchange.

Time will tell all. Throughout the past 13 years since our listing, we've consistently held that fostering enduring value outweighs the chase for fleeting growth spurts. Harnessing the power of capital for organic growth and external expansion, we've ceaselessly enhanced our prowess in industrial integration and empowerment, steadily fortifying and expanding our core business every step of the way.

Our relentless pursuit of long-term value, coupled with adherence to independent innovation and active expansion, has shaped today's Dongfang Precision into an industry leader. It equips us with the backbone to navigate the current changes and drive the implementation of our Fourth Five-Year Strategic Plan, ensuring long-term, sustainable, and robust growth.

Step by step, we keep moving forward!

As an industry frontrunner, Dongfang Precision constantly heeds caution amidst prosperity. To sustain perpetual growth momentum, building on our previous three five-year strategic plans, in 2023, we have adopted a stance that safeguards our "stable" strategic footing while concurrently amassing "progressive" developmental impetus:

Over the past year, we exercised rigorous cost control, maintained stable operations, concentrated on bolstering and expanding our core business, resulting in record-high revenue and industry-leading net profit attributable to our shareholders before exceptional gains and losses for four straight years.

Over the past year, we boosted efficiency and service quality, cemented strong ties with key clients, and persistently delivered top-notch products and services to mid-to-large manufacturers in the European and American markets, thereby enhancing our brand recognition and industry sway in

the overseas arena.

Over the past year, we intensified marketing efforts, broadened our market reach, proactively aligned with national strategies, and fortified our presence in Belt and Road countries including Africa, South Asia, and Southeast Asia. We supplied these regions with high-end intelligent packaging equipment and services, thereby substantially expanding the market scope of our business.

Over the past year, we initiated projects and ramped up production capacities, propelling the construction of Fosber Asia's intelligent factory sprawling across approximately 80 mu, Parsun Power's eco-friendly, digitalised manufacturing plant and R&D centre with an annual output of 76,400 high-end water powersports products, Tiruña Asia's domestic corrugated and pressure roller production base, and Fosber Group's new European headquarters. These endeavours reinforce stability through advancement, laying a solid groundwork for consistent performance growth.

Over the past year, we focused on innovation, drove upgrades, and dedicated ourselves to digital and intelligent upgrading in the industry. Leveraging next-generation technologies like IoT, cloud computing, big data, 5G, and AI, we constructed a novel, self-reliant, secure, and controllable industrial Internet platform. This platform extends to domestic markets in South and East China, as well as overseas territories in Southeast Asia and Africa. And we've made significant strides in independent R&D and innovation, breaking new ground from scratch.

A brighter future lies ahead, and our journey continues!

2023 marks the first year for Dongfang Precision's fourth five-year strategic blueprint. Anchored by the operational guideline of “steady growth, core business concentration, and intelligent upgrading”, we've made concrete strides in the kickoff phase, efficiently advancing pivotal initiatives. From 2023 to 2027, we will intensify our "1+N" strategic dominance, stay rooted in China yet embracing a worldwide outlook. While concentrating on our core business, we'll also dynamically shape new growth trajectories harnessing the power of capital for organic growth and external expansion.

Amid the surging tide of a new scientific and technological revolution and industrial shift, the reshuffle of the global innovation landscape and competitive structure accelerates, mandating China's commitment to nurturing new quality productive forces for high-quality growth. We consistently balance the development of existing businesses through intelligent transformation and the incubation of emerging business opportunities. To this end, we first amplify forward-thinking R&D, spur innovation towards "intelligent, digital, and autonomous equipment", and transform

from a mere intelligent equipment maker to a provider of comprehensive intelligent factory solutions. Concurrently, we invest in groundbreaking, disruptive and frontier technologies to empower domestic firms in emerging fields like AI, cloud computing and big data, thereby continually energising the engine for high-quality development. Such measures represent not just practical strides to expedite new quality productive force generation but also vital explorations in forging new edges for high-quality growth.

Supported by an experienced team with profound know-how in the industry, we are confident that we have the experience and capabilities needed to enhance strategic leadership, stimulate the vitality for reform through “new” productive forces, and erect core competitive barriers through “quality” productive forces. Thus, we strive to build ourselves as a “business card for the world” for China's new quality productive forces.

We also believe that China's high-end intelligent equipment sector has just embarked on its “golden era”. We will remain steadfast in our pursuit of intelligent transformation in our long-term business operations and technological exploration. Forging ahead towards the untapped ocean of the high-end intelligent equipment market, we aim to chart a remarkable growth trajectory, ultimately delivering greater returns to our investors.

Thank you!

Chairman of the Board: Tang Zhuolin

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 Chen Nan, 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 2023 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, Tiruña Group, etc.
Tiruña Group	Tiruña Slu
Tiruña America	Tiruña America Inc.
Tiruña Asia	Tiruña (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.
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.
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

	<p>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.</p>
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	<p>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.</p>
Outboard motors	<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.</p>
General utility small gasoline motors	<p>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.</p>
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 2023 to 31 December 2023

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

	2023	2022	2023-over-2022 change (%)	2021
Operating revenue (RMB)	4,745,737,321.83	3,892,708,509.64	21.91%	3,524,734,783.94

Net profit attributable to the listed company's shareholders (RMB)	433,240,237.44	447,177,897.38	-3.12%	467,333,661.79
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	364,739,306.60	398,376,648.08	-8.44%	380,806,233.00
Net cash generated from/used in operating activities (RMB)	487,180,738.66	506,294,460.95	-3.78%	306,659,276.02
Basic earnings per share (RMB/share)	0.36	0.37	-2.70%	0.35
Diluted earnings per share (RMB/share)	0.36	0.37	-2.70%	0.35
Weighted average return on equity (%)	10.14%	11.72%	-1.58%	11.72%
	31 December 2023	31 December 2022	Change of 31 December 2023 over 31 December 2022 (%)	31 December 2021
Total assets (RMB)	7,538,222,570.02	6,928,577,115.10	8.80%	6,357,168,835.19
Equity attributable to the listed company's shareholders (RMB)	4,511,690,693.97	4,063,966,310.23	11.02%	3,681,970,298.39

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	907,101,141.80	1,175,505,311.92	1,243,655,954.95	1,419,474,913.16
Net profit attributable to the listed company's shareholders	84,973,342.92	121,176,262.38	65,710,031.94	161,380,600.20
Net profit attributable to the listed company's shareholders before exceptional gains and losses	51,961,918.89	110,563,973.51	83,299,830.01	118,913,584.19
Net cash generated from/used in operating activities	104,429,591.30	87,006,475.22	88,847,907.60	206,896,764.54

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	2023	2022	2021	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	694,491.43	-351,386.78	-65,995.13	
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)	15,747,293.82	20,933,377.44	14,700,007.84	
Gain or loss on fair-value changes on held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other debt investments (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	60,354,587.25	35,196,327.83	73,435,063.51	
Reversal of provision for impairment of receivables individually tested for impairment	516,000.00			

Non-operating income and expenses other than the above	-10,155,229.58	1,761,273.49	4,779,490.65	
Less: Income tax effects	-3,743,887.17	7,277,576.78	6,017,410.70	
Non-controlling interests effects (net of tax)	2,400,099.25	1,460,765.90	303,727.38	
Total	68,500,930.84	48,801,249.30	86,527,428.79	--

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 Principal Operations of the Company in the Reporting Period

(I) Industries in which the Company principally operates

With “intelligent equipment manufacturing” as its primary strategic focus, Dongfang Precision concentrates on the manufacturing of high-end intelligent equipment. Its principal operations include “intelligent packaging equipment” and “water powersports equipment”. The “intelligent packaging equipment business” consists of smart corrugated packaging equipment, digital printers, and industrial Internet industry solutions.

Since its IPO on the Shenzhen Stock Exchange in 2011, Dongfang Precision has grown into a global leader in smart corrugated packaging equipment, a leading domestic provider of digital printers, and a top-ranking domestic supplier of water powersports equipment. The Company is developing its industrial Internet industry solutions business to achieve an upgrading of a digital intelligent high quality development as an intelligent equipment manufacturer.

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 printers	<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 a leading supplier of digital printers in China. It is committed to providing digital printers for industries such as paper packaging (colour printing & pre-printing), advertising, home decoration, building materials, and label printing.</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 equipment	<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. The Industries to which the Company's Intelligent Packaging Equipment Business Segment Belongs

1.1 Demand side—customers

The intelligent packaging equipment division of the Company specializes in “smart corrugated packaging equipment” and “digital printers”. This division primarily serves B-end customers such as corrugated cardboard and corrugated box manufacturers. As a machinery supplier, the Company provides various single machine and complete production line products for cardboard and box production, which makes the Company depend on the development of the downstream paper packaging industry to some extent.

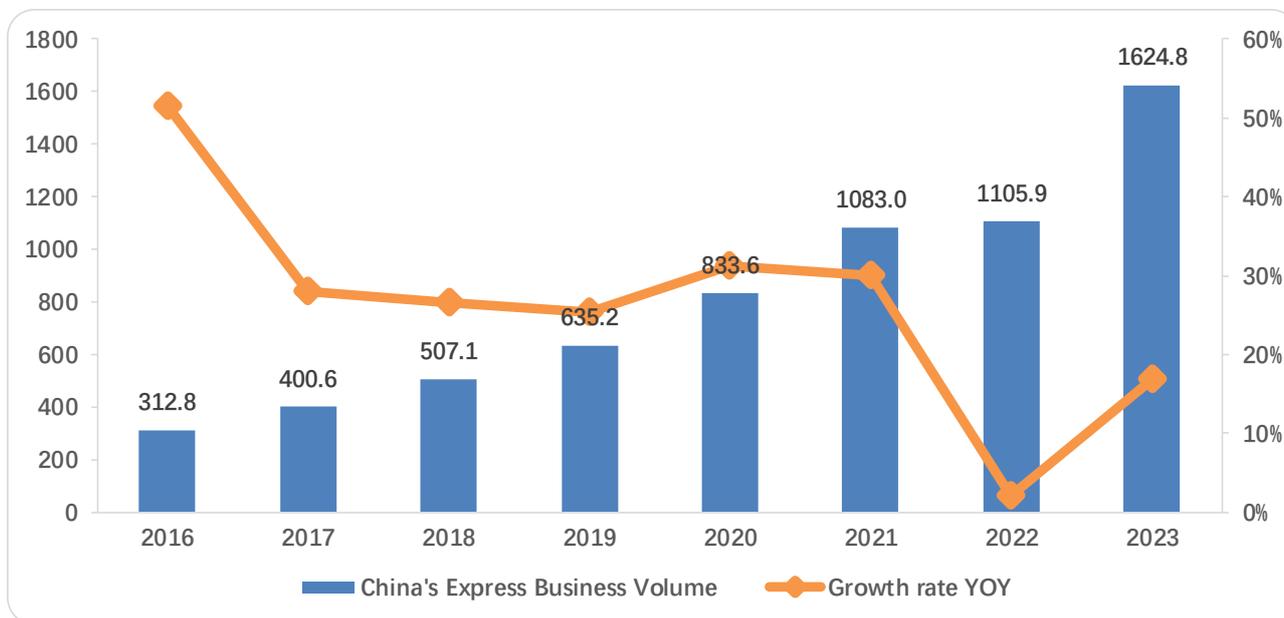
End demand for corrugated packaging is growing: The corrugated box field is one of the major fields of

the paper packaging industry, of which the end 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, electronic products, and e-commerce express delivery, and are inelastically demanded by consumers. Electronic products, food, beverage, and express delivery take up 26%, 20%, 21%, and 13% respectively of the downstream application market of paper packaging.

Over the past few years, the scale of China’s express corrugated packaging market has been on the rise. 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.

Between 2017 and 2023, the domestic express business recorded rapid growth, with a compound annual growth rate (CAGR) of approximately 27%. Data from the State Post Bureau showed that the total volume of domestic express delivery for 2023 was 162.48 billion pieces, up 16.8% year-on-year.

Trend of China's Express Business Volume Above Scale, 2016-2023



Guided by the “large-scale equipment renewal” policy, a swift acceleration in equipment upgrades is anticipated within the domestic corrugated packaging sector.

In February 2024, the Central Financial and Economic Affairs Commission held its fourth meeting to promote a new round of large-scale equipment renewal and consumer goods trade-in, explicitly mentioning the need to “promote the renewal and technological transformation of various types of production equipment and service equipment”. On March 1, the State Council executive meeting considered and passed the Issuing the Action Plan for Promoting Large-scale Equipment Renewals and Consumer Goods Trade-ins, proposing to “promote the proportion of advanced production capacity to continue to increase”.

Over the years, China's corrugated packaging sector has largely consisted of numerous small- and medium-sized box manufacturers dominated by low-end production capacities, leading to a highly decentralised market and relatively low industry consolidation. Responding to the Party Central Committee and State Council's "large-scale equipment renewal" policy directive, the corrugated packaging industry anticipates a heightened pace of equipment modernisation throughout the 14th Five-Year Plan period, with an expected surge in medium- to high-end production capacity proportions.

With the continuous development of the downstream end consumption industry in China, the requirements of corporate customers for corrugated boxes gradually increase. In the corrugated packaging industry, market concentration and the phase-out of low-end production capacity is an inevitable trend, due to market competition, capacity upgrading, M&A, etc. 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.

Data show that the domestic market share of the 15 listed corrugated packaging companies in China combined has risen from 5.7% in 2017 to 10.1% in 2022, and further to 11.3% in the first half of 2023. This indicates the continued concentration of the domestic corrugated packaging industry and the steadily increasing market share of major manufacturers.

Data from SCI99.COM show that, as of the end of November 2023, China's corrugated cardboard production capacity grew against the trend. A corrugated cardboard market analyst at SCI99.COM said that in 2023, the production capacity of China's corrugated cardboard industry was still in the midst of a new expansion cycle, with new capacity constantly being put in place and the industry's supply capacity constantly being increased.

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.

Overseas demand is growing steadily: In recent years, corrugated packaging markets in Europe and the US have operated at high levels due to factors like global supply chain restructuring, onshoring of manufacturing in Europe and the US, and increased overseas consumer online spending.

Based on the annual and quarterly data of major listed corrugated packaging companies in Europe and the

US, capex of these companies continued to hit record highs in H1 2023. According to China Customs statistics, China's exports of printing equipment totaled USD3.176 billion in 2023, up 2% YoY, with the figure being USD3.03 billion in December alone, up 5% YoY.

In recent years when environmental pollution becomes more and more serious, growing environmental awareness has led to “plastic bans and restrictions” across the world, providing a major boost to paper as an alternative to plastic. England announced a ban on single-use plastics starting October 2023, covering items like disposable plastic plates, trays, bowls and utensils. France is phasing in bans on single-use plastic packaging for around 30 fruits and vegetables starting January 2022. The U.S. Department of the Interior announced that single-use plastics will be gradually phased out in national parks and other public lands by 2032. The global green packaging market is projected to grow from USD262.27 billion in 2023 to USD381.98 billion in 2028, with a compound annual growth rate of 7.81% during the forecast period (2023-2028).

The corrugated cardboard produced by corrugated cardboard production lines is used to make various corrugated boxes, corrugated cartons and other corrugated packaging materials, 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 philosophy of “sustainability” is gaining ground in the European and US consumer goods packaging markets. With the growing trend of "replacing plastics with paper" in the packaging industry, demand for corrugated packaging materials in the European and US consumer goods markets continues to grow steadily, helping to drive demand for corrugated packaging production line equipment.

1.2 Supply side—the Company’s presence in the industry

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 & pressure rollers, key components of corrugated cardboard production lines: The subsidiary Tiruña Group has more than 40 years of experience in the corrugated and pressure roller segment and is renowned in Europe as a world-leading specialist in this segment.

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 printers: Major manufacturers include HP, EFI, Koenig & Bauer Durst, Wonder Digital, Hanhua Gongye, and Atexco, among others. Wonder Digital, a majority-owned subsidiary of Dongfang Precision, has been specializing in the development and manufacturing of digital printers for 13 years, and is a leader in the domestic digital printer industry. It takes the lead among global suppliers of digital printers in applying high-speed inkjet printing technology to corrugated packaging and is committed to extending digital printing technology to such fields as paper packaging (colour printing & pre-printing), advertising, home furnishing, building materials, and label printing.

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.

The value of the global corrugated packaging equipment market is estimated to be about RMB30-40 billion. In terms of operating revenue, Dongfang Precision accounts for approximately 15% of the global corrugated packaging equipment market, ranking first among domestic enterprises of the same type and second in the global market.

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

According to the latest report *The Future of Inkjet Printing to 2027* by Smithers Pira, the market value of inkjet printing in graphic printing and package printing globally reached USD86.8 billion in 2022. The inkjet printing market has grown strongly over the past 5 years. Total inkjet printing output in 2022 was 46.2% higher compared to 2017, with printed volume growing by over two-thirds. The report forecasts that growth of inkjet printing in packaging will be most rapid from 2022 to 2027, with expected compound annual growth rates of 17.7% by shipment quantity and 16.3% by value.

The main competitive edges of the digital printing technology of Wonder Digital, a majority-owned subsidiary of Dongfang Precision, are as follows:

(1) Advanced technology and a wide range of products

Digital printing adopts inkjet printing technology. It can be divided into UV printing (including colour printing & pre-printing, with printing effects close to colour offset printing) and water-based ink printing (including colour printing & pre-printing, with water-based dye/pigment inks, etc.) in terms of the ink type and printing effects. With continuous improvements in technology, the printing effects of Wonder Digital’s WD200++ digital printer series approach those of traditional HD water-based ink printing, while the printing effects of Wonder Digital’s WDUV200++ digital printer series rival those of traditional colour offset printing.

(2) Integrated digital solutions that feature human-machine interaction and an integrated system

Wonder Digital’s digital printers feature high levels of system integration and human-machine interaction in product design and technical implementation. Compared to traditional package printers, they are more

user-friendly and easier-to-operate. Wonder Digital's digital printers can be operated after simple training, with just one person needed to operate a multi-pass digital printer and two to run a single-pass inline for mass production.

(3) Convenient, flexible and efficient

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. Moreover, digital printing enables one-sheet, flexible printing, which cannot be done by traditional printing.

Additionally, 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.

2. The industry to which the company's industrial Internet industry solutions business belongs

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.

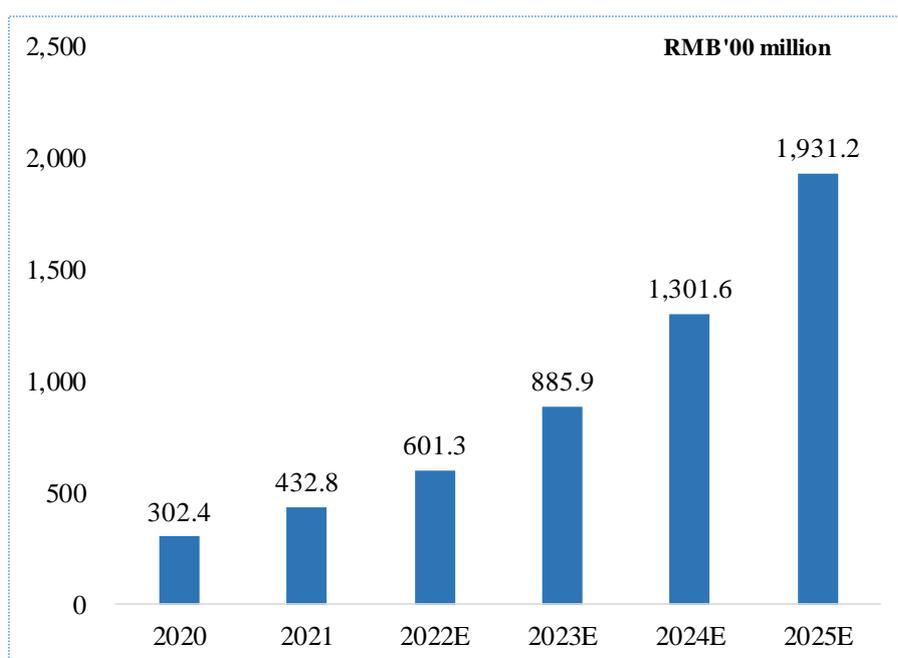
Market side: China is the only country in the world whose industries cover all industrial categories in the United Nations' industrial classification. Concurrently, it is expected to grow into the world's largest industrial digitalization market. For the current manufacturing industry of China, digital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

As the manufacturing sector enters a "digital and intelligent" 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 to facilitate digital and intelligent upgrading.

2. The Industries to which the company's water power products segment belongs

2.1 Demand side——customers

The outboard motors are the subsidiary 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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In terms of the global market, according to a report released by Global Market Insights Research Private Limited (GMI), the global sales volume of outboard motors is expected to reach 914,800 in 2023 and 1.171 million in 2030; and the global market value of outboard motors is expected to reach USD11.093 billion in 2023 and USD15.975 billion in 2030, with low-horsepower and medium- and high-horsepower outboard motors taking up 20.28% and 79.72% respectively of the market. Outboard motors enjoy a vast global market. With global economic growth, personal income increase, and the change in personal consumption habits, the global outboard motor market trends toward stable growth. Worldwide, the outboard motor industry is dominated by Japanese and American brands, including Yamaha (a Japanese outboard motor brand under Yamaha Motor) and Mercury (an American outboard motor brand under Bentfield Group). Compared with major international competitors, Parsun Power continues to capture market share in Europe, the United States and other developed countries, supported by its cost-effective advantage of similar product performance and obvious price advantage.

In terms of the Chinese market, according to GMI’s report, the sales volume of outboard motors in China is expected to reach 45,500 in 2023 and 75,800 million in 2030; and the market value of outboard motors in China is expected to reach USD306 million in 2023 and USD588 million in 2030, with China’s compound annual growth rate (CAGR) in sales volume and market value both much higher than those of the world. In recent years, 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. 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.

2.2 Supply side—the Company’s presence in the industry

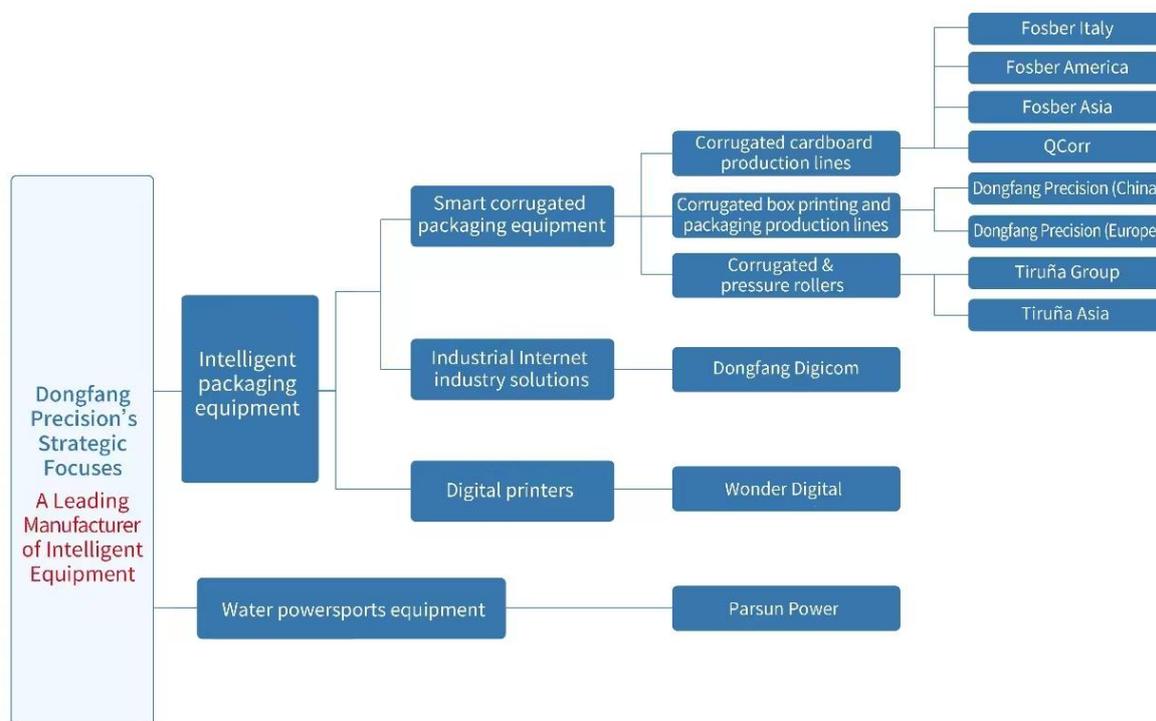
The subsidiary Parsun Power specialises in R&D, manufacturing, and sales of outboard motors, aspiring to be a world-class provider of water powersports products. Its outboard motors span a diverse power spectrum, compatible with fossil fuels, electricity, and alternative energy sources. The majority of its product models have been CCS-, CE- and EPA-certified. These products are widely used in water recreation, fishing, water traffic, emergency rescue, shore landing and maritime patrol.

As a top-ranking manufacturer in the domestic outboard motor industry, Parsun Power is a State-level "Little Giant" enterprise with specialties, refined management, unique technologies and innovation, as well as a State-level High-tech Enterprise. According to the certificate issued by the China Internal Combustion Engine Industry Association, Parsun Power’s outboard motors ranked first in the industry for three consecutive years from 2020 to 2022. In 2021 and 2023, it successfully commercialised 115hp and 130hp outboard motors, disrupting the longtime dominance of international brands in these power categories. In 2023, Parsun Power reached a milestone with the completion of prototype production for a 300hp gasoline outboard motor model, currently undergoing final testing and validation. Officially debuting this high-horsepower outboard motor, Parsun Power unveiled the 300hp unit at the Shanghai International Boat Show on 26 March 2024.

II Principal operations of the Company in the Reporting Period

With “intelligent equipment manufacturing” as its primary strategic focus, Dongfang Precision concentrates on the manufacturing of high-end intelligent equipment. Its principal operations include “intelligent packaging equipment” and “water powersports equipment”. The “intelligent packaging equipment business” consists of smart corrugated packaging equipment, digital printers, and industrial Internet industry solutions.

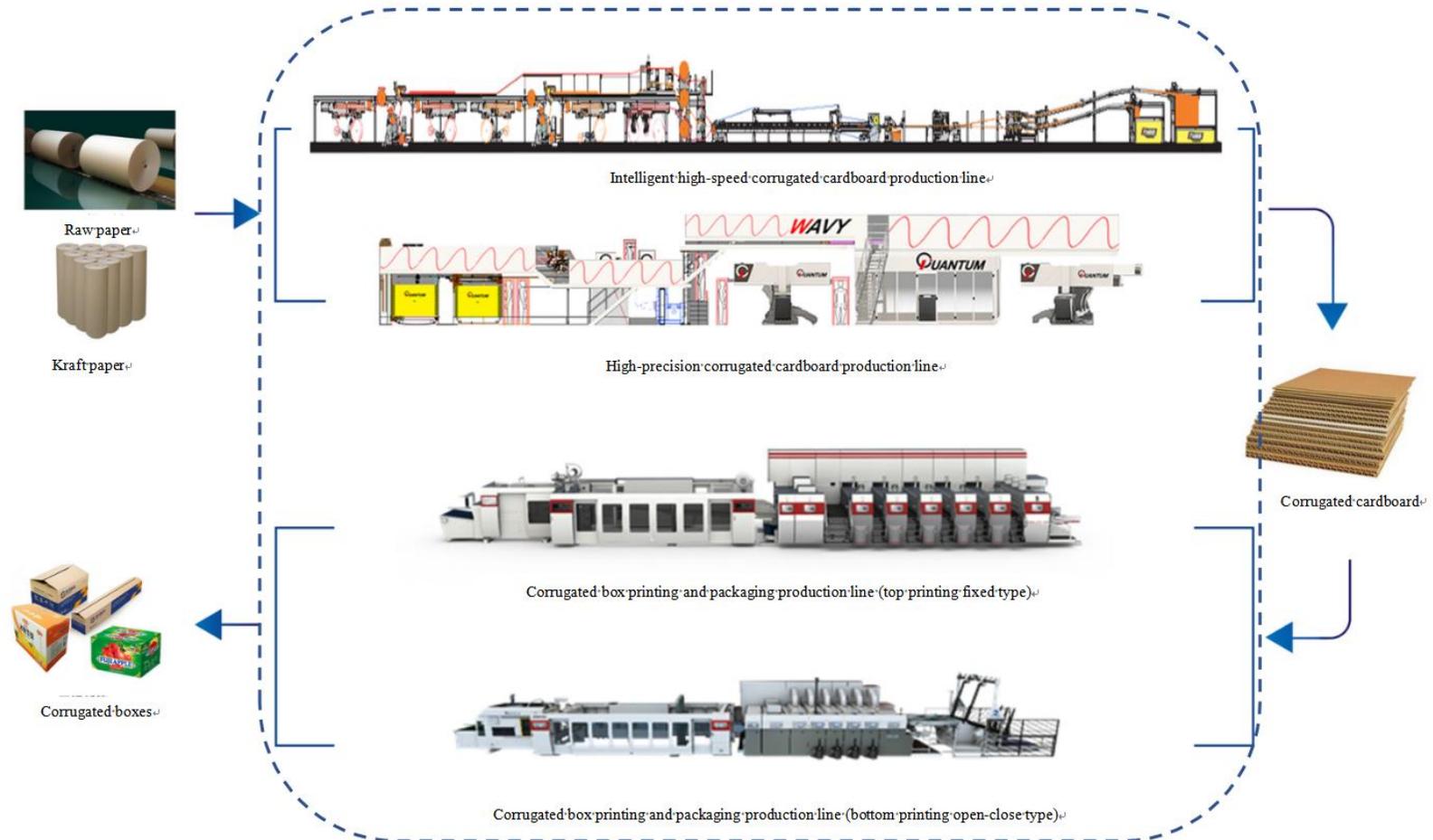
Business Divisions and Entities of Dongfang Precision



(I) The intelligent packaging equipment division

The intelligent packaging equipment division consists of smart corrugated packaging equipment, digital printers, and industrial Internet industry solutions, which cover the most important links in the value chain of corrugated packaging production (as shown below).

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



1. Smart corrugated packaging equipment

(1) Corrugated cardboard production lines (including corrugated rollers)

The corrugated cardboard production lines business of Dongfang Precision is engaged in corrugated cardboard production lines (under the brands of Fosber and Quantum) as well as corrugated and pressure rollers (under the Tiruña brand), which are key components of corrugated cardboard production lines. With the overseas Fosber Group (under it, Fosber Italy, Fosber America, QCorr, and Tiruña Group) as well as the domestic Fosber Asia and Tiruña Asia, Dongfang Precision is able to provide products and services for customers around the world.

From the perspective of end market, the three major series of corrugated cardboard production lines (S/Line and Pro/Line under the Fosber brand, as well as Quantum Line under the Quantum brand), along with a wide range of corrugated and pressure rollers (key components, under the Tiruña brand), are complementary and synergistic, achieving full coverage of the end market as a product portfolio.

From the point of the locations of business entities, the global layout of business assets lays a solid foundation for the Company's global sales. (1) Overseas, Fosber Group primarily serves large- and medium-sized manufacturers in Europe, North America, Latin America and other countries and regions. All the business units and profit centres of Fosber Group have their business, assets and staff located in Europe and North America. They adopt a local management and operation model, and design, develop and manufacture their products locally. Fosber Group has established stable partnerships with major manufacturers in the corrugated packaging industry in Europe and the US. (2) Domestically, Fosber's corrugated lines have been designed and adapted to the needs of customers in the Chinese market. Supported by China's most complete supply chain across all industrial sectors globally, as well as the competitive edge of manufacturing, over 90% of the components of the corrugated lines are manufactured domestically. These products, which are high-tech, high-performance and cost-efficient for they are made in China, are provided for corrugated packaging manufacturers in China, Asia (East Asia, Southeast Asia, South Asia, and the Middle East), Africa, Russia, and Latin America. Since 2022, the Company has further introduced Tiruña's corrugated and pressure rollers to China for domestic design and local production. While catering to the needs of Fosber Asia's corrugated lines for corrugated and pressure rollers, Tiruña is also developing new markets in China and the rest of Asia for its products.

(2) Corrugated box printing and packaging production lines

Dongfang Precision is a professional supplier of medium- and high-end corrugated box printing and packaging production lines. Domestically, Dongfang Precision (China) is responsible for business operations associated with corrugated box printing and packaging equipment, while in the overseas market, it is Dongfang Precision (Europe).

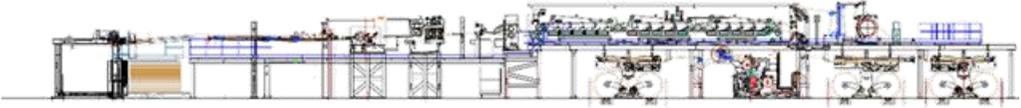
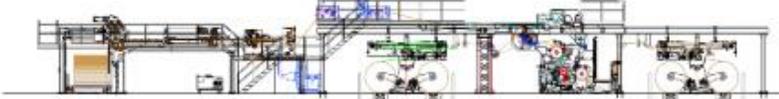
The product matrix of Dongfang Precision (China) includes corrugated converting line and single machine products that are of dozens of specifications and different market positioning, featuring fixed type/open-close type, top printing/bottom printing, and other technologies. These products mainly include "Dongfang Star" Quickset Top Printing FFG and Top Printing Open-Close Type FFG Inline, as well as "Super Star" Bottom Printing Die Cutter Stripper Vacuum Stacker Converting Line, Bottom Printing Open-Close Type FFG Inline and Bottom

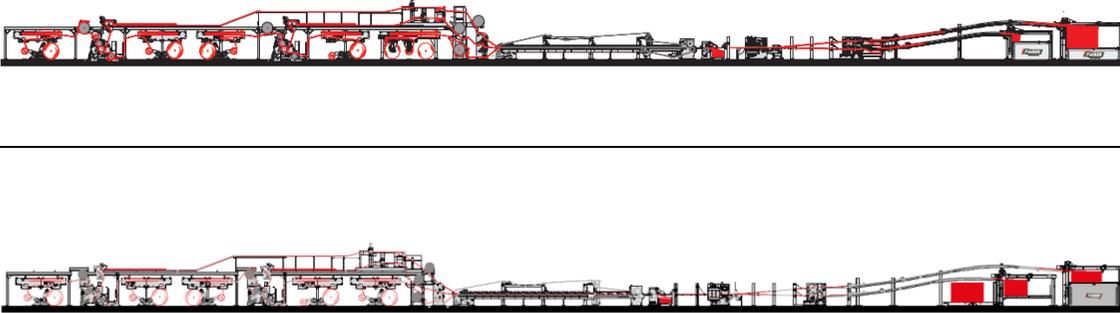
Printing Open-Closed Type/FFG & Stitcher.

Dongfang Precision (Europe) specializes in high-end corrugated converting line products. Its primary products include “FD” Quickset Top Printing FFG, “HGL” Quickset Bottom Printing FFG, and Quickset Bottom Printing/Die Cutter Stripper Vacuum Line. These products are designed with noncrush feeder design, full servo control, and fully automatic control features, making them more suitable for high-definition printing. Dongfang Precision (Europe) also provides pre-printing and post-printing equipment compatible with the complete line products, covering production processes such as paper feeding, stripping, transferring, palletizing, folding and gluing. Dongfang Precision (Europe) primarily serves the European markets.

In the area of corrugated converting lines/single machines, Dongfang Precision is a professional manufacturer with an early start and a strong foundation among domestic fellow companies, enjoying high brand awareness and customer recognition in the industry. The products are highly popular not only in the domestic market but also exported to over 60 countries and regions worldwide, including Europe, America, Asia, Africa, Latin America, and Oceania.

Primary Product Portfolio of Dongfang Precision's intelligent packaging Equipment Business - Corrugated Cardboard Production Lines

Product type	Brand	Product image	Main characteristics
Corrugated Cardboard Production Lines			<p>Fosber Brand S/Line Width: 2.5m~2.8m Production speed: 370~470 meters/minute Designed for large corrugated board manufacturers Beltless Technology Caddy oil-free technology Gapless changeover with no speed reduction of the cadre Industry leading changeover times Optimum board quality and low operating costs Industry leading Syncro4 system control Process Control Supervision (PCS) Data Tracking Supervision (DTS)</p>
			<p>Quantum Line : Widths from 1.8m to 2.5m A new concept in corrugated board production Better suited for lightweight corrugated board production Innovative design, compact and flexible Optimum appearance and print surface quality Lower energy consumption and less labor</p>
			<p>Wavy Line : Designed for the production of single-sided corrugated boards Compact and flexible High quality at high speeds</p>
			

			<p>Domestic Line: Width: 2.2m~2.8m Design speed: 270-370 meters/minute Single tile, double tile, triple tile wet section Wet section without belt technology Cadre without lubrication technology High board quality Industry-leading Syncro system control Process Control Supervision (PCS) Data Tracking Supervision (DTS)</p>
<p><i>Corrugated & pressure rollers</i></p>			<p>Instant Set: Dual Module Slitting Machine Gapless order change speed of 250 meters/minute Positioning accuracy of +/-0.5mm, 3 seconds to change the order and line up the knives</p> <p>The world's leading supplier of corrugating rolls and pressure rolls with industry-leading machining and tungsten carbide treatment</p>

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

Product type	Brand	Product image	Main characteristics
<p><i>Integrated corrugated box printing and packaging lines</i></p>		<p>DONGFANG STAR I QUICKSET TOP PRINTING FFG</p> 	<p>Upper printing fixed type Full servo control No downtime for plate change 2 minutes quick order change Vacuum adsorption large belt, high precision cardboard transfer, long service life Energy saving up to 30 Only 2 people are needed to operate the whole line</p>
		<p>DONGFANG STAR II TOP PRINTING OPEN-CLOSE TYPE FFG</p> 	<p>Print-on/off type Vacuum adsorption roller transfer; Computerized adjustment, easy to operate; High speed and stable operation; Patented folding structure; Improve carton molding effect Only 2-3 persons are needed to operate the whole line</p>
			<p>Suitable for shaped box, machine box and pre-printed box, etc., with one point and multiple die-cutting. Mature down-printing</p>

<i>Product type</i>	<i>Brand</i>	<i>Product image</i>	<i>Main characteristics</i>
<p><i>Integrated corrugated box printing and packaging lines</i></p>		<p>Asia-Pacific STAR I BOTTOM PRINTING DIE CUTTER STRIPPER VACUUM STACKER CONVERTING LINE</p> 	<p>die-cutting technology; Clean chip removal and accurate counting Efficient production; Uninterrupted feeding; No-speed down output of bundles, flexible palletizing methods Configurable for double-sided printing; 2-3 person operation</p>
		<p>Asia-Pacific STAR II BOTTOM PRINTING OPEN-CLOSE TYPE FFG INLINE</p> 	<p>Vacuum adsorption roller transfer Computerized adjustment of the whole machine, easy to operate Good effect of clearing waste, can realize one opening and two die-cutting line gluing carton. Patented folding structure improves carton molding effect. The whole line is operated by 2-3 persons</p>

<i>Product type</i>	<i>Brand</i>	<i>Product image</i>	<i>Main characteristics</i>
		<p style="color: red; text-align: center;">Asia-Pacific STAR III BOTTOM PRINTING OPEN-CLOSED TYPE/FFG & STITCHER</p> 	<p>Design concept of down-printing type gluing and nailing as a whole</p> <p>Multi-purpose machine, to meet the production needs of different orders</p> <p>Saving space, reducing process, greatly reducing labor cost.</p> <p>Multiple pre-pressure to enhance folding and molding effect, precise control of molding accuracy.</p>
			<p>High-end down-printing fixed in-line</p> <p>Spindle servo drive</p> <p>Quick order change</p> <p>Complete pre-press and post-press supporting units</p>

2. Digital printers

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

- (1) Multi Pass digital printer series applicable for small-batch paper packaging printing
- (2) Single Pass digital printer series applicable for large/medium/small batch paper packaging printing
- (3) Single Pass digital series applicable for pre-printing on raw paper

(4) 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 colour orders, and instantly switching to Single Pass mode for printing large volumes of small size orders.

Wonder Digital offers a diverse range of products that cover various types and specifications, from postprinting to pre-printing, from water-based dye/pigment, water-based ink to spot colour UV ink, from boxes, offset cartons to sheet metal. 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.

With a comprehensive product matrix, Wonder Digital provides paper packaging digital printers that meet the diverse needs of industry customers with different market positions and levels. Since its establishment in 2011, Wonder Digital's digital printers have been exported to countries and regions such as Europe, America, the Middle East, Latin America, and Southeast Asia, with over 1,600 units of equipment installed 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 provides digital printers 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 aluminium panels, glass, ceramic tiles, metal plates, acrylic sheets, and alucobond panels, while the roll-to-roll models are applicable for digital printing on corrugated cardboard, vehicle paste paper, lamp box fabric, PVC film, decorated paper, and sheet metal like aluminium sheets, among others. Additionally, Wonder Digital also offers digital printers for the label printing industry.

Wonder Digital aims to offer its customers in the paper packaging industry more than just individual products or services. More importantly, it strives to provide complete digital printing solutions to help customers produce high-quality packaging materials in a convenient, efficient, and cost-effective way and make profit on fiercely competitive markets. To achieve this, tailored solutions are needed for different application areas and

customer requirements. With years of accumulation in technology, manufacturing process and industry experience in the field of digital printing, Wonder Digital can provide different combinations of printheads, inks, inkjet control systems and other key components according to the needs of different customers. Meanwhile, it optimizes pre-printing, printing, and post-printing processes, matches equipment with corresponding production materials, and offers tailored digital printing solutions to help customers improve order delivery efficiency, increase turnover, reduce costs and ultimately strengthen competitiveness on the market.

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

<i>Product type</i>	<i>Brand</i>	<i>Product image</i>	<i>Main characteristics</i>
Digital Printers		 <p>WD250++ Series Scanning Wide Format High Quality Carton Digital Printer</p>	<p>A cost-effective tool for bulk orders Adopts Epson's latest HD industrial printheads. Printing width up to 2500mm Speed up to 700 m²/h Printing thickness 1.5mm-35mm Full suction platform printing and feeding Coated paper and honeycomb board can also be easily printed. Base accuracy 1200dpi Water-based dye ink/water-based pigment waterproof ink is optional.</p>
		 <p>WD200++ SINGLE-PASS industrial grade high speed cardboard digital printing machine</p>	<p>Reference accuracy 1200dpi Printing speed 150m/min Support 8 colors printing Wide format can be customized</p>

Digital Printers



Industrial SINGLE PASS roll-to-roll high-speed digital pre-printing machine

Reel-to-Reel Printing
Suitable for corrugated paper, body stickers, light box fabric, PVC color film, decorative paper, thin aluminum sheet, etc.
Decorative paper, thin aluminum plate, etc.
Centralized printing and decentralized printing, cost saving



MULTI PASS-SINGLE PASS All-in-One Digital Printing Machine

Combines two different digital printing methods: Multi Pass high-precision scanning and Single Pass high-speed printing.
Reduce the capital investment in equipment, save space, labor, maintenance and other costs, improve production efficiency

3. Industrial Internet industry solutions

Dongfang Digicom, a subsidiary of Dongfang Precision, serves as the primary business entity for “industrial Internet industry solutions”.

Based on the extensive industry experience of Dongfang Precision spanning over three decades in the field of corrugated packaging equipment, as well as guided by the Group’s strategies, the subsidiary Dongfang Digicom, leveraging cutting-edge technologies such as the Internet of Things (IoT), cloud computing, big data, 5G, and artificial intelligence (AI), has developed iDataPioneer, an industrial Internet platform for the packaging industry in a broad sense.

The platform adheres to the Industrial Internet Architecture (v2.0) set forth by the Ministry of Industry and Information Technology (MIIT), ensuring all products are secure, autonomous, and manageable. Anchored by the three pillars of digital factory construction—connecting, data integration and analysis, and intelligent data application—the platform's product framework consists of three integral parts:

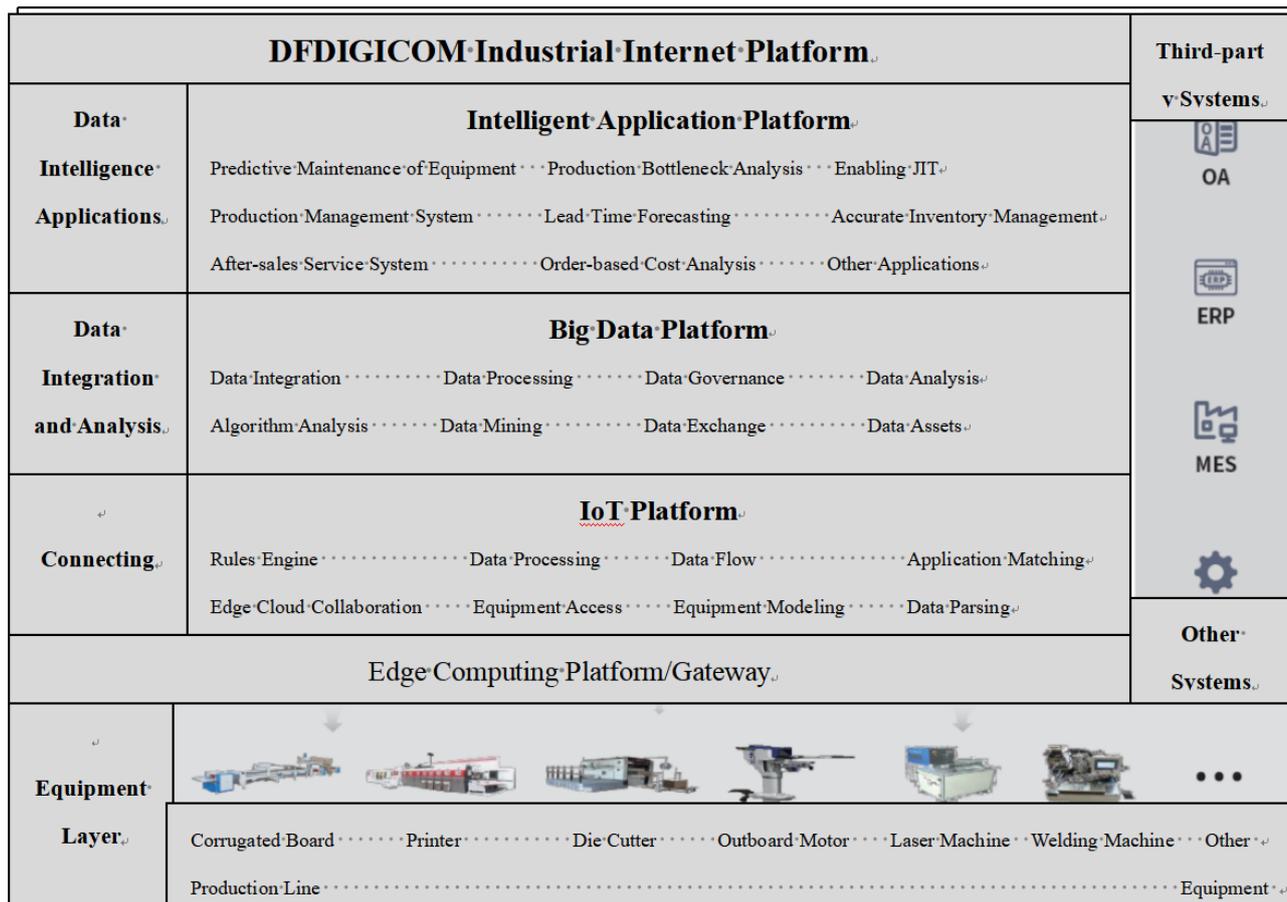
(1) IoT platform: IoT, 5G, and edge computing are leveraged to establish seamless, bidirectional communication and control between devices, humans, and systems through a single-point factory-wide data collection service. This enables efficient device data gathering and management for enterprises, boosting equipment utilization and energy efficiency.

(2) Big data platform: Harnessing data mining and algorithmic analysis, it processes integrated and analysed collected data, facilitating data convergence, circulation, and analytical insights for business optimisation. This platform offers intelligent decision-making assistance for scenarios like order delivery prediction, production bottleneck analysis, and predictive maintenance of equipments, so as to improve production efficiency.

(3) Intelligent application platform: Employing big data, AI, and related technologies, this platform crafts intelligent solutions, encompassing equipment health mapping, failure prediction, remote O&M, and spans the entire corporate business lifecycle. It supports enterprises in adopting data-driven scientific management and decision-making, thus trimming production and operational expenses. Currently, Dongfang Digicom has rolled out data-intelligent applications such as the "Production Management System" (PMS) and "Manufacturing Execution System" (MES).

The industrial Internet platform iDataPioneer delivers a comprehensive one-stop service, spanning from equipment connectivity for data collection to data integration, processing, analysis, and intelligent applications. It sets benchmarks in several metrics within the industry, empowering large packaging enterprises to adopt data-driven scientific management and decision-making, thereby facilitating their digital transformation.

Schematic diagram of the iDataPioneer Industrial Internet platform architecture



Dongfang Digicom has also introduced its proprietary Intelligent Production Management System tailored for corrugated packaging and laminated cardboard manufacturing sectors. The Intelligent Production Management System for Corrugated Box Printing and Packaging is compatible with a wide range of brands and specifications of corrugated converting line products, including the Dongfang Precision brand. Sold either bundled with Dongfang Precision corrugated converting line products or as a standalone software solution, it helps customers in the corrugated packaging and laminated cardboard industries to improve the intelligent and digital level of a large number of existing production line equipment, empowering packaging companies to "digitally manufacture" and helping to build digital factories and digital workshops.

Most core members of the Dongfang Digicom team come from famous manufacturers in the Internet, industrial Internet, and ERP industries. Of IT manufacturers in the domestic packaging industry, Dongfang Digicom boasts high professionalism and strong R&D strength. As of 31 December 2023, it has been cumulatively granted 59 software copyrights and 29 patents.

4. The operational model of the intelligent 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.

In 2023, the lead times for the Company's corrugated cardboard production lines, corrugated converting lines, and digital printers were six to 12 months, three to six months, and one to three months, respectively (varying based on different product models and specifications).

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 life-cycle 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.

(II) The water powersports equipment division

The subsidiary, Parsun Power, is a leading enterprise in the domestic outboard motor industry. According to the certificate issued by the China Internal Combustion Engine Industry Association, Parsun Power's outboard motors ranked first in the industry for three consecutive years from 2020 to 2022. Parsun Power's main products are outboard motors of various specifications and different series, with horsepower ranging from 2 to 130. 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 motors

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. In the first half of 2023, Parsun Power took it to the next level by successfully completing the mass production and sale of 130hp gasoline outboard motors. Meanwhile, Parsun Power completed prototype production for a 300hp gasoline outboard motor model, currently undergoing final testing and validation. It officially debuted this 300hp unit at the Shanghai International Boat Show on 26 March 2024.

Electric outboard motors are powered by batteries. They convert electric power into kinetic power through motors. Compared with oil-fired ones, electric outboard motors are characterized by zero emissions, low noise, and easy operation. Most of Parsun Power's electric outboard motors are of low- and medium-horsepower, which are mainly used in scenic spots and other sectors requiring stricter environmental protection.

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, 175hp, 200hp and 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) General machines

Aside from outboard motors, Parsun Power also engages in the business of general machines. These general machines constitute versatile power solutions and associated end-user items, featuring primarily small gasoline and diesel engines for use in generators (like emergency power kits, field operation power supplies), agricultural equipment (e.g., water pumps, cultivators), gardening machinery (e.g., lawnmowers, chainsaws), compact construction tools (e.g., cutters, tampers, concrete mixers, and levellers), among other miscellaneous applications. These products find extensive usage across various sectors.

Parsun Power's general machine products mainly include gasoline engines, gasoline generator sets and

gasoline water pump sets. Gasoline engines, primarily single-cylinder four-stroke units, utilize gasoline as fuel and are adaptable for use in agricultural machinery, gardening equipment, and other small machinery applications. Gasoline generator sets combine these engines with generators, functioning as standby power sources. The gasoline water pump sets feature centrifugal pumps driven by gasoline engines and are extensively utilized in agricultural irrigation, livestock watering, and similar domains.

(3) The operational model of the water powersports equipment business

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.

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. 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) Industry-leading technology and strong capabilities of R&D and innovation

The Company is at the forefront industry-wide in China in terms of R&D and technology. In terms of intellectual property rights, as at the end of 2023, the Company had been granted a total of 420 domestic and foreign patents, an increase of 49 as compared to the end of 2022, and a total of 75 software copyrights, an increase of 42 as compared to the end of 2022.

1. 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 control systems that are developed based on Industry 4.0 technologies for its own high-end

corrugated cardboard production lines, including functional modules such as Syncro4, PCS (Process Control System), Pro/Care, and Pro/Quality. These systems can help achieve highly accurate, 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 in these systems 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.

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



2. The digital printer business:

Wonder Digital is a leader in the domestic digital printer industry, a State-level High-tech Enterprise, and a State-level “Little Giant” Enterprise with specialties, refined management, unique technologies and innovation. With a complete digital printer offering, Wonder Digital breaks through the edge of mechanical engineering, bridges the physical world and the digital world, and provides industry customers with a full range of digital printing solutions.

Wonder Digital's UV digital colour printers and single-pass digital printers feature printing accuracy as high as 1200dpi. Their colour printing effects rival those of traditional offset printers in clarity, fineness, colour

brightness and saturation but with lower costs, helping customers effectively enhance competitiveness.

Wonder Digital's large format roll to roll high speed digital printer outperforms domestic competitors in terms of width and resolution and is competitive on the market in terms of size, energy consumption, and cost-performance.

3. The water powersports equipment 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 of 31 December 2023, Parsun Power has been granted a total of 73 patents, including 11 invention patents; and it has won the Second Prize of China Machinery Industry Science and Technology Award for twice. Parsun Power 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. In 2023, Parsun Power took it to the next level by successfully completing the mass production and sale of 130hp outboard motors.

(II) 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.

1. Corrugated cardboard production lines

In the area of "high-end smart corrugated cardboard production lines", the subsidiary Fosber Group offers S/Line and Pro/Line corrugated cardboard production lines under the brand of Fosber, Quantum Line microflute corrugated board production lines, as well as corrugated and pressure rollers (key components of corrugated cardboard production lines), among others. It provides medium- and high-end corrugated cardboard production lines of various specifications and prices for medium and large corrugated cardboard manufacturers across the

world.

The corrugated lines of the Fosber brand 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 Quantum Line production line of the subsidiary QCorr is primarily used for creating solid fiberboard below 2mm and microflute corrugated board. These corrugated board products 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. From the perspective of end market, the three major series of corrugated cardboard production lines of Fosber Group, S/Line, Pro/Line, and Quantum Line, are complementary, achieving full coverage of the end market as a product portfolio.

Based on more than 40 years of experience in the corrugated and pressure roller segment, the subsidiary Tiru ña Group is familiar with a wide range of brands and specifications of corrugated cardboard production lines in the market, and is able to supply corrugated and pressure rollers compatible with these corrugated board production lines. 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.

2. Corrugated box printing and packaging production lines

Dongfang Precision (China) and Dongfang Precision (Europe) offer high quality corrugated converting line and single machine products for China and the rest of the world. These products, which are of dozens of specifications and different market positioning, cover fixed type/open-close type, top printing/bottom printing, converting line (inline)/single machine, etc. They are the manufacturers with the widest range of products in this segment across the world.

3. Digital printers

Wonder Digital possesses four major series of digital printers that cover various types and specifications, from postprinting to pre-printing, from water-based dye/pigment, water-based ink to spot colour UV ink, from boxes, offset cartons to sheet metal. 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. With a complete digital printer portfolio, Wonder Digital serves as a "supermarket of digital printers", providing domestic and foreign industrial customers with a wide range of low-, medium-, and high-end digital printers to satisfy the needs of these customers from different market segments.

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.

(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.

In the field of intelligent packaging equipment: The subsidiary Fosber Group, established in 1978, stands as one of the world's top two players in high-end corrugated cardboard production lines. Its Fosber-branded corrugated lines enjoy strong brand recognition and customer favour in markets like Europe, North America, and Latin America. Tiru ña Group, founded in 1921, boasts almost four decades of expertise in corrugated and pressure rollers, with products distributed to over 60 countries globally. The subsidiary Qcorr, previously known as Agnati, an esteemed Italian supplier of corrugated cardboard production lines with over 80 years' experience, commands a high standing internationally. Dongfang Precision's corrugated box printing and packaging lines lead among Greater China competitors, exporting to over 60 countries. Wonder Digital, a Chinese front-runner in the area of digital printers, ships its digital printers to over 80 countries, boasting a market presence of over 1,600 installations.

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.

In the field of water powersports equipment: The subsidiary Parsun Power is a top-ranking manufacturer in the domestic outboard motor industry. According to the certificate issued by the China Internal Combustion Engine Industry Association, Parsun Power's outboard motors ranked first in the industry for three consecutive years from 2020 to 2022. Following extensive industry immersion, the Parsun Power brand has garnered significant recognition and accolades, such as being named a "famous brand product of Jiangsu province" and a "famous brand product of Suzhou city." Internationally, Parsun Power's distribution network extends to hundreds

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 26%

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 2023, the CAGR of the operating revenue of Fosber Group was approximately 15%, and that of its net profit was 26%.

● 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 2016 to 2023, both CAGRs of the operating revenue and net profit of Parsun Power stood at 20%.

● Tiru ña 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 Tiru ña 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 2023, subsidiaries QCorr and Tiru ña Group both achieved good growth in annual operating revenue, the best annual results since they became members of the Dongfang Precision family.

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.

III Analysis of Principal Operations

(I) Overview

In 2023, China's economy maintained an uptum, with a 5.2% increase in GDP and solid advancements in high-quality development. China's equipment manufacturing industry achieved a positive growth of 4.1% in profit, the optimisation and upgrading of the industrial chain was furthered, and new momentum continued to build up for industrial development.

Under the strong leadership of the Board of Directors and the management team, all the people in the Company actively seized opportunities, took pragmatic actions, and forged ahead together in 2023, helping the Company sustain the strong growth momentum.

In 2023, the Company recorded operating revenue of RMB4,746 million, up 21.91% YoY; a gross profit of RMB659 million, up 30.20% YoY; a net profit attributable to its shareholders of RMB433 million, down 3.12% YoY; and net cash generated from operating activities of RMB487 million, down 3.78% YoY.

Unit: RMB'0,000

Business division	Operating revenue in 2023	Yo Y change	Gross profit margin in 2023	Yo Y change
Intelligent packaging equipment	400,867.34	20.72%	29.80%	2.08%
Corrugated cardboard production lines	320,988.93	23.29%	28.61%	3.19%
Corrugated box printing and packaging production lines	64,444.48	1.44%	34.00%	-0.17%
Digital printers	15,433.93	88.51%	36.89%	-13.62%
Water powersports equipment	73,706.39	28.86%	26.02%	1.69%

Note: Wonder Digital, a majority-owned subsidiary of the Company that is engaged in digital printers, have been included in the consolidated financial statements since June 2022. And in 2023, 100% of Wonder Digital' s operating revenue was included in the consolidated financial statements of Dongfang Precision.

In 2023, the aggregate value of orders secured by the Company's business entities at home and abroad reached about RMB5.4 billion. As of the end of December 2023, the order backlog stood at approximately RMB3,635 million, thereby amassing a strong order book that fortifies the basis for the Company's continued financial growth.

Amidst the alleviation of supply constraints on chips, electronic components, and raw materials in 2023, Fosber Italy, the Company's main business entity specialising in corrugated cardboard production lines, experienced a substantial enhancement in its supply chain dependability. This led to significant improvements in operational efficiency across procurement, inventory management, and logistics compared to 2022. Consequently, Fosber Italy successfully implemented more effective "lean manufacturing" practices in 2023, thereby substantively bolstering the enhancement of order fulfilment speed. As a result, the lead time for Fosber Italy's order production decreased progressively, shrinking from an initial 12 months during the first half of 2023 to approximately 9 months by the second half, and ultimately reducing to roughly 6 months by the close of the year.

(II) Performance of principal operations during the Reporting Period

1. The business division of intelligent packaging equipment

In 2023, the business division of intelligent packaging equipment recorded operating revenue of RMB4,009 million, up 20.71% YoY; and an order intake worth approximately RMB4,595 million. As of the end of December 2023, the order backlog of this business division was worth approximately RMB3,412 million (including orders for production lines, accessories and related services).

A. The segment of corrugated cardboard production lines

a) Overseas operations

During the period from 2020 to 2022, Fosber Group, which mainly serves corrugated packaging manufacturers in Europe and North America, has achieved rapid growth, benefiting from the combined effects of the rapid growth of the e-commerce market in the U.S. and Europe that is boosting the consumption of corrugated packaging, the increase in the capex of major paper packaging manufacturers, as well as the factors of sustainable development and the green economy. In 2023, the good momentum in the overseas corrugated packaging equipment market continued, and Fosber Group achieved strong growth in operating revenue and net profit with sound business operations and more comprehensive development.

During 2023, Fosber Group recorded operating revenue of RMB2,917 million, up 8% YoY; and a net profit of RMB286 million, up 28% YoY. From 2015 to 2023, Fosber Group's operating revenue and net profit grew at a compound annual growth rate of 15% and 26%, respectively. The above-mentioned operating revenue and net profit are both on a consolidated basis of Fosber Group.

Following a decrease in inflation rates in both the US and Europe in 2023 relative to 2022, Fosber Italy observed a corresponding drop in the market prices of its key raw materials and energy costs, thereby mitigating cost pressures. Additionally, the strain on the supply of electrical components that characterised 2022 eased considerably in 2023, contributing to an uplift in Fosber Italy's overall gross profit margin compared to the previous year. This culminated in an improvement of Fosber Italy's aggregate gross margins compared to 2022.

In the European market, Fosber Italy sustained long-term, close collaboration with the continent's leading firms and major players in the corrugated packaging industry, thereby securing robust backing for steady order sales growth in the region. Meanwhile, in the U.S., Fosber America maintained its strong ties with the behemoths in the American corrugated packaging sector, further entrenching its status as the premier supplier within the U.S. corrugated packaging equipment market. Notably, Fosber America recorded a substantial revenue increase of approximately 40% in 2023 compared to 2022. Across the Latin American and African markets, Fosber Group also achieved noteworthy strides in 2023, successfully capturing orders for complete production line products.

The business of corrugated & pressure rollers:

In 2023, under the support of shareholders and the Board of Directors, the subsidiary Tirusa Group launched a new business plan, which is summarized as follows:

① Production ramp-up: It plans to invest nearly EUR10 million in this respect. After completion, Tirusa Group's existing production capacity of corrugated & pressure rollers is expected to increase by nearly 60%.

② Improving production efficiency: It will implement the "Toyota Production System", add production shifts, as well as improve operational efficiency and capacity utilization. In 2023, the first phase has been completed, and Tirusa Group will extend the "Toyota Production System" to 2024 in order to further establish a corporate culture of lean production.

As the business plan is being gradually implemented, Tirusa Group's vitality has been further stimulated, driving faster growth. In 2023, Tirusa Group achieved operating revenue of RMB0.23 billion.

Tirusa as a pivotal component supplier to Fosber-branded corrugated lines and providing corrugated and pressure rollers to Fosber Group, Tirusa Group also furnishes high-performance corrugated and pressure rollers to non-Group third-party clients, encompassing other-brand corrugated cardboard production line manufacturers and corrugated packaging producers. During 2023, Tirusa's sales to external third-party customers grew by 15% YoY, and the company successfully penetrated the supply chain of a prominent European corrugated packaging conglomerate. Furthermore, in 2023, Tirusa Group reinforced its competitive edge in both the American and European markets.

b) Domestic operations

In 2023, Fosber Asia recorded operating revenue of RMB0.39 billion, up approximately 72% YoY, with an approximately 150% YoY increase in sales of corrugated lines. This represents the best results ever for the company since 2019. And the compound annual growth rate of operating revenue for the five consecutive years from 2019 to 2023 is approximately 20%.

In 2023, Fosber Asia debuted its domestically developed premium S/Line 2.8m corrugated cardboard production line along with the innovative "Instant Set" dual-module slitter, tackling the critical issue of rapid order changes in corrugated production corrugator lines. During the year, it achieved sales breakthroughs with orders secured both domestically and internationally. By the close of 2023, Fosber Asia amassed 83 granted invention patents and software copyrights, marking a roughly 30% hike from the end of 2022. The company advanced the localisation rate of its high-end domestic corrugated cardboard production lines, realising local production of certain key components. While consistently delivering orders at a superior level, Fosber Asia also managed to

further reduce costs and enhance efficiency in corrugated line manufacturing. With growing industry sway, an increasing number of industrial clients partnered with Fosber Asia, embracing domestically produced high-end corrugated cardboard production lines.

B. The business of corrugated box printing and packaging production lines

The overseas market: In 2023, Dongfang Precision (China) sustained its competitive edge, achieving notable success in North America, Belt and Road countries, and beyond, securing favourable sales of complete production line orders. The Company pursued a hybrid "agency + direct sales" approach in overseas market expansion. Throughout the year, its international marketing team intensified outreach efforts, engaging in more face-to-face interactions with foreign clients and yielding positive outcomes in developing direct sales regional markets. Additionally, Dongfang Precision (China) fortified its international service team, continuously enhancing the quality of product installation, delivery, and after-sales services in foreign markets. During the Reporting Period, export revenue took up approximately 72% of Dongfang Precision (China)'s total revenue.

The domestic market: As China's economy recovered in 2023, Dongfang Precision (China)'s domestic sales grew approximately 44% YoY, and its domestic order intake for complete lines/machines went up over 58% YoY. In May and July 2023, Dongfang Precision (China) exhibited at the 2023 China International Corrugated Festival, China (Tianjin) Printing and Packaging Industry Expo 2023, and SinoCorrugated 2023, receiving a lot of attention industry-wide and a multitude of pre-orders.

In production operations, Dongfang Precision (China) successfully completed the acceptance of its "Digital Factory" project in 2023, integrating WPS scheduling, MES, WMS, SRM, and other modules to generate comprehensive analytical reports on order progression, production performance, capacity utilization, quality control, product traceability, and inventory management. These reports furnished valuable data to inform production decisions, aiding in enhancing overall operational efficiency and lowering costs. During the Reporting Period, Dongfang Precision (China) further optimised its production costs and boosted efficiency.

C. The business of digital printers

Wonder Digital, a majority-owned subsidiary, has been included in the Group's consolidated financial statements since June 2022. And in 2023, 100% of Wonder Digital's operating revenue was included in the consolidated financial statements of Dongfang Precision. During the Reporting Period, Wonder Digital achieved operating revenue of RMB0.16 billion and an order intake of approximately RMB0.18 billion, creating a new earnings growth curve for Dongfang Precision's intelligent packaging equipment division.

Amid China's economic recovery in 2023, the corrugated packaging industry, especially the numerous third-tier factories, showed significantly greater recognition of the characteristics offered by digital printers compared to traditional printing equipment, including lower one-time initial investment, greater variability in printing data, and better adaptability to end packaging flexibility and short, flat, quick marketing needs, enabling higher turnover, higher on-time delivery rates, and higher return on investment.

In 2023, Wonder Digital proactively ventured into markets by participating in eight domestic and international trade shows, including events in Germany, Vietnam, Thailand, Indonesia, and the SinoCorrugated expo in Shanghai, China. These exhibitions yielded a considerable number of potential orders, with around

RMB50 million worth of intended orders secured during SinoCorrugated 2023 in Shanghai in July. The company hosted two separate factory open days throughout the year, each drawing in hundreds of industry merchants and partners. On these occasions, Wonder Digital showcased real-life instances where its digital printer technology empowered tertiary factories to achieve profitability, sharing insights on packaging industry best practices. This collaborative effort fostered a pioneering model for industry growth and shared prosperity.

In terms of new products and new technology, in 2023, Wonder Digital's four series of complete digital printers saw continuous improvement and enhancement in performance and efficiency, particularly within the realm of high-speed colour printing digital printers designed for the premium market segment. There was a marked uptick in both machine stability and output, garnering acclaim from clients and translating into multiple unit sales. Leveraging its robust R&D prowess in China's digital printer sector, Wonder Digital has forged an enviable brand identity and industry standing. Its cutting-edge technology, superior reliability and stability, along with a compelling price-to-performance ratio, constitute the core competitive strengths of Wonder Digital.

In July 2023, Wonder Digital was recognized as a State-level “Little Giant” Enterprise with specialties, refined management, unique technologies and innovation.

2. The business division of water powersports equipment

In 2023, the majority-owned subsidiary Parsun Power recorded operating revenue of RMB737 million, up 29% YoY, and a net profit of RMB95 million, up 30.95% YoY. In the year, Parsun Power sold 83.2 thousand units of outboard motors, accounting for 11.50% of the global sales of low- and medium-horsepower outboard motors.

In 2023, Parsun Power's outboard motor sales revenue sustains robust growth due to persistent overseas demand in water recreational activities and rising domestic substitution trends in specialised markets. Bolstered by the necessity for medium- and high-horsepower domestic alternatives and the maturing domestic supporting industrial chain, Parsun Power has effectively transitioned from focusing on low- and medium-horsepower outboard motors to medium- and high-horsepower products.

With respect to sales, Parsun Power actively participated in exhibitions targeting domestic and overseas watersports markets in 2023 to strengthen marketing efforts. It attended the China Shanghai International Boat Show in March and the China Import and Export Fair in May. It actively developed markets along the "Belt and Road", and the sales of its outboard motors in Russia and other countries grew well.

In terms of production, Parsun Power continued to tap the existing capacity potential, and outboard motor output value continued to increase. In 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 equipment and the construction of a new R&D centre was officially started. This project builds upon Parsun Power's current core business, aligning with national industrial policies and industry-specific developmental traits, leveraging existing technologies to augment and upgrade present operations. Upon completion and commissioning, it is anticipated to broaden the production and sales scale of outboard motors, thereby capitalising on the company's technological prowess, product offerings, customer base, brand equity, and management assets. This strategic move aims to reinforce market competitiveness, promote sustainable growth, and fortify resilience against fluctuations in market conditions.

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. Currently, Parsun Power's IPO application is under review in a normal, orderly manner before the relevant information can be registered with the China Securities Regulatory Commission (CSRC).

(III) Analysis of key financial indicators

1. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2023		2022		Change (%)
	Operating revenue	As a % of total operating revenue (%)	Operating revenue	As a % of total operating revenue (%)	
Total	4,745,737,321.83	100%	3,892,708,509.64	100%	21.91%
By operating division					
Intelligent manufacturing	4,745,737,321.83	100.00%	3,892,708,509.64	100.00%	21.91%
By product category					
Corrugated cardboard production lines	3,209,889,258.08	67.64%	2,603,549,326.99	66.89%	23.29%
Corrugated box printing and packaging production line equipment	798,784,145.98	16.83%	717,169,922.31	18.42%	11.38%
Water powersports products and general machines	737,063,917.77	15.53%	571,989,260.34	14.69%	28.86%
By operating segment					
Mainland China	744,020,072.39	15.68%	441,664,388.05	11.35%	68.46%
Other countries and regions	4,001,717,249.44	84.32%	3,451,044,121.59	88.65%	15.96%
By sales mode					
Direct selling	3,977,761,773.94	83.82%	3,229,852,665.56	82.97%	23.16%
Distribution selling + reselling	767,975,547.89	16.18%	662,855,844.08	17.03%	15.86%

(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	4,745,737,321.83	3,359,528,546.01	29.21%	21.91%	18.57%	1.99%
By product category						
Corrugated cardboard production lines	3,209,889,258.08	2,291,568,630.42	28.61%	23.29%	18.02%	3.19%
Corrugated box printing and packaging production line equipment	798,784,145.98	522,704,680.37	34.56%	11.38%	13.95%	-1.47%
Water powersports products and general machines	737,063,917.77	545,255,235.22	26.02%	28.86%	25.98%	1.69%
By operating segment						
Mainland China	744,020,072.39	559,477,908.69	24.80%	68.46%	70.90%	-1.07%
Other countries and regions	4,001,717,249.44	2,800,050,637.32	30.03%	15.96%	11.74%	2.64%
By sales mode						
Direct selling	3,977,761,773.94	2,817,945,983.44	29.16%	23.16%	19.78%	2.00%
Distribution selling + reselling	767,975,547.89	541,582,562.57	29.48%	15.86%	12.67%	1.99%

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	2023	2022	Change (%)
Corrugated cardboard	Unit sales	Unit	194.00	160.00	21.25%
	Output	Unit	195.00	162.00	20.37%

Operating division	Item	Unit	2023	2022	Change (%)
production lines	Inventory	Unit	4.00	3.00	33.33%
Corrugated box printing and packaging production line equipment	Unit sales	Unit	350.00	233.00	50.21%
	Output	Unit	323.00	229.00	41.05%
	Inventory	Unit	24.00	51.00	-52.94%
Water powersports products and general machines	Unit sales	Unit	47.35	32.05	47.75%
	Output	Unit	48.04	30.10	59.53%
	Inventory	Unit	1.56	0.94	65.96%

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

Applicable Not applicable

The over 30% YoY increase in the inventory of corrugated cardboard production lines is primarily driven by the increased orders in the current period.

The over 30% YoY increases in the output and unit sales of corrugated box printing and packaging production line equipment are primarily driven by the increased sales in the current period; and the over 30% YoY decrease in inventory is mainly because the lead time for digital printers has been shortened as a result of optimized supply chain management after the acquisition of Wonder Digital.

The over 30% YoY increases in the output and unit sales of water powersports products and general machines are primarily driven by the increased sales in the current period; and the over 30% YoY increase in inventory is primarily driven by the increased orders in the current period.

(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	2023		2022		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	1,386,840,647.93	41.27%	1,132,363,095.01	39.97%	22.47%
	Labor cost	398,729,132.93	11.87%	335,242,775.36	11.83%	18.94%
	Other	505,998,849.56	15.06%	474,152,150.56	16.73%	6.72%
Corrugated box printing and packaging production line equipment	Raw materials	394,267,397.00	11.74%	345,662,621.86	12.20%	14.06%
	Labor cost	64,402,686.38	1.92%	53,218,657.90	1.88%	21.02%
	Other	64,034,596.99	1.91%	59,845,931.02	2.11%	7.00%

Water powersports products and general machines	Raw materials	492,291,198.10	14.65%	384,529,146.81	13.57%	28.02%
	Labor cost	30,152,308.98	0.90%	28,498,837.44	1.01%	5.80%
	Other	22,811,728.14	0.68%	19,792,532.58	0.70%	15.25%

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

Yes No

(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)	1,119,524,077.70
Total sales to top five customers as a % of total sales of the Reporting Period (%)	23.59%
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	552,766,086.28	11.65%
2	Customer B	219,131,889.02	4.62%
3	Customer C	150,976,218.92	3.18%
4	Customer D	101,688,898.65	2.14%
5	Customer E	94,960,984.83	2.00%
Total	--	1,119,524,077.70	23.59%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	432,374,216.43
Total purchases from top five suppliers as a % of total purchases of the Reporting Period (%)	17.28%
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	230,840,463.13	9.23%
2	Supplier B	66,629,892.51	2.66%
3	Supplier C	57,264,853.07	2.29%
4	Supplier D	39,876,913.91	1.59%
5	Supplier E	37,762,093.81	1.51%
Total	--	432,374,216.43	17.28%

Other information about major suppliers:

 Applicable Not applicable

2. Expenses

Unit: RMB

	2023	2022	Change (%)	Reason for any significant change
Selling expenses	278,840,528.93	182,555,875.71	52.74%	1. Increase in sales activities leads to increase in advertising and exhibition expenses and travel expenses. 2. Increase in product quality deposit, commission and agency service fees due to sales growth. 3. The impact of exchange rate changes.
Administrative expenses	344,224,692.51	311,463,613.16	10.52%	Mainly due to the increase in employee compensation and the impact of exchange rate changes.
Finance costs	-1,089,616.70	-8,970,693.69	-87.85%	Mainly due to exchange rate changes.
R&D expenses	127,566,482.42	97,954,453.40	30.23%	Mainly due to increased investment in research and development.

3. R&D Investments

 Applicable Not applicable

Main R&D projects	Purpose	Project progress	Objectives to be achieved	Expected impact on the Company
iDataPioneer, Industrial Internet Platform 2.0 for the packaging industry	To provide one-stop smart factory solutions for corporate customers including but not limited to the paper	Completed	The project includes IoT platform, big data platform and intelligent application platform products to help	Become a profit growth point for the Company's industrial Internet platform business

	packaging industry		customers achieve intelligent transformation of equipment, integrated production, operation and management, intelligent decision-making and agile innovation.	
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.	The electric outboard motor has been developed and put into mass production.	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:

	2023	2022	Change (%)
Number of R&D personnel	335	327	2.45%
R&D personnel as a % of total employees	14.80%	15.49%	-0.69%
Educational background of R&D personnel			
Bachelor's degree	163	146	11.64%
Master's degree	25	25	0.00%
Other	147	156	-5.77%
Age structure of R&D personnel			
Under 30	91	80	13.75%
30-40	141	140	0.71%

Other	103	107	-3.74%
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Details about R&D investments:

	2023	2022	Change (%)
R&D investments (RMB)	129,198,284.64	101,656,683.16	27.09%
R&D investments as a % of operating revenue	2.72%	2.61%	0.11%
Capitalized R&D investments (RMB)	1,631,802.22	3,702,229.76	-55.92%
Capitalized R&D investments as a % of total R&D investments	1.26%	3.64%	-2.38%

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

Mainly due to the completion of R&D for capitalized projects.

4. Cash Flows

Unit: RMB

Item	2023	2022	Change (%)
Subtotal of cash generated from operating activities	4,773,160,187.72	4,083,606,350.48	16.89%
Subtotal of cash used in operating activities	4,285,979,449.06	3,577,311,889.53	19.81%
Net cash generated from/used in operating activities	487,180,738.66	506,294,460.95	-3.78%
Subtotal of cash generated from investing activities	2,827,005,182.87	5,502,146,075.67	-48.62%
Subtotal of cash used in investing activities	3,013,612,153.30	5,939,677,869.61	-49.26%
Net cash generated from/used in investing activities	-186,606,970.43	-437,531,793.94	-57.35%
Subtotal of cash generated from financing activities	857,532,104.79	998,366,302.50	-14.11%
Subtotal of cash used in financing activities	768,667,640.45	1,133,800,124.92	-32.20%
Net cash generated from/used	88,864,464.34	-135,433,822.42	-165.61%

in financing activities			
Net increase in cash and cash equivalents	438,793,914.57	-25,583,078.47	-1,815.17%

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 RMB487.1807 million, primarily because the Company's revenue growth during the Reporting Period.

(2) Net cash used in investing activities was RMB186.6070 million, primarily driven by the increased investment in long-term assets during the Reporting Period.

(3) Net cash generated from financing activities was RMB88.8645 million, primarily driven by the combined effects of the share repurchase and the recovery of some security deposits for loans during the Reporting Period.

(4) Net increase in cash and cash equivalents was RMB438.7939 million, primarily driven by net cash generated from operating 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	10,707,429.16	1.63%	Mainly due to the Gains on wealth management product and securities investments during the period	Yes
Gain/loss on changes in fair value	47,387,905.11	7.19%	Mainly due to the fair value changes of securities investments and financial investments during the period	Yes
Asset impairment loss	-17,217,097.39	-2.61%	Mainly due to the provision for decline in value of inventories.	No
Non-operating income	5,974,641.17	0.91%	No significant impact.	No
Non-operating	16,152,375.18	2.45%	Mainly due to the	No

expenses			payment of tax-related expenses	
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VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2023		1 January 2023		Change in percentage (%)	Reason for any significant change
	Amount	As a % of total assets	Amount	As a % of total assets		
Cash and bank balances	1,826,419,904.49	24.23%	1,274,447,199.74	18.39%	5.84%	Mainly due to the recovery of security deposits for the internal guarantees and external loans that are due within one year.
Accounts receivable	904,003,975.47	11.99%	837,305,757.46	12.08%	-0.09%	Mainly due to the increased sales.
Contract assets	45,946,377.14	0.61%	65,089,851.21	0.94%	-0.33%	No significant change.
Inventories	1,182,411,055.68	15.69%	1,092,981,884.51	15.77%	-0.08%	Mainly due to the increased stocks as a result of more orders
Long-term equity investments	117,265,884.84	1.56%	95,352,681.52	1.38%	0.18%	Mainly due to the capital increase to Nanjing Profeta during the period.
Fixed assets	611,851,577.04	8.12%	570,200,113.79	8.23%	-0.11%	No significant change.
Construction in progress	195,557,097.80	2.59%	38,904,537.85	0.56%	2.03%	Mainly due to the increased investment in long-term assets during the period.
Right-of-use assets	82,342,398.83	1.09%	86,448,978.02	1.25%	-0.16%	No significant change.
Short-term borrowings	370,549,972.80	4.92%	41,815,129.24	0.60%	4.32%	Mainly due to the short-term borrowings received during the period.
Contract liability	645,608,919.34	8.56%	692,567,968.60	10.00%	-1.44%	No significant change.
Long-term borrowings	79,107,701.15	1.05%	57,884,494.89	0.84%	0.21%	No significant change.
Lease liabilities	65,861,441.32	0.87%	68,989,111.33	1.00%	-0.13%	No significant change.

Current portion of non-current assets	5,970,000.00	0.08%	311,763,750.00	4.50%	-4.42%	Mainly due to the recovery of security deposits for the internal guarantees and external loans that are due within one year.
Goodwill	440,633,826.08	5.85%	430,916,848.74	6.22%	-0.37%	No significant change.
Current portion of non-current liabilities	57,001,396.44	0.76%	315,767,431.26	4.56%	-3.80%	Mainly due to the repayment of borrowings that are due within one year during the 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	1,084,502,996.19	Italy	Producing and marketing by itself	Operation management	Good	22.91%	Not
100% interest of EDF S.R. L	M&A	36,162,008.90	Italy	Producing and marketing by itself	Operation management	Good	0.76%	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)	860,049,558.59	-35,069,801.61			2,581,570,596.21	2,755,254,085.43		651,296,267.76
2. Derivative financial assets	782,720.29	-21,269,301.59			52,053,065.57	237,309.58		31,329,174.69
5. Other non-current financial assets	334,449,603.33	74,779,681.84			56,924,222.10	4,875,247.60	0.00	461,278,259.67
Subtotal of financial assets	1,195,281,882.21	18,440,578.64	0.00	0.00	2,690,547,883.88	2,760,366,642.61	0.00	1,143,903,702.12
Other non-current financial assets		248,630.14			10,000,000.00			10,248,630.14
Total of the above	1,195,281,882.21	18,689,208.78	0.00	0.00	2,700,547,883.88	2,760,366,642.61	0.00	1,154,152,332.26
Financial liabilities	193,418,848.13	649,723.36	0.00		161,616.03	57,022,555.58	1,112,050.07	138,319,682.01

Particulars about other changes: Other changes are mainly exchange movements.

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	153,905,292.65	Deposits used for obtaining bank acceptance bills and guarantees, etc.
Fixed assets	4,460,554.82	For bank loans obtained by subsidiaries
Total	158,365,847.47	

VII Investments Made

1. Total Investment Amount

Applicable Not applicable

Total investment amount in 2023 (RMB)	Total investment amount in 2022 (RMB)	Change (%)
1,002,404,107.56	1,227,440,484.73	-18.33%

2. Significant Equity Investments Acquired in the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

Security type	Security code	Security name	Initial investment cost	Measurement method	Opening carrying amount	Gain/loss on fair-value changes in the period	Cumulative fair-value changes recognized in equity	Purchased in the period	Sold in the period	Gain/loss in the period	Closing carrying amount	Accounting title	Funding source
Domestically/overseas listed stocks	603566.SH	Pleco	62,847,290.00	Fair value		-16,444,235.00		62,847,290.00		-16,444,235.00	46,403,055.00	Financial assets held for trading	Self-funded
Domestically/overseas listed stocks	688563.SH	Baimtec Material	73,172,079.31	Fair value		2,863.49		73,172,079.31		2,863.49	73,174,942.80	Financial assets held for trading	Self-funded
Domestically/overseas listed stocks	002123.SZ	Montnets Technology	96,999,559.37	Fair value		-22,240,559.28		96,999,559.37	11,146,564.21	-20,088,065.16	65,764,930.00	Financial assets held for trading	Self-funded

		gy											
Domestically/ overseas listed stocks		Othe rs	165,553,521.28	Fair value	165,553,521.28			206,853,810.22	412,641,774.17	40,234,442.67		Financial assets held for trading	Self- fund ed
Trust products			717,241.38	Fair value	717,241.38	-717,241.38				-717,241.38		Financial assets held for trading	Self- fund ed
Funds			342,596,480.19	Fair value	342,596,480.19	-1,613,387.04		337,000,000.00	344,223,085.24	-3,082,669.38	332,290,725.57	Financial assets held for trading	Self- fund ed
Others			351,182,315.74	Fair value	351,182,315.74	5,942,757.60		1,804,697,857.31	2,105,755,188.86	83,537,630.20	133,662,614.39	Financial assets held for trading	Self- fund ed
Total			1,093,068,487.27	--	860,049,558.59	-35,069,801.61	0.00	2,581,570,596.21	2,873,766,612.48	83,442,725.44	651,296,267.76	--	--
Disclosure date of the board announcement approving the securities investments			March 28, 2023										
Disclosure date of the general meeting announcement approving the securities investments (if any)			2April 18, 2023										

(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	Opening amount	Gain/loss on fair-value changes in the 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
Fixed forward	1,134.3	1,134.3	-6.1	0	3,741.2	4,875.5	0	0.00%
Total	1,134.3	1,134.3	-6.1	0	3,741.2	4,875.5	0	0.00%
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-61 thousand.							
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 above-mentioned hedging transactions are mainly intended to avert and prevent risks arising from fluctuations in exchange rates. 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	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.							

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	
Legal matter (if applicable)	N/A
Disclosure date of the announcement about the board's consent for the derivative investment (if any)	28 March 2023
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)	18 April 2023
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	<p>1. The proposed futures and derivatives trading business of the Company and its subsidiaries is based on the actual situation of the Company and on the premise of ensuring the capital requirements for daily business operations and effective control of investment risks. Carrying out commodity and foreign exchange hedging business is conducive to reducing the Company's operational and performance risks caused by the price fluctuations of raw materials, and foreign currency exchange rate fluctuations. At the same time, the moderate implementation of derivatives trading business is conducive to improving the efficiency of the use of funds and investment returns, and enriching the ways of investment for the Company's own funds. 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. The Company has accumulated certain business experience in futures and derivatives trading, and the relevant feasibility analysis report has fully explained the necessity and feasibility of the business as well as the related risks. 3. In strict compliance with the Stock Listing Rules of the Shenzhen Stock Exchange (Revised in 2023), the Guideline No. 7 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies--Transactions and Related-party Transactions (Revised in 2023), and other relevant laws and regulatory guidelines, the Company shall make prudent decisions and conduct prudent management, inspections and monitoring of the futures and derivative transactions of the Company and its subsidiaries, strictly control risks, and promptly discharge the information disclosure duty. 4. We hold that the futures and derivative trading 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

Unit: RMB'0,000

Counterparty	Relationship with the Company	Related transaction	Type of derivative	Initial investment amount	Start date	End date	Opening investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment allowance (if any)	Closing investment amount	Closing investment amount as % of the Company's closing equity	Actual gain/loss in the Reporting Period
Shenwan Hongyuan Securities	N/A	No	Accumulator	5,000	15 August 2023	19 August 2024	0	5,000	0	0	2,871	0.64%	-2,129
Total				5,000	--	--	0	5,000	0	0	2,871	0.64%	-2,129
Funding source				Self-funded									
Legal matter (if applicable)				N/A									
Disclosure date of the announcement about the board's consent for the derivative investment (if any)				28 March 2023									
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				18 April 2023									
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.)				<p>Risk analysis:</p> <p>1. Decision-making risk: The Company's involvement in futures and derivatives trading is influenced by a variety of factors, including international and domestic economic policies, economic conditions, developments in the underlying commodity sectors, fluctuations in exchange rates and interest rates. Furthermore, this type of trading is inherently complex and requires a high level of specialisation, thus carrying a certain degree of risk in trading decision-making processes.</p> <p>2. Market risk: Financial markets are susceptible to macroeconomic conditions, industry cycles, and numerous other influences, causing linked underlyings in snowball products to fluctuate during holding periods, leading to variable valuations that could result in substantial gains or losses. Exchange rate movements are bi-directional; in the context of forward exchange rates, there's a possibility that locked-in forward exchange transactions may lead to settlement exchange rates below the company's book rate on the delivery date, potentially generating foreign exchange losses. Additionally, due to factors tied to futures and other derivative markets, futures prices and spot prices might exhibit discrepancies in timing and volatility, such that during the hedging period, related businesses could incur either additional profits or losses.</p> <p>3. Liquidity risk: A sudden and extreme shift in the relevant price index, or managing excessively large positions, could potentially result in untimely margin calls and force the liquidation of positions, thereby exposing the Company to liquidity risks.</p> <p>4. Policy and legal risks: The Company may suffer losses due to alterations in the legal framework, non-compliance with relevant laws,</p>									

	<p>regulations, or contractual breaches by counterparties, leading to improper execution of contracts.</p> <p>5. Other risks: During transaction execution, failing to adhere to standard procedures for derivatives trading or inadequate comprehension of derivative product information can introduce operational risks, potentially leading to losses stemming from non-compliant actions or unforeseen legal contingencies.</p> <p>Description of control measures:</p> <ol style="list-style-type: none"> 1. 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 standardise business operation as well as prevent and control related risks. 2. The Company will diligently select qualified financial institutions for partnership and may engage experienced external professionals when needed to offer advisory services. This ensures thorough and methodical research and analysis prior to investments, thereby minimising operational risks and performance uncertainties. 3. Throughout its business operations, the Company and its associates rigorously comply with applicable national laws and regulations to avert legal hazards. They conduct regular supervision and inspections to ensure the derivatives business's standardisation, internal control efficacy, and information disclosure accuracy. They closely monitor shifts in domestic and international regulatory policies and changes to relevant rules, proactively adjusting hedging strategies accordingly to mitigate potential policy risks well ahead of time. 4. Domestic futures exchanges maintain a robust risk control framework, assuming clearing responsibilities, thereby reducing the likelihood of credit risk significantly. The Company will diligently stay informed and aligned with national policies and management body requirements to mitigate credit and legal risks effectively. 5. The Company will steadfastly uphold cautious investment principles, consistently enhancing its analysis and research on economic policies, market conditions, and environmental shifts, promptly adjusting its investment strategies and scales as needed. Moreover, it will continuously fortify the professional education of its team members, elevating the proficiency of its practitioners. 6. The internal audit departments of the Company are responsible for supervising and verifying the implementation of futures and derivatives trading business, proposing timely rectification opinions on existing problems, and reporting to the Audit Committee of the Board of Directors of the Company.
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	Based on market value changes
Description of significant changes in accounting policies and specific financial accounting principles in respect of the Company's derivatives for the Reporting Period as compared to the prior reporting period	No significant change
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	<ol style="list-style-type: none"> 1. The proposed futures and derivatives trading business of the Company and its subsidiaries is based on the actual situation of the Company and on the premise of ensuring the capital requirements for daily business operations and effective control of investment risks. Carrying out commodity and foreign exchange hedging business is conducive to reducing the Company's operational and performance risks caused by the price fluctuations of raw materials, and foreign currency exchange rate fluctuations. At the same time, the moderate implementation of derivatives trading business is conducive to improving the efficiency of the use of funds and investment returns, and enriching the ways of investment for the Company's own funds. 2. The Company has prepared the rules on the internal control management

	<p>of the financial derivate 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. The Company has accumulated certain business experience in futures and derivatives trading, and the relevant feasibility analysis report has fully explained the necessity and feasibility of the business as well as the related risks. 3. In strict compliance with the Stock Listing Rules of the Shenzhen Stock Exchange (Revised in 2023), the Guideline No. 7 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies--Transactions and Related-party Transactions (Revised in 2023), and other relevant laws and regulatory guidelines, the Company shall make prudent decisions and conduct prudent management, inspections and monitoring of the futures and derivative transactions of the Company and its subsidiaries, strictly control risks, and promptly discharge the information disclosure duty. 4. We hold that the futures and derivative trading 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>
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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	2,533,392,132.87	1,097,001,659.96	2,916,671,004.26	423,314,651.23	286,150,426.36
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	721,560,099.51	421,113,521.73	737,063,917.77	108,003,111.04	95,054,932.64

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 much 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.

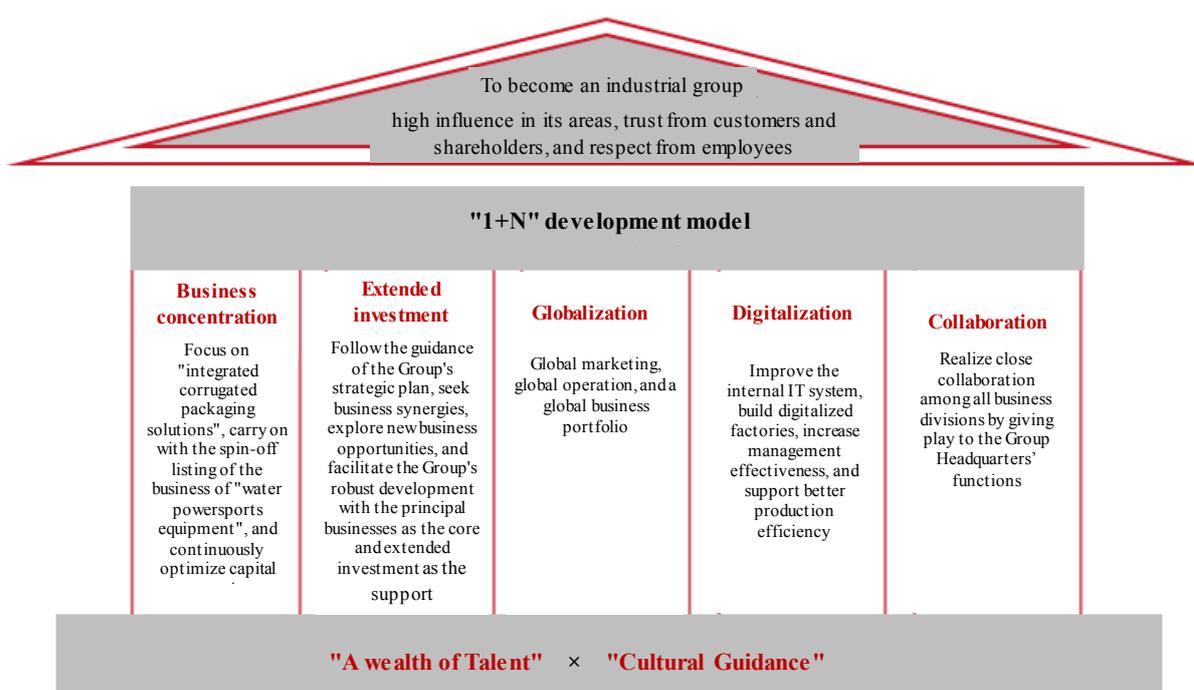
2. Corporate strategy

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). During the period from 2023 to 2027, the Company will adhere to 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 two major business divisions of “intelligent packaging equipment” and “water powersports equipment” 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" for better development.
- 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.
- Digitalization strategy: Internally, continue to enhance the IT system to improve management effectiveness and support the improvement of operational efficiency; externally, build digital factories as a benchmark in the equipment manufacturing industry, provide modular digital factory solutions, and facilitate the digital transformation of the industrial chain.
- Collaboration strategy: Accelerate the building of a three-tier group operation structure of "Group Headquarters + Business Divisions + Profit Generating Units", realize close collaboration among all business divisions by giving play to the Group Headquarters' functions, as well as strengthen the organizing ability and the collaboration mechanism for group operation
- A wealth of talent strategy: Enhance cross-culture leadership, optimize the talent management system, build an excellent management team, etc.
- Cultural guidance strategy: Establish common goals and values for the Group, build the Group as an international family, and lead the Group and subsidiaries towards common growth.

(II) The Company's main business plan for 2024

1. Promote capacity expansion and support growth in operating performance

During 2022 and 2023, the Company's two major business divisions, "intelligent packaging equipment" and "water powersports equipment", reported a robust order book. To proactively capitalise on market prospects and address the requirements for timely order fulfilment, pertinent business entities commenced capacity expansion works in 2023 and plan to advance the following initiatives further in 2024:

A. Fosber Group's new European headquarters base project

In February 2024, Fosber Group inaugurated its new European headquarters base project situated in Monsagrati, Pescaglia, Lucca Province, Italy, spanning an approximate built-up area of 35,000 to 40,000 square meters. The project entails consolidating existing production capabilities to create a European manufacturing hub for the Fosber Group, backed by a total investment exceeding EUR40 million. Scheduled to break ground in 2024, the facility is projected to be finalised by late 2026. This venture represents a pivotal investment in Dongfang Precision's strategy for consistent growth and sustainability. Once completed, it will reinforce the Group's central role in the corrugated packaging equipment manufacturing sector.

B. Fosber Asia's domestic corrugated cardboard production line intelligent factory construction project

In early 2023, a groundbreaking event marked the commencement of the construction of Fosber Asia's Domestic Corrugated Cardboard Production Lines Intelligent Factory Construction Project. Located in the Songxia Industrial Park within Nanhai District, Foshan City, Guangdong Province, the project spans an approximate area of 80 mu and carries a planned investment of RMB500 million. Primarily, the facility will function as a hub for R&D, manufacturing, and maintenance of domestically-made high-end corrugated cardboard production equipment for Fosber Asia. Upon completion, the new plant is forecast to more than double Fosber

Asia's manufacturing capacity.

On 12 January 2024, Fosber Asia conducted a topping-out ceremony for its new intelligent manufacturing facility, commemorating the successful conclusion of the main building's construction and the structure's topping-out milestone. From this juncture, the project advances to focus entirely on the installation of integrated systems and the subsequent renovation phase. The facility is expected to be operational and handed over in 2024.

C. Tiruña Asia's domestic corrugated and pressure roller production base project

Situated in Nanhai District, Foshan City, Guangdong Province, this project spans an area of 30 mu with a total planned investment exceeding RMB100 million. Once completed, it will serve as the Asian production base for Tiruña's domestically manufactured corrugated and pressure rollers. The project's realisation will harness China's globally competitive manufacturing capabilities, enabling the localisation of corrugated and pressure rollers—a crucial component of Tiruña's branded corrugated cardboard production lines. By doing so, it not only bolsters the expansion and robustness of Dongfang Precision's domestic high-end corrugated cardboard production line business but also paves the way for Tiruña's branded corrugated and pressure rollers to penetrate the Chinese and Asian markets, becoming a new source of growth for the Group.

To date, the project has successfully finished constructing the factory, office building, and staff dormitories, and has undergone acceptance before being commissioned into operation. In 2024, Tiruña Asia is set to proceed with the planned pre-commissioning preparations to ensure a seamless commissioning process for the project.

D. Parsun Power's green, digital and intelligent factory with an annual production capacity of 76,400 units of high-end water powersports products and R&D centre

In March 2023, Parsun Power commenced the construction of a green, digital and intelligent factory with an annual production capacity of 76,400 units of high-end water powersports products, which is located in Suzhou City, Jiangsu Province, and is expected to lay a solid foundation for Parsun Power's future development upon completion. In 2023, Parsun Power will complete the project of upgrading its central laboratory, which will provide strong technical support and various testing guarantees for Parsun Power's new outboard motor research and development, as well as provide reliable test reports and certification services for product access to the global market.

2. Smart 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.

Guided by the “collaboration strategy”, the Company will continue to 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; as well as 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.

In 2024, the three principal corrugated cardboard production lines—Fosber-branded, Quantum-branded, and domestically-manufactured by Fosber Asia—will continue to deepen their synergies within the Group, fostering enhanced collaboration across R&D, design, manufacturing, and supply chain integration. Similarly, the corrugated printing and packaging production line businesses under Dongfang Precision (China) and Dongfang Precision (Europe) will persistently intensify their synergies across R&D, design, manufacturing, and shared supply chains. Moreover, the Company will persist in advancing its corrugated and pressure rollers business segment. It will propel the progressive execution of the business blueprint for its subsidiary, Tiruñã Group, to invigorate corporate growth dynamics further. Efforts include promoting the construction and commissioning of Tiruñã's domestic corrugated and pressure roller manufacturing base in Asia, and fostering closer alignment between its overseas and domestic corrugated roller business operations.

In 2024, Dongfang Digicom will concentrate on the packaging sector in a broad sense, driving digitalisation and intelligence in manufacturing for its clientele. Anchored by its technological expertise in industrial internet and equipment production management solutions, and driven by market and client demands, it will relentlessly refine and enhance its offerings, such as its Production Management System (PMS) and Manufacturing Execution System (MES), tailoring them to the precise needs of large packaging industry customers. Continuously refining these products, including the PMS and MES, Dongfang Digicom aims to construct a tailored product portfolio matching real-world customer requirements. Simultaneously, the company will proactively align itself with national policy directives, stepping up engagement in government-backed digital manufacturing initiatives. It will also forge closer integration with product and sales teams across other business segments of Dongfang Precision, maximising the synergy of internal group resources. The goal is to exploit this synergy fully to engineer a significant breakthrough in market penetration and product sales during 2024.

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

In terms of research and development, Wonder Digital is actively advancing the development of several innovative products, with a view to launching them as per schedule in 2024. These new offerings will extend the reach of the company's digital printers into broader colour printing applications, enhancing product performance and catering to diverse usage scenarios, thereby unlocking fresh avenues for the company's advancement. From a sales perspective, Wonder Digital is committed to reinforcing its presence in both domestic and international markets. The company endeavours to bolster its marketing and service network infrastructure worldwide, continually reinforcing technical support and post-sales services to deliver an even higher calibre of after-sales care to its valued customers.

4. Explore "AI+ Intelligent Factory Solution"

Since 2020, the Company has implemented a "digital, intelligent" transformation strategy, leveraging IoT, cloud computing, big data, AI, and other cutting-edge IT to establish an industrial Internet platform tailored for the packaging sector. The subsidiary Dongfang Digicom serves as a key enabler of digital and intelligent upgrades for the packaging industry in a broad sense, functioning as a premier IT solution provider. Meanwhile, Dongfang

Precision's holding company, Guangdong Jaten Robot & Automation Co., Ltd., stands as a global leader in AGV robots and intelligent logistics systems, ranking among China's top ten industrial robot brands.

In March 2024, Dongfang Precision completed its equity investment in Shenzhen Ruoyu Technology Co., Ltd ("Ruoyu Technology"), acquiring approximately 12.3905% equity interest (also the shareholding ratio) in Ruoyu Technology by way of a capital increase in Ruoyu Technology. By investing in Ruoyu Technology, Dongfang Precision Group has further deepened its layout in the AI and industrial internet sectors, and at the same time demonstrated to the market the determination of Dongfang Precision Group to commit itself to realising the strategy of "digital and intelligent transformation".

In the wave of enterprise digital transformation, companies require not just data collection from interconnected devices, but also end-to-end solutions encompassing data integration, processing, analysis, and smart applications to actualise intelligent manufacturing. Ruoyu Technology's AI expertise and products align generative language models and multimodal models rich in broad human knowledge towards a robot-centric focus. Their aim is to facilitate digital transitions for a multitude of businesses while swiftly adapting these capabilities to various robotic contexts. This pivot translates human wisdom into the robotic realm, thereby sparking innovative advancements at the intersection of the industrial Internet and artificial intelligence.

Moving forward, Dongfang Digicom, a fully-owned subsidiary of Dongfang Precision, anticipates leveraging Ruoyu Technology to elevate the technical sophistication of comprehensive digital factory and smart factory solutions within the packaging sector in a broad sense. This collaboration is expected to deliver not only a seamless, one-stop service ranging from collecting data via connected machinery to integrated data processing, analysis, and intelligent applications, but also to empower clients in achieving true intelligent manufacturing capabilities.

5. The extended investment business: Make industrial investments and explore 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 high-end intelligent equipment manufacturing and as 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 Company's investments in strategic emerging high-tech industries, which will empower the implementation of the Company's intelligent transformation strategy.

In 2024, 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 equity investments and M&As 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 Group, the principal overseas business entity of the Company, are euros, while the revenue of Fosber America and domestic entities from export is mainly settled with the US dollar. Fluctuations in the US dollar and euro exchange rates do not significantly impact the routine operation of overseas business entities but exert certain impacts on the presentation of their assets and operating results in the consolidated financial statements.

Since 2022, changes in global geopolitical landscape, climate risks, and macroeconomic cycles have resulted in developed economies operating under high inflation and high interest rates, leading to pronounced volatility in international currency markets. In H1 2022, the euro depreciated constantly; the US dollar became robust after it entered the interest rate hike cycle, and the US Dollar Index has hit a record high since 2002. In 2023, after 4 interest rate hikes and as inflation cooled, the US dollar entered a consolidation phase at high levels. The Euro rebounded somewhat against the US dollar, with volatility declining. Over the same period, RMB foreign exchange market saw markedly increased volatility amid China's economic recovery, US dollar index fluctuations, inverted China-US interest rate differences, and other factors. The RMB/USD spot exchange rate experienced large fluctuations, depreciating somewhat.

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. 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
February 21, 2023	Company Conference Room	Field Research	Institutes	Jefferies Hong Kong Limited	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
March 28, 2023	Company Conference Room	Online communication	Institutes	CICC Fund Management Co., Ltd, Xingquan Fund Management Co., Ltd., Tianhong Innovation Assets Management Co., Ltd., Ping'an Dahua Fund Management Co., Ltd., Pengyang Fund Management Co., Ltd., China Merchants Fund Management Co., Ltd., Wanjia Asset Management Co., Ltd., Maxwealth Fund Management Company Limited, Bosc ASSET Co., Ltd., Taiping Fund Management Company Limited, Penghua Fund Management Co., Ltd., Fuguo Fund Management Co., Ltd., Boshi Fund Management Co., Ltd., Western Leadbank Fund Management Company Limited, SWS MU Fund Management Co., Ltd., Huatai Baoxiao Fund Management Co., Ltd., Morgan Fund Management Co., Ltd., Xingquan Fund Management Co., Ltd., UBS SDIC Fund Management Co., Ltd., Cinda Fund Management Company Limited., Huatai-Pinebridge Fund Management Co., Ltd., Hotland Innovation Asset Management Co., Ltd., Anxin Fund Management Co., Ltd., China Southern Asset Management Co., Ltd., Everbright Pramerica Fund Management Limited, China Universal Asset Management Co.,	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn

				<p>Ltd., China AMC HK, CICC, Pinpoint, Goldstream, LYGH, West Ridge, CLOUDALPHA MASTER FUND, Dalian Fenglan Investment Co., Ltd., Zhejiang Jingan Investment Management Co., Ltd., Fengpei Capital LLC, Xizang Yuancheng Investment Management Co., Ltd, Shanghai Tinnvestment Co., Ltd., Shanghai Lizhen Investment Management Co., Ltd., Beijing Guhuai Capital Investment Co., Ltd., Shenzhen Red Pomegranate Investment Management Co., Ltd., Shibe Investment Management (Beijing) Co., Ltd., Xiniu Investment Management (Beijing) Co., Ltd., Shanghai Panjing Investment Centre (Limited Partnership), Pegasus Equity Investment Management (Shanghai) Co., Ltd., Shanghai Danyi Investment Management Partnership, Zhuhai Hengqin Wanfang Investment Management Partnership (Limited Partnership), Point 72, Mars Asset, Platina Capital, HELVED CAPITAL MANAGEMENT LIMITED, U Capital Co., Ltd., DH Fund Management Co., Ltd., Shanghai Yili Assets Management Co., Ltd., Shanghai Shangguo Investment Asset Management Co., Ltd., Shanghai Ningquan Asset Management Co., Ltd., Yongan Guofu Asset Management Co., Ltd., Huaxia Jiuying Asset Management Co., Ltd., Shanghai Yongxing Securities Asset Management Co., Ltd., Shanghai DIJUN Asset Management Centre (Limited Partnership), Shenzhen Qianhai Chengshi Fund Management Co., Ltd., Caitong Assets Management Co., Ltd., Shenwan Hongyuan Securities, Anxin Securities Co., Ltd., Orient Securities Company Limited, China Securities Co., Ltd., Shenzhen Hong Ding Wealth Management Co., Ltd., Great Eastern Life Assurance (China) Co., Ltd., AVIVA-COFCO Life Insurance Company Limited, Founder Life Insurance Co., Ltd., China Post Life Insurance Co., Ltd., Taiping Pension Co., Ltd., Life Insurance Asset Management Co., Ltd., and Shanghai Fosun High Tech (Group) Co., Ltd.</p>		
March 30, 2023	Company Conference Room	Online communication	Institutes	China Foundation Management Co., Ltd., China Life Pension Company Limited, and China International Capital Corporation Limited	Introduction of the Company's operation, competitive advantages,	cninfo.com http://www.cninfo.com .

					industry development trend and future strategic planning and answering investor questions	cn
March 31, 2023	Company Conference Room	Online communication	Institutes	Beijing Longrising Asset Management Co., Ltd., DH Fund Management Co., Ltd., and Citic Securities Company Limited	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
April 03, 2023	Company Conference Room	Field Research	Institutes	Guotai Junan Securities Co., Ltd., Pengyang Asset Management Co., Ltd., Bank Of Beijing Scotiabank Asset Management Co., Ltd., First State Cinda Fund Management Co., Ltd., Fullgoal Fund Management Co., Ltd., China Securities Co., Ltd.csc Financial Co., Ltd., Shenzhen Xishan Capital Management Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., and Shanghai Yili Assets Management Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
April 04, 2023	Company Conference Room	Field Research	Institutes	Essence Fund Management Co., Ltd., China Southern Asset Management Co., Ltd., Shenzhen Yingda Securities Co., Ltd., Hotland Innovation Asset Management Co., Ltd., Penghua Fund Management Co., Ltd., and Qian Hai Kai Yuan Fund Management Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
April 06, 2023	Company Conference Room	Field Research	Institutes	Jinxin Fund Management Co., Ltd., Hotland Innovation Asset Management Co., Ltd., Dacheng Fund Management Co., Ltd., Essence Fund Management Co., Ltd., Chengdu Mars Asset Management Centre (Limited Partnership), MINDHAND MANAGEMENT LIMITED, SWS Mu Fund Management Co., Ltd., China Investment Securities Co., Ltd., and China	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn

				International Capital Corporation Limited	investor questions	
April 13, 2023	Company Conference Room	Online communication	Institutes	Essence Fund Management Co., Ltd., Hotland Innovation Asset Management Co., Ltd., Hwabao WP Fund Management Co., Ltd., Huashang Fund Management Co., Ltd., HSBC Jintrust Fund Management Co., Ltd., Huiquan Fund Management Co., Ltd., China Universal Asset Management Co., Ltd., China Southern Asset Management Co., Ltd., Pingan Fund Management Co., Ltd., Everbright PGIM Fund Management Co., Ltd., Haihuihuasheng Fund Management Co., Ltd, GF Fund Management Co., Ltd., First State Cinda Fund Management Co., Ltd., BOC International (China) Co., Ltd., Essence Securities Co., Ltd., Aeon Insurance Asset Management Co., Ltd., Orient Securities Company Limited, Haoze Zhiyuan Asset Management Ltd., Evergrande Life Assurance Co., Ltd., Shanghai Haitong Securities Assets Management Co., Ltd., Sino Life Asset Management Co., Ltd., Xizang Yuancheng Investment Management Co., Ltd, Chongqing Derui Hengfeng Asset Management Co., Ltd., and Bingqi Finance Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
April 27, 2023	Company Conference Room	Online communication	Institutes	Jiantou Investment Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
May 18, 2023	Company Conference Room	Online communication	Institutes	Aegon-industrial Fund Management Co., Ltd., and GF Securities Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn

July 26, 2023	Company Conference Room	Online communication	Institutes	Dacheng Fund Management Co., Ltd., Furong Fund Management Co., Ltd., Baoying Fund Management Co., Ltd., Xinyuan Asset Management Co., Ltd., Pengyang Asset Management Co., Ltd., Guotai Asset Management Co., Ltd., Harvest Fund Management Co., Ltd., Maxwealth Fund Management Co., Ltd., Purekind Fund Management Co., Ltd., AXA-SPDB Investment Managers Co., Ltd., Icbc Credit Suisse Asset Management Co., Ltd., Huatai-pinebridge Fund Management Co., Ltd., Golden Trust Sinopac Fund Management Co., Ltd., China Life AMP Asset Management Co., Ltd., Essence Fund Management Co., Ltd., CCB Principal Asset Management Co., Ltd., New China Fund Management Co., Ltd., Hongyi Yuanfang Fund Management Co., Ltd., China Universal Asset Management Co., Ltd., Everbright PGIM Fund Management Co., Ltd., Bank of Communications Schroder Fund Management Co., Ltd., Shanghai Qinchen Private Equity Fund Management Partnership (Limited Partnership), Essence Securities Co., Ltd., Orient Securities Company Limited, Duoxin Investment Co., Ltd., Guangxi Huihong Investment Management Co., Ltd, Guangdong Henghua Investment Development Co., Ltd, Shenzhen Qianhai Julong Investment Co., Ltd, Shanghai Far Strategy Investment Management Centre (limited Partnership), Shenzhen Oriental Harbor Investment Management Co., Ltd., Turing Asset Management Co., Ltd., Henan Hong Ming Asset Management Co., Ltd., Anxin Securities Asset Management Co., Ltd., Tibet Knight Asset Management Co., Ltd., Shanghai South Land Asset Management Co.,Ltd, Beijing Hongyi Asset Management Co., Ltd., CITIC Securities Asset Management Limited, Zhuhai Zhengyuan Asset Management Co., Ltd, GreatWall Wealth I.A.M.C., Zhongyin International Asset Management Holding Group Co., Ltd, and CCB Pension Management Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
August 08, 2023	Company Conference	Field Research	Institutes	Yinhai (HK) Investment Fund Management Co., Ltd., Fortune factorial (Hong Kong) Fund Limited, Capital Securities Corporation Limited, GF Securities Co., Ltd., Guizhou	Introduction of the Company's operation, competitive advantages,	cninfo.com http://www.cninfo.com.cn

	Room			Huachuang Securities Broker Co., Ltd., Shanghai Everbright Securities Asset Management Co., Ltd., and Guangdong Hong Kong Macao Greater Bay Area Industry and Finance Asset Management Co., Ltd.	industry development trend and future strategic planning and answering investor questions	cn
August 17, 2023	Company Conference Room	Field Research	Institutes	Baoying Fund Management Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., Hainan Shangshanru is a private fund management partnership enterprise (limited partnership), Hengze (Shenzhen) Financial Services Co., Ltd., Shenzhen Jingyuan Tiancheng Investment Consulting Co., Ltd., and Evergrande Life Assurance Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
August 25, 2023	Company Conference Room	Field Research	Institutes	hanghai Securities Company Limited, Guorong Securities Co., Ltd., Shenzhen Qianhai Deyun Asset Management Co., Ltd, Shenzhen Jipengcheng Capital Management Co., Ltd, and Zhuhai Zhongshi Boya Management Consulting Partnership Enterprise (Limited Partnership)	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
August 30, 2023	Company Conference Room	Field Research	Institutes	CITIC Securities Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
September 19, 2023	Company Conference Room	Online communication	Individuals	Investor Online Question	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn

November 24, 2023	Company Conference Room	Field Research	Institutes	First State Cinda Fund Management Co., Ltd., Founder Securities Co., Ltd., Tianfeng Securities Co., Ltd., Essence Securities Co., Ltd., Minsheng Securities Co., Ltd., Suzhou Gewai Investment Management Co., Ltd., Mengsen (Shanghai) Investment Management Co., Ltd., Shanghai Valoran Investment Management Co., Ltd., Shanghai Yili Assets Management CO., Ltd. and Suzhou Clivia Capital Manage Co., Ltd.	Introduction of the Company's operation, competitive advantages, industry development trend and future strategic planning and answering investor questions	cninfo.com http://www.cninfo.com.cn
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XIII Implementation of the “Quality and Earnings Dual Improvement” Action Plan

Indicate whether the Company has disclosed the “Quality and Earnings Dual Improvement” Action Plan.

Yes No

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. In addition, the Company has revised the Work Rules for Independent Directors in accordance with the Administrative Measures for Independent Directors of Listed Companies issued by the CSRC to ensure that the Company's internal systems are legally compliant. 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 2023	Extraordinary General Meeting	35.5383%	2023-01-30	2023-01-31	<p>1. The Proposal on the Plan for Repurchase of Some Public Shares was approved item by item.</p> <p>1.01 Objective and background of the share repurchase</p> <p>1.02 The Company's eligibility for share repurchase</p> <p>1.03 Method of the share repurchase</p> <p>1.04 Price range of shares to be repurchased</p> <p>1.05 Total amount and source of the funds to be used for the repurchase</p> <p>1.06 Number and percentage to the total capital of shares to be repurchased</p> <p>1.07 Purpose of the share repurchase</p> <p>1.08 Time limit of the share repurchase</p> <p>1.09 The valid period of the resolution on the share repurchase</p> <p>2. The Proposal on Request for General Meeting's Authorization to the Board to Handle Matters Regarding the Share Repurchase was approved.</p>
The Second Extraordinary General Meeting of 2023	Extraordinary General Meeting	33.4246%	2023-03-06	2023-03-07	<p>1. The Proposal on Repurchase and Retirement of Some Restricted Shares was approved.</p> <p>2. The Proposal on Change of the Company's Registered Capital and Amendments to the Company's Articles of Association was approved.</p>
The 2022 Annual General Meeting	Annual General Meeting	36.1623%	2023-04-17	2023-04-18	<p>1. The Proposal on the 2022 Work Report of the Board of Directors (including the 2022 Work Report of Independent Directors) was approved.</p> <p>2. The Proposal on the 2022 Work Report of the Supervisory Committee was approved.</p> <p>3. The Proposal on the 2022 Annual Report and Its Summary was approved.</p> <p>4. The Proposal on the 2022 Final Financial Accounts was approved.</p> <p>5. The Proposal on the 2023 Budget was approved.</p> <p>6. The Proposal on the 2022 Final Dividend Plan was approved.</p> <p>7. The Proposal on the 2022 Internal Control Assessment Report was approved.</p> <p>8. The Proposal on Intention to Appoint the Independent Auditor for 2023 was approved.</p> <p>9. The Proposal on the Use of Own Funds for Entrusted Wealth Management in 2023 was</p>

					approved. 10. The Proposal on 2023 Estimated Quota of Futures and Derivatives Transactions was approved.
The Third Extraordinary General Meeting of 2023	Extraordinary General Meeting	33.9262%	2023-06-30	2023-07-01	1. The Proposal on Repurchase and Retirement of Some Restricted Shares was approved. 2. The Proposal on Change of the Company's Registered Capital and Amendments to the Company's Articles of Association was approved.
The Fourth Extraordinary General Meeting of 2023	Extraordinary General Meeting	34.8597%	2023-09-05	2023-09-06	1. The Proposal on Repurchase and Retirement of Some Restricted Shares was approved. 2. The Proposal on Change of the Company's Registered Capital and Amendments to the Company's Articles of Association was approved.
The Fifth Extraordinary General Meeting of 2023	Extraordinary General Meeting	34.7310%	2023-11-15	2023-11-16	1. The Proposal on Election of Non-independent Directors for the Fifth Board of Directors was approved by cumulative voting. 1.01. Candidate: Mr. Tang Zhuolin was elected as a non-independent director for the fifth Board of Directors. 1.02. Candidate: Ms. Qiu Yezhi was elected as a non-independent director for the fifth Board of Directors. 1.03. Candidate: Mr. Xie Weiwei was elected as a non-independent director for the fifth Board of Directors. 1.04. Candidate: Ms. Feng Jia was elected as a non-independent director for the fifth Board of Directors. 2. The Proposal on Election of Independent Directors for the Fifth Board of Directors was approved by cumulative voting. 2.01. Candidate: Mr. Li Ketian was elected as an independent director for the fifth Board of Directors. 2.02. Candidate: Mr. Liu Da was elected as an independent director for the fifth Board of Directors. 2.03. Candidate: Mr. Tu Haichuan was elected as an independent director for the fifth Board of Directors. 3. The Proposal on Election of Non-employee Supervisor for the Fifth Supervisory Committee was approved by cumulative voting. 3.01. Candidate: Ms. Chen Huiyi was elected as a non-employee supervisor for the fifth Supervisory Committee. 3.02. Candidate: Mr. He Baohua was elected as a non-employee supervisor for the fifth Supervisory Committee. 4. The Proposal on Allowance for Independent Directors of the Fifth Board of Directors was

					<p>approved.</p> <p>5. The Proposal on Allowance for Supervisors of the Fifth Supervisory Committee was approved.</p> <p>6. The Proposal on Amendments to the Company's Articles of Association was approved.</p> <p>7. The Proposal on Amendments to the Work Rules for Independent Directors was approved.</p>
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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	Gender	Age	Office title	Incumbent/ Former	Start of tenure	End of tenure	Opening shareholding (share)	Increase in the period (share)	Decrease in the period (share)	Other increase/dec rease (share)	Closing shareholding (share)	Reason for share change
Tang Zhuolin	Male	61	Chairman of the Board	Incumbent	22 July 2010	15 November 2026	270,737,568				270,737,568	
Qiu Yezhi	Female	52	Director and General Manager	Incumbent	22 July 2010	15 November 2026	23,382,388				23,382,388	
Xie Weiwei	Male	50	Director and Deputy General Manager	Incumbent	16 June 2016	15 November 2026	1,000,000		248,000		752,000	reduce holdings
Feng Jia	Female	38	Director, Board Secretary and Vice President	Incumbent	12 August 2022	15 November 2026	700,000				700,000	
Shao Yongfeng	Male	49	Chief Financial Officer and Vice President	Incumbent	29 December 2020	15 November 2026	800,000				800,000	
Li Ketian	Male	67	Independent Director	Incumbent	12 August 2022	15 November 2026						
Liu Da	Male	49	Independent Director	Incumbent	12 August 2022	15 November 2026						
Tu Haichuan	Male	44	Independent Director	Incumbent	12 August 2022	15 November 2026						
Chen Huiyi	Female	39	Chairman of the Supervisory	Incumbent	19 May 2017	15 November 2026	480				480	

			Committee									
Zhao Xiuhe	Male	53	Employee Supervisor	Incumbent	16 June 2016	15 November 2026						
He Baohua	Male	42	Supervisor	Incumbent	22 September 2020	15 November 2026	614,088				614,088	
Total	--	--	--	--	--	--	297,234,524	0	248,000	0	296,986,524	--

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

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, 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 Dongfang Precision's General Manager and Chief Engineer since 1996, and is currently Chairman of the Board of Dongfang Precision, Director of Dong Fang Precision (HK) Limited, Director of Guangdong Fosber Intelligent Equipment Co., Ltd., Director of Suzhou Parsun Power Machine 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., Chairman of the Board of Fosber S.p.A., Director of EDF Europe S.r.l., Director of Fosber America, Inc., Director of Tiruñá S.L.U., Director of QuantumCorrugated S.r.l., Executive Director and General Manager of Shenzhen Xianglin Venture Capital Co., Ltd., Supervisor of Shenzhen Shenghui Venture Capital Co., Ltd., and Supervisor of Foshan Hengbao Taisheng Trade Co., Ltd.

Ms. Qiu Yezhi, 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. She served successively as Dongfang Precision's Director of the General Manager's Office, General Manager of Operations and General Manager since 1996, and as Dongfang Precision's General Manager and Board Secretary from July 2010 to October 2013. She served as the General Manager and Director of Tiruñá (Guangdong) Intelligent Equipment Manufacturing Co., Ltd. from May 2017 to September 2020. And from July 2020 to January 2023, she was successively Supervisor, Executive Director and Manager of Foshan Jingmu Trading Co., Ltd. Currently, she is Dongfang Precision's Director and General Manager, Chairman of the Board of Guangdong Fosber Intelligent Equipment Co., Ltd., Director of Suzhou Parsun Power Machine Co., Ltd., Executive Director and General Manager of Dongfang Digicom Technology Co., Ltd., Executive Director of Dongfang Digicom Technology (Guangdong) Co., Ltd., Supervisor of Hainan Yineng Investment Co., Ltd., Supervisor of Dongfang Yineng International Holding Co., Ltd., Vice Chairman of the Board of Fosber S.p.A., Director of Fosber America, Inc., Director of Tiruñá S.L.U., Director of EDF Europe S.r.l., Director of Tiruñá America inc., Director of Dong Fang Precision (Netherland) Cooperatief U.A., Executive Director and General Manager of Shenzhen Shenghui Venture Capital Co., Ltd., and Supervisor of Shenzhen Xianglin Venture Capital Co., Ltd.

Mr. Xie Weiwei, Chinese, 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, 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 LUYIN 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. Currently the supervisor of Shenzhen Wonder Digital Technology Co. from December 2023 to present.

Mr. Li Ketian, Chinese, 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 Independent Director of Dongfang Precision.

Mr. Liu Da, Chinese, 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: HK00185) and the Independent Director of Kimou Environmental Holding Limited (Stock Code: HK06805), 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, has no right of permanent residence abroad. Graduated from Shanghai University of Finance and Economics. Bachelor degree. 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, 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. from September 2008 to December 2009, currently the Chairman of the Supervisory Committee and Secretary to General Manager of Dongfang Precision, as well as Supervisor of the subsidiary Suzhou Parsun Power Machine Co., Ltd.

Mr. He Baohua, Chinese, 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 Xiuhe, Chinese, 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 and Vice President. Her resume is detailed in "1. Members of the Board of Directors".

Mr. Shao Yongfeng, Chinese, 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 Tian da 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	Fosber Italy	Chairman of the Board	19 May 2023		Yes
Tang Zhuolin	Dongfang Precision (Europe)	Director	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	Supervisor	26 February 2021		No

	(Guangdong)				
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	Tiruña S.L.U.	Director	3 August 2022		Yes
Tang Zhuolin	QCorr	Director	22 May 2023		No
Tang Zhuolin	Foshan Hengbao Taisheng Trade Co., Ltd.	Supervisor	6 September 2023		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	Tiruña America	Director	26 July 2022		Yes
Qiu Yezhi	Tiruña S.L.U.	Director	30 May 2019		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	Executive Director	18 May 2015		No

	Venture Capital Co., Ltd.	and General Manager			
Qiu Yezhi	Dongfang Precision (Netherland)	Director	8 November 2023		Yes
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
Xie Weiwei	Huanong Property and Casualty Insurance Co., Ltd.	External supervisor	23 December 2023		Yes
Feng Jia	Wonder Digital	supervisor	21 December 2023		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 Dicom	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
He Baohua	Foshan Hengbao Taisheng Trade Co., Ltd.	Executive Director, General Manager, Head of Finance	6 September 2023		Yes
Note	Not applicable				

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

Applicable Not applicable

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	Gender	Age	Office title	Incumbent/Former	Total before-tax remuneration from the Company	Remuneration from any related party or not
Tang Zhuolin	Male	61	Chairman of the Board	Incumbent	425.77	Yes
Qiu Yezhi	Female	52	Director and General Manager	Incumbent	417.44	Yes
Xie Weiwei	Male	50	Director and Deputy General Manager	Incumbent	86.83	Yes
Feng Jia	Female	38	Director, Board Secretary and Vice President	Incumbent	86.85	No
Shao Yongfeng	Male	49	Chief Financial Officer and Vice President	Incumbent	142.49	No
Li Ketian	Male	67	Independent Director	Incumbent	20.00	No
Liu Da	Male	49	Independent Director	Incumbent	20.00	No
Tu Haichuan	Male	44	Independent Director	Incumbent	20.00	No
Chen Huiyi	Female	39	Chairman of the Supervisory Committee	Incumbent	27.64	No
Zhao Xiuhe	Male	53	Employee Supervisor	Incumbent	24.62	No

He Baohua	Male	42	Supervisor	Incumbent	44.14	Yes
Total	--	--	--	--	1,315.78	--

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 22 nd (Extraordinary) Meeting of the 4 th Board of Directors	2023-01-06	2023-01-07	<p>1. The Proposal on the Plan for Repurchase of Some Public Shares was approved item by item.</p> <p>1.01 Objective and background of the share repurchase</p> <p>1.02 The Company's eligibility for share repurchase</p> <p>1.03 Method of the share repurchase</p> <p>1.04 Price range of shares to be repurchased</p> <p>1.05 Total amount and source of the funds to be used for the repurchase</p> <p>1.06 Number and percentage to the total capital of shares to be repurchased</p> <p>1.07 Purpose of the share repurchase</p> <p>1.08 Time limit of the share repurchase</p> <p>1.09 The valid period of the resolution on the share repurchase</p> <p>2. The Proposal on Request for General Meeting's Authorization to the Board to Handle Matters Regarding the Share Repurchase was approved.</p> <p>3. The Proposal on the Convening of the 1st Extraordinary General Meeting for 2023 was approved.</p>
The 23 rd (Extraordinary) Meeting of the 4 th Board of Directors	2023-02-17	2023-02-18	<p>1. The Proposal on the Satisfaction of the Unlocking Conditions for the Second Unlocking Period for the Reserved Restricted Shares under the 2020 Restricted Share Incentive Plan was approved.</p> <p>2. The Proposal on Repurchase and Retirement of Some Restricted Shares was approved.</p> <p>3. The Proposal on Change of the Company's Registered Capital and Amendments to the Company's Articles of Association was approved.</p> <p>4. The Proposal on the Convening of the 2nd Extraordinary General Meeting for 2023 was approved.</p>
The 24 th Meeting of the 4 th Board of Directors	2023-03-24	2023-03-28	<p>1. The Proposal on the 2022 Work Report of the Board of Directors (including the 2022 Work Report of Independent Directors) was approved.</p> <p>2. The Proposal on the 2022 Work Report of the General Manager was approved.</p> <p>3. The Proposal on the 2022 Annual Report and Its Summary was approved.</p> <p>4. The Proposal on the 2022 Final Financial Accounts was approved.</p> <p>5. The Proposal on the 2023 Budget was approved.</p> <p>6. The Proposal on the 2022 Final Dividend Plan was approved.</p>

			<p>7. The Proposal on the 2022 Internal Control Assessment Report was approved.</p> <p>8. The Proposal on the Summary Report of the Audit Committee of the Board of Directors on the 2022 Audit Service Provided by Ernst & Young Hua Ming LLP (Special General Partnership) and the Renewal of Ernst & Young as the Company's 2023 Audit Institution was approved.</p> <p>9. The Proposal on the Use of Own Funds for Entrusted Wealth Management in 2023 was approved.</p> <p>10. The Proposal on the Use of Own Funds for Investment Securities in 2023 was approved.</p> <p>11. The Proposal on the Application for Comprehensive Credit Line from Banks in 2023 was approved.</p> <p>12. The Proposal on 2023 Estimated Quota of Futures and Derivatives Transactions was approved.</p> <p>13. The Proposal on the 2023~2027 Five Year Strategic Plan was approved.</p> <p>14. The Proposal on Re-election of Members for the Special Committees under the Fourth Board of Directors was approved.</p> <p>15. The Proposal on the Convening of the 2022 Annual General Meeting was approved.</p>
The 25 th (Extraordinary) Meeting of the 4 th Board of Directors	2023-04-21	2023-04-22	<p>1. The Proposal on the 2023 First Quarter Report was approved.</p> <p>2. The Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the First Grant under the 2022 Restricted Share Incentive Plan was approved (the related director, Feng Jia, avoided voting).</p>
The 26 th (Extraordinary) Meeting of the 4 th Board of Directors	2023-06-13	2023-06-14	<p>1. The Proposal on the Provision of Guarantee for Overseas Wholly-owned Subsidiary was approved.</p> <p>2. The Proposal on the Satisfaction of the Unlocking Conditions for the Third Unlocking Period for the First Grant under the 2020 Restricted Share Incentive Plan was approved (the related directors, Qiu Yezhi and Xie Weiwei, avoided voting).</p> <p>3. The Proposal on Repurchase and Retirement of Some Restricted Shares was approved.</p> <p>4. The Proposal on Change of the Company's Registered Capital and Amendments to the Company's Articles of Association was approved.</p> <p>5. The Proposal on the Convening of the 3rd Extraordinary General Meeting for 2023 was approved.</p>
The 27 th Meeting of the 4 th Board of Directors	2023-07-24	2023-07-26	<p>1. The Proposal on the 2023 Semi-Annual Report and Its Summary was approved.</p>
The 28 th (Extraordinary) Meeting of the 4 th Board of Directors	2023-08-18	2023-08-19	<p>3. The Proposal on Repurchase and Retirement of Some Restricted Shares was approved.</p> <p>4. The Proposal on Change of the Company's Registered Capital and Amendments to the Company's Articles of Association was approved.</p> <p>5. The Proposal on the Convening of the 4th Extraordinary General Meeting for 2023 was approved.</p>
The 29 th	2023-10-23	2023-10-24	<p>1. The Proposal on the 2023 Third Quarter Report was</p>

(Extraordinary) Meeting of the 4 th Board of Directors			approved. 2. The Proposal on Re-election of the Board of Directors and Nomination of Non-independent Director Candidates for the 5 th Board of Directors was approved. 3. The Proposal on Re-election of the Board of Directors and Nomination of Independent Director Candidates for the 5 th Board of Directors was approved. 4. The Proposal on Allowance for the Independent Directors of the 5 th Board of Directors was approved (the related directors, Li Ketian, Liu Da, and Tu Haichuan, avoided voting). 5. The Proposal on Amendments to the Company's Articles of Association was approved. 6. The Proposal on Amendments to the Work Rules for Independent Directors was approved. 7. The Proposal on the Convening of the 5 th Extraordinary General Meeting for 2023 was approved.
The 1 st (Extraordinary) Meeting of the 5 th Board of Directors	2023-11-15	2023-11-16	1. The Proposal on Election of Chairman for the 5 th Board of Directors was approved. 2. The Proposal on Election of Members for the Special Committees under the 5 th Board of Directors was approved. 3. The Proposal on Appointment of General Manager was approved. 4. The Proposal on Appointment of Deputy General Manager was approved. 5. The Proposal on Appointment of Head of Finance was approved. 6. The Proposal on Appointment of Board Secretary was approved.

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	3	6	0	0	Not	6
Qiu Yezhi	9	3	6	0	0	Not	6
Xie Weiwei	9	3	6	0	0	Not	6
Feng Jia	9	3	6	0	0	Not	6
Li Ketian	9	3	6	0	0	Not	6
Liu Da	9	3	6	0	0	Not	6
Tu Haichuan	9	3	6	0	0	Not	6

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, Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Main Board Listed Companies, the Articles of Association, the Rules of Procedure for the Board of Directors, the Rules for Independent 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)
Audit Committee	Tu Haichuan, Li Ketian, and Qiu Yezhi	1	March 23, 2023	<ol style="list-style-type: none"> 1. The Proposal on the 2022 Auditor's Report of Guangdong Dongfang Precision Science & Technology Co., Ltd. was approved. 2. The Proposal on the 2022 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 2022 Annual Audit of Ernst & Young Hua Ming LLP was approved. 4. The Proposal on the Proposed Appointment of an Audit Institution for 2023 was approved. 	No	No	No
Audit Committee	Tu Haichuan, Li Ketian, and Qiu Yezhi	1	March 23, 2023	<ol style="list-style-type: none"> 1. The Proposal on the Work Report of the Audit Department for Q4 2022 was approved. 2. The Proposal on the Work Report of the Audit Committee for Q4 2022 was approved. 3. The Proposal on the Work Report of the Audit Department for 2022 was approved. 4. The Proposal on the Work Report of the Audit Committee for 2022 was approved. 5. The Proposal on the Work Plan of the Audit Department for 2023 was approved. 	No	No	No
Audit Committee	Tu Haichuan, Li Ketian, and Qiu Yezhi	1	March 23, 2023	<ol style="list-style-type: none"> 1. The Proposal on the Election of Convenor for the Audit Committee under the Fourth Board of Directors was approved. 	No	No	No
Audit Committee	Tu Haichuan, Li Ketian, and Qiu Yezhi	1	April 20, 2023	<ol style="list-style-type: none"> 1. The Proposal on the Work Report of the Audit Department for Q1 2023 was approved. 2. The Proposal on the Work Report of the Audit Committee for Q1 2023 was approved. 3. The Proposal on the Work Plan of the Audit Department for Q2 2023 was approved. 4. The Proposal on the Audit Report for the Q1 2023 Financial Statements was approved. 	No	No	No
Audit Committee	Tu Haichuan, Li Ketian,	1	July 21, 2023	<ol style="list-style-type: none"> 1. The Proposal on the Work Report of the Audit Department for Q2 2023 was approved. 	No	No	No

Committee	Members	Number of meetings convened	Date of meeting	Contents	Important opinion and suggestions	Other performance of duties	Particulars about objections (if any)
	and Qiu Yezhi			2. The Proposal on the Work Report of the Audit Committee for Q2 2023 was approved. 3. The Proposal on the Work Plan of the Audit Department for Q3 2023 was approved. 4. The Proposal on the Audit Report for the 2023 Semi-Annual Financial Statements was approved.			
Audit Committee	Tu Haichuan, Li Ketian, and Qiu Yezhi	1	October 20, 2023	1. The Proposal on the Work Report of the Audit Department for Q3 2023 was approved. 2. The Proposal on the Work Report of the Audit Committee for Q3 2023 was approved. 3. The Proposal on the Work Plan of the Audit Department for Q4 2023 was approved. 4. The Proposal on the Audit Report for the Q3 2023 Financial Statements was approved.	No	No	No
Audit Committee	Tu Haichuan, Li Ketian, and Qiu Yezhi	1	November 15, 2023	1. The Proposal on the Election of Convenor for the Audit Committee under the Fifth Board of Directors was approved.	No	No	No
Remuneration and Appraisal Committee	Liu Da, Qiu Yezhi, and Li Ketian	1	February 13, 2023	1. The Proposal on the 2021 Annual Performance Appraisal Results for the Awardees of the 2020 Restricted Share Incentive Plan was approved. 2. The Proposal on the Satisfaction of the Unlocking Conditions for the Second Unlocking Period for the Reserved Shares under the 2020 Restricted Share Incentive Plan was approved. 3. The Proposal on Repurchase and Retirement of Some Restricted Shares was approved.	No	No	No
Remuneration and Appraisal Committee	Liu Da, Qiu Yezhi, and Li Ketian	1	March 23, 2023	1. The Proposal on the Election of Convenor for the Remuneration and Appraisal Committee under the Fourth Board of Directors was approved.	No	No	No
Remuneration and	Liu Da, Qiu Yezhi, and Li	1	April 21, 2023	1. The Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the First Grant under the 2022 Restricted Share Incentive Plan	No	No	No

Committee	Members	Number of meetings convened	Date of meeting	Contents	Important opinion and suggestions	Other performance of duties	Particulars about objections (if any)
Appraisal Committee	Ketian			was approved. 2. The Proposal on the 2022 Annual Performance Appraisal Results for the Awardees of the First Grant under the 2022 Restricted Share Incentive Plan was approved.			
Remuneration and Appraisal Committee	Liu Da, Qiu Yezhi, and Li Ketian	1	June 12, 2023	1. The Proposal on the 2022 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 Third Unlocking Period for the First Grant under the 2020 Restricted Share Incentive Plan was approved.	No	No	No
Remuneration and Appraisal Committee	Liu Da, Qiu Yezhi, and Li Ketian	1	October 23, 2023	1. The Proposal on Allowance for Independent Directors of the Fifth Board of Directors was approved. 2. The Proposal on Allowance for Supervisors of the Fifth Supervisory Committee was approved.	No	No	No
Remuneration and Appraisal Committee	Liu Da, Qiu Yezhi, and Li Ketian	1	November 15, 2023	1. The Proposal on the Election of Convenor for the Remuneration and Appraisal Committee under the Fifth Board of Directors was approved.	No	No	No
Nomination Committee	Liu Da, Tang Zhuolin, and Tu Haichuan	1	March 23, 2023	1. The Proposal on the Election of Convenor for the Nomination Committee under the Fourth Board of Directors was approved.	No	No	No
Nomination Committee	Liu Da, Tang Zhuolin, and Tu Haichuan	1	October 23, 2023	1. The Proposal on Nomination of Non-independent Director Candidates for the Fifth Board of Directors was approved. 1.01 The Proposal on Nomination of Mr. Tang Zhuolin as Non-independent Director Candidate for the Fifth Board of Directors 1.02 The Proposal on Nomination of Ms. Qiu Yezhi as Non-independent Director Candidate for the Fifth Board of Directors 1.03 The Proposal on Nomination of Mr. Xie Weiwei as Non-independent Director Candidate for the Fifth Board of Directors 1.04 The Proposal on Nomination of Ms. Feng Jia as Non-independent Director Candidate for the Fifth Board of Directors	No	No	No

Committee	Members	Number of meetings convened	Date of meeting	Contents	Important opinion and suggestions	Other performance of duties	Particulars about objections (if any)
				<p>2. The Proposal on Nomination of Independent Director Candidates for the Fifth Board of Directors was approved.</p> <p>2.01 The Proposal on Nomination of Mr. Li Ketian as Independent Director Candidate for the Fifth Board of Directors</p> <p>2.02 The Proposal on Nomination of Mr. Tu Haichuan as Independent Director Candidate for the Fifth Board of Directors</p> <p>2.03 The Proposal on Nomination of Mr. Liu Da as Independent Director Candidate for the Fifth Board of Directors</p>			
Nomination Committee	Liu Da, Tang Zhuolin, and Tu Haichuan	1	November 15, 2023	1. The Proposal on the Election of Convenor for the Nomination Committee under the Fifth Board of Directors was approved.	No	No	No

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	532
Number of in-service employees of principal subsidiaries at the period-end	1732
Total number of in-service employees at the period-end	2264
Total number of paid employees in the Reporting Period	2661
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Production&Operation	1360
Marketing	269
R&D and technical	335
Financial	80
Comprehensive	220
Total	2264
Educational backgrounds	
Educational background	Employees
Below junior college	881
Junior college	825
Bachelor's degree	400
Master's degree and above	158
Total	2264

2. Employee Remuneration Policy

The Company remuneration policy in 2023 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 rate 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: 229 training sessions were carried out at the Group headquarters and domestic branches and subsidiaries in 2023. The number of training hours per capita was approximately 13.86 hours, totaling 5,113 training attendees. There were 11 leadership empowerment training sessions, with 166 hours of teaching, covering 110 people; 167 professional competence training sessions, with 1,225 hours of teaching, covering 1,861 people; 14 general capability training sessions, with 144.5 hours of teaching, covering 437 people; 18 training sessions for safety and health, with 38 hours of teaching, covering 2,379 people; 19 training sessions for new recruits, with 72 hours of teaching, covering 326 people. Online training resources enabled a total of 186 hours of empowerment.

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 instituted a cross-departmental talent exchange initiative within the Group, fostering collaboration and shared learning across subsidiaries, while dynamically optimising, adjusting, and monitoring progress in accordance with evolving business development needs at the subsidiary and Group levels.

4. The Company developed a comprehensive plan for the Group's Training Knowledge Base project, aiming to consistently refresh and refine its contents, covering aspects like the curriculum framework, instructor resources, management of training programme suppliers, and overall training administration.

5. In December 2023, the Company convened a summit to decode and strategise around the Group's a "Wealth of Talent" initiative, clarifying its goals and tactical roadmap. This endeavour seeks to bolster and refine all aspects of talent acquisition, cultivation, development, deployment, and retention, thereby ensuring a stronger foundation to support the execution of the Company's business strategies.

6. Overseas subsidiaries constantly prioritised employee career progression and personal development, proactively

implementing a variety of training programmes, including professional and technical instruction, leadership development, safety and health education, language courses, and soft skills enhancement. In 2023, Fosber Italy executed the FormaT training plan, featuring 73 courses and totaling 384 hours. This involved coordinating 174 hours of leadership training, 2,729 hours dedicated to safety and health topics, and 892 hours focusing on soft skills improvement, benefiting over 120 employees in skill upgrades. Moreover, it offered online language classes for white-collar workers and devised custom-fit training schemes for operators.

4. Labor Outsourcing

Applicable Not applicable

Total hours of labor outsourced	95,013.5
Total payment for labor outsourcing (RMB yuan)	2,734,754

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

Articles 183 and 186 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
If the Company has no dividend plan, it should disclose the specific reasons and the next steps it intends to take to enhance investor returns	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

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

Applicable Not applicable

1. Equity Incentives

The implementations of the above-mentioned incentive plans during the Reporting Period are as follows:

1. On 17 February 2023, the Proposal on the Satisfaction of the Unlocking Conditions for the Second Unlocking Period for the Reserved Restricted Shares under the 2020 Restricted Share Incentive Plan was approved at the 23rd (Extraordinary) Meeting of the 4th Board of Directors and the 17th (Extraordinary) Meeting of the 4th Supervisory Committee. On 28 February 2023, 1,632,000 shares held by 17 awardees were unlocked for public trading in the second unlocking period for the reserved restricted shares under the 2020 Restricted Share Incentive Plan.

2. On 21 April 2023, the Proposal on the Satisfaction of the Unlocking Conditions for the First Unlocking Period for the First Grant under the 2022 Restricted Share Incentive Plan was approved at the 25th (Extraordinary) Meeting of the 4th Board of Directors and the 19th (Extraordinary) Meeting of the 4th Supervisory Committee. On 28 April 2023, 530,000 shares held by 7 awardees were unlocked for public trading in the first unlocking period for the first grant under the 2022 Restricted Share Incentive Plan.

3. On 13 June 2023, the Proposal on the Satisfaction of the Unlocking Conditions for the Third Unlocking Period for the First Grant under the 2020 Restricted Share Incentive Plan was approved at the 26th (Extraordinary) Meeting of the 4th Board of Directors and the 20th (Extraordinary) Meeting of the 4th Supervisory Committee. On 26 June 2023, 8,620,000 shares held by 37 awardees were unlocked for public trading in the third unlocking period for the first grant under the 2020 Restricted Share Incentive Plan.

4. On 6 March 2023, the Proposal on the Repurchase and Retirement of Some Restricted Shares was approved at the Second Extraordinary General Meeting of 2023. As one awardee resigned from the Company due to personal reasons and thus was no longer eligible as an awardee for the restricted shares, the Company repurchased and retired the 128,000 restricted shares that had been granted to this awardee but were still in lockup. The Shenzhen branch of China Securities Depository and Clearing Corporation Limited confirmed that the retirement of the aforesaid repurchased restricted shares was completed on 22 March 2023.

5. On 30 June 2023, the Proposal on the Repurchase and Retirement of Some Restricted Shares was approved at the Third Extraordinary General Meeting of 2023. As one awardee had resigned from the Company and thus was no longer eligible for the equity incentives, the Company intended to repurchase the 120,000 restricted shares that had been granted to this awardee but were still in lockup, all of which would be retired. The Shenzhen branch of China Securities Depository and Clearing Corporation Limited confirmed that the retirement of the aforesaid repurchased restricted shares was completed on 8 August 2023.

6. On 5 September 2023, the Proposal on the Repurchase and Retirement of Some Restricted Shares was approved at the Fourth Extraordinary General Meeting of 2023. As one awardee had resigned from the Company and thus was no longer eligible for the equity incentives, the Company intended to repurchase the 240,000 restricted shares that had been granted to this awardee but were still in lockup, all of which would be retired. The Shenzhen branch of China Securities Depository and Clearing Corporation Limited confirmed that the retirement of the aforesaid repurchased restricted shares was completed on 23 October 2023.

7. On 14 March 2023, the Company disclosed the Announcement on Lapse of Reserved Interests under the 2022 Restricted Share Incentive Plan. The Company had reserved 662,500 restricted shares under the 2022 Restricted Share Incentive Plan for potential awardees in the future. According to the 2022 Restricted Share Incentive Plan, "The awardees for the reserved portion of the

Plan shall be determined within 12 months after the Plan has been approved by a general meeting of shareholders. After the Board of Directors has proposed, the Independent Directors and the Supervisory Committee have expressed their consent, and the law firm has expressed their professional opinions and issued a legal opinion, the Company shall disclose the relevant information about the awardees in a timely and accurate manner at the designated website in accordance with the requirements. If the awardees are not determined within 12 months, the reserved interests shall lapse.”

It has been more than 12 months since the First Extraordinary General Meeting of 2022 held on 14 March 2022 approved the Proposal on the 2022 Restricted Share Incentive Plan (Draft) and Summary, the Company has not identified any awardees for the reserved interests, and the reserved 662,500 restricted shares have lapsed.

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 (RMB yuan/share)	Closing share options	Market price at the period-end (RMB yuan/share)	Opening restricted shares	Unlocked shares in the Reporting Period	Restricted shares newly granted in the Reporting Period	Grant price (RMB yuan/share)	Closing restricted shares
Qiu Yezhi	Director and General Manager								3,600,000	3,600,000	0	1	0
Xie Weiw ei	Director and Deputy General Manager								400,000	400,000	0	1	0
Feng Jia	Director, Board								700,000	140,000	0	1	560,000

	Secretary and Vice President												
Shao Yongfeng	Chief Financial Officer and Vice President								640,000	320,000	0	1	320,000
Total	--					--		--	5,340,000	4,460,000	0	--	880,000

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
N/A	N/A	N/A	N/A	N/A	N/A	N/A

XIV Self-Assessment Report and Independent Auditor's Report on Internal Control

1. Internal Control Self-Assessment Report

Date of disclosure of the full internal control assessment report	28 March 2024	
Index to the full internal control assessment report disclosed	Published on www.cninfo.com.cn	
Ratio of the total assets of the organizations included in the assessment to the total assets in the Company's consolidated financial report	100.00%	
Ratio of the revenue of the organizations included in the assessment to the revenue in the Company's consolidated financial report	100.00%	
Defect identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	1) Indications of significant defects in financial reports include: a. Fraudulent conduct by directors, supervisors and senior management of the Company; b. Correction of a published financial report by the Company; c.	The identification of defects in non-financial reports is mainly based on the degree of impact of the defects on the effectiveness of business procedures and the possibility of their occurrence. 1) Significant defect

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

		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 2023, 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 2024
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

N/A

Part V Environmental and Social Responsibilities

I Significant Environmental Issues

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

Applicable Not applicable

The subsidiary Fosber Italy has established and implemented a sustainability management system and is certified to the following international standards: ISO45001:2018, ISO9001:2015, ISO14001:2015, EMAS (EU Eco-Management and Audit System), and SA8000:2014.

The subsidiary Tiru ña Group has reached full reliance on green power for its entire energy consumption and is progressing in 2023 to augment its self-sufficiency by installing additional solar panels and boosting its photovoltaic capacity.

The subsidiary, Parsun Power, completed an installed capacity of 1MW rooftop photovoltaic power station in 2023. The project utilises a self-consumption model for generated power and feeds excess energy back to the grid. Anticipated to yield an average of 1.1 million kWh annually, the project is projected to conserve approximately 117 tons of standard coal and simultaneously cut down around 948 tonnes of CO2 emissions each year.

Reasons for non-disclosure of other environmental information

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: Dongfang Precision was granted the National Pollutant Discharge Permit and regularly completes the filling of data for post-license monitoring of the National Discharge License. It commissioned the qualified third-party environmental protection agencies to compile the Contingency Plans for Environmental Emergencies and update it on a regular basis. The Company established the "Environmental Self-Monitoring Programme", entrusted a third party to install and operate 24-hour sewage on-line flow monitoring equipment, and entrusted a third-party monitoring organisation to carry out quarterly testing of wastewater, exhaust gas and noise and issue third-party test reports. Moreover, 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, has purchased complete environmental protection equipment to 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 is a State-level High-tech Enterprise and won honorary titles including "Top 500 Private Manufacturing Enterprises in China", "Leading Enterprises in Subdivided Industries in Foshan", and "Guangdong Provincial Industrial Design Centre ". The subsidiary Fosber Asia won honorary titles including "Guangdong Demonstration Enterprise of Intellectual Property". The subsidiary Wonder Digital has been successfully selected as a State-level "Little Giant" enterprise with specialties, refined management, unique technologies and innovation in 2023. The subsidiary Parsun Power is a State-level "Little Giant" enterprise with specialties, refined management, unique technologies and innovation, a State-level High-tech Enterprise an engineering technology research centre for outboard motors in Jiangsu Province, an enterprise technology centre recognised 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 motors of Parsun Power have also won many honours such as the certificate of industrialisation 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 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	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
			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.			
	Tang Zhuolin, Tang Zhuomian	Undertaking on horizontal competition, related-party transactions and capital occupation	1. The undertaker and companies controlled by it are not engaging in any business the same as, similar to or competing with the business of the listed company and companies controlled by it, and they will neither, in any way, engage in or assist others in engaging in any business that competes or may compete with the business of the listed company and companies controlled by it, nor merge or substantially invest in (or jointly hold), directly or indirectly, other companies engaging in any business that competes or may compete with the business of the listed company and companies controlled by it. 2. If the listed company engages in a new business sector, the undertaker will not engage in any business that competes with such a new business of the listed company, except with the prior written consent of the listed company. 3. If any business opportunity obtained by the undertaker from any third party completes or may compete with the business of the listed company and companies controlled by it, the undertaker will immediately inform and make every effort to deliver the business opportunity to the listed company. 4. The undertaker will not, in any way, use the information or other resources obtained from the listed company to conduct any act that harms the interests of the listed company. 5. In case of any	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
			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,	Other undertakings	1. I will not overstep my authority to intervene in the operation and management of Dongfang	25 November	Long-term effective	In normal progress of

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
	Tang Zhuomian		Precision, will not occupy the interests of Dongfang Precision, and will earnestly take corresponding measures to fill up the diluted spot returns of Dongfang Precision. 2. After the CSRC and Shenzhen Stock Exchange otherwise release the measures to fill up diluted spot returns and opinions and implementation rules for its undertakings, if Dongfang Precision's corresponding policies and undertakings fail to meet such provisions, I will immediately submit a supplementary undertaking to the CSRC and Shenzhen Stock Exchange as required in order to be compliant. 3. I undertake to earnestly take the 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.	2019		fulfilment
	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	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
			losses caused thereby.			
	He Weifeng, Mai Zhirong, Peng Xiaowei, Qiu Yezhi, Tang Zhuolin, Xie Weiwei, Zhou Wenhui	Other undertakings	<p>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.</p> <p>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 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.</p>	25 November 2019	Long-term effective	In normal progress of fulfilment
Undertakings made in IPO or refinancing	Tang Zhuolin, Tang	Undertaking on horizontal	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	18 August 2010	Long-term effective	In normal progress of fulfilment

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
	Zhuomian	competition, related-party transactions and capital occupation	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.			
	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.	15 August 2011	Long-term effective	In normal progress of fulfilment
Undertakings related to equity incentives						
Undertakings made to minority shareholders of the Company						
Other undertakings						
Whether the undertakings were timely performed	Yes					
Where the Company failed to fulfill an	Not applicable					

Cause of undertakings	Parties of undertakings	Types of undertakings	Contents of undertakings	Date of undertakings	Term of undertakings	Fulfilment of undertakings
undertaking on time, it shall explain in detail the reasons for failing to do so and the subsequent plan						

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

According to Interpretation No. 16 for The Accounting Standards for Business Enterprises issued by the Ministry of Finance in November 2022 (C.K. [2022] No. 31), for a single transaction that is not a business combination and does not affect either accounting profit or taxable income (or deductible losses) at the time the transaction occurs, and where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences in equal amounts, the exemption from initial recognition of deferred income tax is not applicable. The above provisions are effective from 1 January 2023 in accordance with the said Interpretation No. 16.

Since 1 January 2023, the Company has adopted the above-mentioned accounting policy and changed from consolidating deferred income taxes to recognising the corresponding deferred income tax liabilities and deferred income tax assets, respectively, for taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities for lease transactions in which lease liabilities are initially recognised on the lease commencement date and included in the right-of-use assets.

Save as disclosed above, the Company had no other changes to accounting policies or estimates or correction of material accounting errors in the Reporting Period.

VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

No such cases in the Reporting Period.

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	RMB4.73 million
How many consecutive years the domestic independent auditor has provided audit service for the Company	4 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: 4 years; Hu Chuan: 2 year
Name of the overseas independent auditor (if any)	N/A
The Company's payment to the overseas independent auditor	N/A
How many consecutive years the overseas independent auditor has provided audit service for the Company	N/A
Names of the certified public accountants from the overseas independent auditor writing signatures on the auditor's report	N/A

How many consecutive years the overseas certified public accountants have provided audit service for the Company	N/A
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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 2023 for a fee of RMB300,000.

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

A dispute arose between Fosber Italy, a wholly-owned subsidiary of Dongfang Precision (Netherlands), and the Tuscany Regional Directorate of the Italian Revenue Agency in relation to the matter of the applicable rate of the withholding tax on foreign dividends for the distribution of dividends to its parent company, Dongfang Precision (Netherlands), for the period from 2017 to 2022, and Fosber Italy reached a settlement of the above dispute with the Italian Revenue Agency on 12 October 2023, and signed the Settlement Agreement. In the Settlement Agreement, the parties agreed that Fosber Italy's dividend distribution to Dongfang Precision (Netherlands) for the year 2022 is exempted from dividend withholding tax, and that Fosber Italy shall pay to the Italian Revenue Agency, in the form of a lump sum, the withholding tax (including interest) on dividends for the years 2017 to 2021 in the amount of EUR5,877,700,000 and the related penalty in the amount of EUR324,500,000, in accordance with the rate of 10% provided for under the Double Taxation Convention signed by Italy and China; and that Fosber Italy shall apply the "Withholding Tax Exemption Regime" to the distribution of dividends for the years 2022 and thereafter. Fosber Italy will be subject to a "withholding tax exemption" for the distribution of dividends from 2022 onwards. At the same time, the agreement provides for tax adjustments for the period from 2019 to 2021 in respect of the business transactions between Fosber Italy and Fosber Tianjin and Fosber Asia, subsidiaries of Dongfang Precision, in the amount of EUR453,200,000 in back taxes (including interest) and EUR8000 in penalties.

The Company disclosed the Announcement on Tax Settlement Agreements Signed by Overseas Subsidiaries on 14 October 2023, which was published in China Securities Journal, Shanghai Securities News, Securities Times and www.cninfo.com.cn.

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)	14 June 2023	No more than EUR34.5 million	15 June 2023	EUR34.4056 million	Joint liability; Pledge	Security deposits	--	From the date when the guarantee took effect to	No	No

								15 June 2024		
Total approved line for such guarantees in the Reporting Period (B1)		No more than EUR34.5 million		Total actual amount of such guarantees in the Reporting Period (B2)						EUR34.4056 million
Total approved line for such guarantees at the end of the Reporting Period (B3)		No more than EUR34.5 million		Total actual balance of such guarantees at the end of the Reporting Period (B4)						EUR34.4056million
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	No more than EUR3 million	30 April 2020	EUR0.4124 million	General Guarantee	-	-	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						EUR0.4124 million
Total approved line for such guarantees at the end of the Reporting Period (C3)		No more than EUR3 million		Total actual balance of such guarantees at the end of the Reporting Period (C4)						EUR0.4124 million
Total guarantee amount (total of the three kinds of guarantees above)										
Total guarantee line approved in the Reporting Period (A1+B1+C1)		No more than EUR34.5 million		Total actual guarantee amount in the Reporting Period (A2+B2+C2)						EUR34.818 million
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		No more than EUR37.5 million		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)						EUR34.818 million
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets										6.07%

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)	EUR0.4124 million
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)	EUR0.4124 million
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	33,473.16	13,300	0	0
Securities firm's wealth management product	Self-funded	44,040	31,700	0	0
Trust product	Self-funded	0	0	358.62	358.62
Total		77,513.16	45,000	358.62	358.62

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 RMB3.5862 million, for which an impairment allowance of RMB3.5862 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

No such cases in the Reporting Period.

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	233,182,533	18.79%	0	0	0	-6,810,000	-6,810,000	226,372,533	18.25%
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	232,342,533	18.72%	0	0	0	-6,130,000	-6,130,000	226,212,533	18.23%
Including: Shares held by domestic corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic individuals	232,342,533	18.72%	0	0	0	-6,130,000	-6,130,000	226,212,533	18.23%
1.4 Shares held by overseas investors	840,000	0.07%	0	0	0	-680,000	-680,000	160,000	0.01%
Including: Shares held by overseas corporations	0	0.00%	0	0	0		0	0	0.00%
Shares held by overseas individuals	840,000	0.07%	0	0	0	-680,000	-680,000	160,000	0.01%
2. Unrestricted	1,007,923,867	81.21%	0	0	0	6,322,000	6,322,000	1,014,245,867	81.75%

shares									
2.1 RMB-denominated ordinary shares	1,007,923,867	81.21%	0	0	0	6,322,000	6,322,000	1,014,245,867	81.75%
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	1,241,106,400	100.00%	0	0	0	-488,000	-488,000	1,240,618,400	100.00%

Reasons for share changes:

Applicable Not applicable

1. Repurchase and retirement of 488,000 shares

On 22 March 2023, one awardee for the reserved restricted shares under the 2020 Restricted Share Incentive Plan left office and was thus no longer eligible for the said equity incentives. Therefore, the Company repurchased and retired the 128,000 restricted shares that had been granted to this awardee but were still in lockup.

On 8 August 2023 and 23 October 2023, two awardees for the first grant under the 2022 Restricted Share Incentive Plan left office and were thus no longer eligible for the said equity incentives. Therefore, the Company repurchased and retired the 360,000 restricted shares that had been granted to these awardees but were still in lockup.

2. Unlocking of some restricted shares

(1) Unlocking of restricted shares as equity incentives

On 28 February 2023, the shares were unlocked for public trading in the second unlocking period for the reserved restricted shares under the 2020 Restricted Share Incentive Plan, which involved 1,632,000 shares held by 17 awardees.

On 28 April 2023, the shares were unlocked for public trading in the first unlocking period for the first grant under the 2022 Restricted Share Incentive Plan, which involved 530,000 shares held by seven awardees.

On 26 June 2023, the shares were unlocked for public trading in the third unlocking period for the first grant under the 2020 Restricted Share Incentive Plan, which involved 8,620,000 shares held by 37 awardees.

(2) Changes in locked-up shares of senior management

Data provided by China Securities Depository and Clearing Corporation Limited show that on 30 January 2023, Mr. Zhou Wenhui's annual transferable share quota was changed from 0% to 25%, corresponding to 300,000 shares, for it had been six months since his departure from the office of director. Also according to the aforesaid data, during the Reporting Period, some statutory senior management participating in equity incentives had their equity incentives (restricted shares) converted to locked-up shares of senior management after the unlocking, involving a total of 4,760,000 shares.

Approval of share changes:

Applicable Not applicable

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

2. The restricted shares granted to one awardee with the reserved restricted shares under the 2020 Restricted Share Incentive Plan and to two awardees in the first grant under the 2022 Restricted Share Incentive Plan were repurchased and retired for they were no longer eligible for these equity incentives upon their departure from the Company. In terms of the share changes incurred, the Company fulfilled the due approval procedures of the shareholders' general meeting and the Board of Directors in accordance with the applicable laws and regulations and the Articles of Association, and obtained the approval of the Shenzhen Stock Exchange.

Transfer of share ownership:

Applicable Not applicable

In the Reporting Period, with respect to the transfers of share ownership involved in the “repurchase and retirement of some restricted shares”, 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	17,536,791	3,600,000	3,600,000	17,536,791	Participated in the Restricted Share Incentive Plan of the Company/restricted shares of senior management	2023-06-26
Xie Weiwei	750,000	400,000	400,000	750,000	Participated in the Restricted Share Incentive	2023-06-26

					Plan of the Company/restricted shares of senior management	
Zhou Wenhui	1,200,000	480,000	780,000	900,000	Participated in the Restricted Share Incentive Plan of the Company/restricted shares of senior management	2023-01-30 2023-06-26
The other 34 awardees of the first grant of the 2020 Restricted Share Incentive Plan	4,140,000	0	4,140,000	0	Participated in the Restricted Share Incentive Plan of the Company	2023-06-26
Feng Jia	700,000	0	140,000	560,000	Participated in the Restricted Share Incentive Plan of the Company	2023-04-28
The other 6 awardees of the first grant of the 2022 Restricted Share Incentive Plan	1,950,000	0	390,000	1,200,000	Participated in the Restricted Share Incentive Plan of the Company	2023-04-28
Shao Yongfeng	640,000	280,000	320,000	600,000	Participated in the Restricted Share Incentive Plan of the Company/restricted shares of senior management	2023-02-28
The other 16 awardees of the reserved grant of the 2020	2,752,000	0	1,312,000	1,312,000	Participated in the Restricted Share Incentive Plan of the	2023-02-28

Restricted Share Incentive Plan					Company	
Total	29,668,791	4,760,000	11,082,000	22,858,791	--	--

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

At the end of the Reporting Period, the total number of shares of the Company decreased by 488,000 shares compared with the beginning of the Reporting Period. At the end of the Reporting Period, there was no significant change in the proportion of restricted shares to the total number of shares of the Company as compared with the beginning of the Reporting Period.

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders at the period-end	45,883	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	84,401	Number of preference shareholders with resumed voting rights at the period-end (if any)	0	Number of preference shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any)	0
5% or greater shareholders or top 10 shareholders(excluding lending of shares through the facility)							
Name of shareholder	Nature of shareholder	Shareholding	Total shares held at the	Increase/decrease in the	Restricted shares held	Unrestricted shares held	Shares in pledge, marked or frozen

er		percenta ge	period-end	Reporting Period			Status	Shares
Tang Zhuolin	Domestic individual	21.82%	270,737,568	0	203,053,176	67,684,392	In pledge	105,360,000
Tang Zhuomian	Domestic individual	7.81%	96,885,134	0	0	96,885,134	In pledge	40,000,000
Hong Kong Securities Clearing Company Limited	Overseas corporation	3.88%	48,183,133	38,666,919	0	48,183,133		
Pulead Technolog y Industry Co., Ltd.	State-owned corporation	2.88%	35,748,587	-12,401,200	0	35,748,587		
Luzhou Industrial Developm ent Investmen t Group Co., Ltd.	State-owned corporation	2.56%	31,770,010	0	0	31,770,010		
Qinghai Puren Intelligent Technolog y R & D Center (Limited Partnershi p)	Domestic non-state-o wned corporation	2.15%	26,628,340	0	0	26,628,340		
Qiu Yezhi	Domestic individual	1.88%	23,382,388	0	17,536,791	5,845,597		
Bank of China Limited - Dacheng Jingheng Mixed Securities Investmen t Fund	Other	0.64%	7,962,600	7,000,300	0	7,962,600		
Liu Wucai	Domestic	0.53%	6,597,688	0	0	6,597,688		

	individual							
Beixin Ruifeng Fund - Industrial and Commercial Bank of China - Beijing Hengyu Tianze Investment Management Co., Ltd.	Other	0.50%	6,171,777	0	0	6,171,777		
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	Mr. Tang Zhuolin and Mr. Tang Zhuomian are brothers. On 18 August 2010, they signed the Agreement on Acting in Concert. Pulead Technology Industry Co., Ltd. and Qinghai Puren Intelligent Technology R & D Center (Limited Partnership) are acting-in-concert parties. Apart from that, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.							
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 42,902,492 shares in the Company's special account for repurchase, accounting for 3.46% 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		96,885,134	96,885,134				
Tang Zhuolin	67,684,392		67,684,392	67,684,392				
Hong Kong Securities Clearing Company Limited	48,183,133		48,183,133	48,183,133				
Pulead Technology	35,748,587		35,748,587	35,748,587				

Industry Co., Ltd.			
Luzhou Industrial Development Investment Group Co., Ltd.	31,770,010	31,770,010	31,770,010
Qinghai Puren Intelligent Technology R & D Center (Limited Partnership)	26,628,340	26,628,340	26,628,340
Bank of China Limited - Dacheng Jingheng Mixed Securities Investment Fund	7,962,600	7,962,600	7,962,600
Liu Wucui	6,597,688	6,597,688	6,597,688
Beixin Ruifeng Fund - Industrial and Commercial Bank of China - Beijing Hengyu Tianze Investment Management Co., Ltd.	6,171,777	6,171,777	6,171,777
Qiu Yezhi	5,845,597	5,845,597	5,845,597
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 Zhuo Lin and Mr. Tang Zhuo Min are brothers and on August 18, 2010, they entered into a "Letter of Agreement on Acting in Concert".</p> <p>Ltd. and Qinghai Puren Intelligent Technology Research and Development Center (Limited Partnership) are parties acting in concert.</p> <p>The Company does not know whether there are any other related relationships or persons acting in concert between the above shareholders.</p>		
Description of the participation of the top 10 common shareholders in the financing and securities financing business (if any)	<p>The Company's shareholder, Luzhou Industrial Development Investment Group Co., Ltd. holds 31,770,010 shares through a client credit transaction guarantee securities account with Guotai Junan Securities Co. Ltd.</p>		

Top 10 shareholders involved in refinancing shares lending:

Applicable Not applicable

Changes in top 10 shareholders compared with the prior period:

Applicable Not applicable

Unit: share

Changes in top 10 shareholders compared with the end of the prior period					
Full name of shareholder	Newly added to or exiting from top 10 shareholders in the Reporting Period	Shares lent in refinancing and not yet returned at the period-end		Shares in the common account and credit account plus shares lent in refinancing and not yet returned at the period-end	
		Total shares	As % of total share capital	Total shares	As % of total share capital

Bank of China Limited—Dacheng Jingheng Mixed Securities Investment Fund	Newly added	0	0.00%	7,962,600	0.64%
Beixin Ruifeng Fund—Industrial and Commercial Bank of China—Beijing Heyutz Investment Management Co., Ltd.	Newly added	0	0.00%	6,171,777	0.50%
Liu Wucai	Newly added	0	0.00%	6,597,688	0.53%
Shengji Equity Investment Fund (Shanghai) Co., Ltd.	Exiting	0	0.00%	0	0.00%
JIC Investment Co., Ltd.	Exiting	0	0.00%	0	0.00%
Beixin Ruifeng Fund – SPD Bank – Beijing International Trust – Beijing Trust·Qingyan Fengshou Wealth Management Collective Capital Trust Plan No. 2015015	Exiting	0	0.00%	0	0.00%

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	Not applicable	

Period	
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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

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		

The actual controller of the Company remained unchanged during 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)
7 January 2023			Not lower than RMB100 million (inclusive) and no more than RMB200 million (inclusive)	From 31 January 2023 to 30 January 2024	All the repurchased shares are to be retired, which will reduce the Company's registered capital accordingly	21,572,060	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	26 March 2024
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. 70022785_G01
Name of the Chinese Certified Public Accountant	Feng Xingzhi, Hu Chuan

Auditor's Report

Ernst & Young Hua Ming (2023) Auditor's Report No. 70022785_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 2023, 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 2023, 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:
<p>Impairment of goodwill</p> <p>As at 31 December 2023, the carrying amount of goodwill was RMB571,486,395.71 and the impairment allowance for goodwill was RMB130,852,569.63.</p> <p>The Group's management performs goodwill impairment testing at the end of each year. The assessment of goodwill impairment testing was based on the recoverable amount of the relevant asset groups to which the goodwill is allocated, and the recoverable amount of such asset groups was determined by the present value of the asset groups' expected future cash flows. In a goodwill impairment test, the forecasting of future cash flows involved significant judgments and estimates, including sales growth rate, gross margin and discount rate. Because goodwill had a significant carrying value and exerted a significant impact on the financial statements, we identified goodwill impairment as a key audit matter.</p> <p>The accounting policies on and disclosures of goodwill were set out in Item 16 of Note III, Item 31 of Note III, and Item 20 of Note V to the financial statements.</p>	<p>The procedures performed to address this matter are as follows:</p> <ol style="list-style-type: none"> (1) Performed internal control walk through and executed control tests on identified critical control points (2) Assessed the identification of asset groups by the Group's management and the goodwill allocated to the asset groups; (3) Obtained 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 qualifications; (4) Involved our internal valuation experts 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; (5) Assessed the forecast sales revenue and operating performance for future years and comparing them with historical operating performance; and (6) Evaluated 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.

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

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

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

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Feng Xingzhi
(Engagement Partner)

Chinese Certified Public Accountant: Hu Chuan

Beijing, China

26 March 2024

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.

错误!未知的文档属性名称

Consolidated Balance Sheet
As at 31 December 2023

Expressed in Renminbi Yuan

II. Financial Statements

<u>Assets</u>	<u>Note V</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Current assets			
Cash and bank balances	1	1,826,419,904.49	1,274,447,199.74
Financial assets held for trading	2	682,625,442.45	860,832,278.88
Notes receivable	3	47,661,412.88	24,566,100.12
Accounts receivable	4	904,003,975.47	837,305,757.46
Receivables financing	5	9,365,344.07	15,305,668.26
Prepayments	6	45,741,143.90	64,946,901.26
Other receivables	7	51,797,943.96	83,996,902.82
Inventories	8	1,182,411,055.68	1,092,981,884.51
Contract assets	9	45,946,377.14	65,089,851.21
Current portion of non-current assets	10	5,970,000.00	311,763,750.00
Other current assets	11	<u>75,234,656.07</u>	<u>61,370,451.31</u>
Total current assets		<u>4,877,177,256.11</u>	<u>4,692,606,745.57</u>
Non-current assets			
Long-term receivables	12	4,308,196.00	1,294,299.00
Long-term equity investments	13	117,265,884.84	95,352,681.52
Other non-current financial assets	14	461,278,259.67	334,449,603.33
Fixed assets	15	611,851,577.04	570,200,113.79
Construction in progress	16	195,557,097.80	38,904,537.85
Right-of-use assets	17	82,342,398.83	86,448,978.02
Intangible assets	18	365,954,480.05	368,103,395.11
Research and development expenditures	19	-	3,702,229.76
Goodwill	20	440,633,826.08	430,916,848.74
Long-term prepaid expenses	21	28,543,581.54	16,735,552.98
Deferred tax assets	22	255,872,409.78	244,542,124.61
Other non-current assets	23	<u>97,437,602.28</u>	<u>45,320,004.82</u>
Total non-current assets		<u>2,661,045,313.91</u>	<u>2,235,970,369.53</u>
Total assets		<u><u>7,538,222,570.02</u></u>	<u><u>6,928,577,115.10</u></u>

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

错误!未知的文档属性名称

Consolidated Balance Sheet
As at 31 December 2023

Expressed in Renminbi Yuan

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Current liabilities			
Short-term borrowings	25	370,549,972.80	41,815,129.24
Financial liabilities held for trading	26	115,900,827.21	57,022,555.58
Notes payable	27	152,433,276.09	149,918,253.31
Accounts payable	28	737,544,841.42	748,319,561.21
Contract liabilities	29	645,608,919.34	692,567,968.60
Employee benefits payable	30	153,282,932.10	123,695,328.31
Tax payable	31	67,609,203.41	24,111,703.70
Other payables	32	126,415,425.61	90,080,142.50
Current portion of non-current liabilities	33	57,001,396.44	315,767,431.26
Other current liabilities	34	9,145,175.01	5,988,879.29
Total current liabilities		2,435,491,969.43	2,249,286,953.00
Non-current liabilities			
Long-term borrowings	35	79,107,701.15	57,884,494.89
Lease liabilities	36	65,861,441.32	68,989,111.33
Long-term employee benefits payable	37	13,964,394.20	13,179,944.17
Provisions	38	168,358,953.84	118,945,953.78
Deferred income	39	9,956,991.66	11,073,651.66
Deferred tax liabilities	22	8,854,294.28	6,825,450.77
Other non-current liabilities	40	22,418,854.80	136,396,292.55
Total non-current liabilities		368,522,631.25	413,294,899.15
Total liabilities		2,804,014,600.68	2,662,581,852.15

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

错误!未知的文档属性名称

Consolidated Balance Sheet
As at 31 December 2023

Expressed in Renminbi Yuan

<u>Liabilities and equity</u>	<u>Note V</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Equity			
Share capital	41	1,240,618,400.00	1,241,106,400.00
Capital surplus	42	2,889,928,997.21	2,947,263,843.53
Less: Treasury stock	43	218,298,532.79	240,255,502.45
Other comprehensive income	44	75,122,078.52	26,512,917.07
Special reserve	45	16,229,817.03	14,488,955.52
Surplus reserves	46	51,830,974.45	51,830,974.45
Retained earnings	47	456,258,959.55	23,018,722.11
Total equity attributable to owners of the parent		<u>4,511,690,693.97</u>	<u>4,063,966,310.23</u>
Non-controlling interests		<u>222,517,275.37</u>	<u>202,028,952.72</u>
Total equity		<u>4,734,207,969.34</u>	<u>4,265,995,262.95</u>
Total liabilities and equity		<u><u>7,538,222,570.02</u></u>	<u><u>6,928,577,115.10</u></u>

The financial statements have been signed by:

Legal representative: Tang Zhuolin
Chief Financial Officer: Shao Yongfeng
Head of Accounting Department: Chen Nan

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
2023

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2023</u>	<u>2022</u>
Operating revenue	48	4,745,737,321.83	3,892,708,509.64
Less: Cost of sales	48	3,359,528,546.01	2,833,305,748.54
Taxes and surcharges	49	14,552,830.09	11,956,289.95
Selling expenses	50	278,840,528.93	182,555,875.71
Administrative expenses	51	344,224,692.51	311,463,613.16
R&D expenses	52	127,566,482.42	97,954,453.40
Finance costs	53	(1,089,616.70)	(8,970,693.69)
Including: Interest expenses	53	24,236,011.48	13,839,292.38
Interest income	53	(35,308,583.52)	(19,042,851.72)
Add: Other income	54	15,747,293.82	20,933,377.44
Investment income	55	10,707,429.16	19,131,077.82
Including: Share of profit of joint ventures and associates	55	(2,259,252.98)	1,851,796.60
Gain on changes in fair value	56	47,387,905.11	17,917,046.61
Credit impairment loss	57	(10,541,916.77)	(5,109,974.87)
Asset impairment loss	58	(17,217,097.39)	(12,796,323.56)
Gain/loss on disposal of assets	59	716,995.85	(168,835.37)
Operating profit		668,914,468.35	504,349,590.64
Add: Non-operating income	60	5,974,641.17	2,459,567.33
Less: Non-operating expenses	61	16,152,375.18	880,845.25
Profit before income taxes		658,736,734.34	505,928,312.72
Less: Income tax expenses	62	188,398,152.72	22,187,291.43
Net profit		<u>470,338,581.62</u>	<u>483,741,021.29</u>
Net profit classified by continuing operations			
Net profit from continuing operations		470,338,581.62	483,741,021.29

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
2023

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2023</u>	<u>2022</u>
Net profit classified by attribution of ownership			
Net profit attributable to owners of the parent		433,240,237.44	447,177,897.38
Net profit attributable to non-controlling interests		<u>37,098,344.18</u>	<u>36,563,123.91</u>
Other comprehensive income, net of tax	44	<u>48,074,232.21</u>	<u>56,936,768.65</u>
Other comprehensive income attributable to owners of the parent, net of tax		<u>48,609,161.45</u>	<u>59,835,580.05</u>
Other comprehensive income that will not be reclassified to profit or loss		(44,025.32)	1,856,564.02
Changes caused by remeasurements on defined benefit schemes		<u>(44,025.32)</u>	<u>1,856,564.02</u>
Other comprehensive income that will be reclassified to profit or loss		48,653,186.77	57,979,016.03
Differences arising from the translation of foreign currency-denominated financial statements		<u>48,653,186.77</u>	<u>57,979,016.03</u>
Other comprehensive income attributable to non-controlling interests, net of tax	44	<u>(534,929.24)</u>	<u>(2,898,811.40)</u>
Total comprehensive income		<u>518,412,813.83</u>	<u>540,677,789.94</u>
Including:			
Total comprehensive income attributable to owners of the parent		481,849,398.89	507,013,477.43
Total comprehensive income attributable to non-controlling interests		36,563,414.94	33,664,312.51
Earnings per share	63		
Basic earnings per share	63	0.36	0.37
Diluted earnings per share		0.36	0.37

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

错误!未知的文档属性名称

Consolidated Statements of Changes in Equity

错误!未知的文档属性名称

Expressed in Renminbi Yuan

2023

		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 2022	1,241,106,400.00	2,947,263,843.53	240,255,502.45	26,512,917.07	14,488,955.52	51,830,974.45	23,018,722.11	4,063,966,310.23	202,028,952.72	4,265,995,262.95
II.	At 1 January 2023	1,241,106,400.00	2,947,263,843.53	240,255,502.45	26,512,917.07	14,488,955.52	51,830,974.45	23,018,722.11	4,063,966,310.23	202,028,952.72	4,265,995,262.95
III.	Changes for the year										
(I)	Total comprehensive income	-	-	-	48,609,161.45	-	-	433,240,237.44	481,849,398.89	36,563,414.94	518,412,813.83
(II)	Owner's contributions and										
1.	Share-based payments included in equity	-	22,151,043.21	-	-	-	-	-	22,151,043.21	-	22,151,043.21
2.	Others	(488,000.00)	(79,485,889.53)	(21,956,969.66)	-	-	-	-	(58,016,919.87)	(16,075,092.29)	(74,092,012.16)
(III)	Special reserve										
1.	Provision in the period	-	-	-	-	5,118,146.78	-	-	5,118,146.78	-	5,118,146.78
2.	Utilisation in the period	-	-	-	-	(3,377,285.27)	-	-	(3,377,285.27)	-	(3,377,285.27)
IV.	At 31 December 2023	1,240,618,400.00	2,889,928,997.21	218,298,532.79	75,122,078.52	16,229,817.03	51,830,974.45	456,258,959.55	4,511,690,693.97	222,517,275.37	4,734,207,969.34

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

错误!未知的文档属性名称

Consolidated Statements of Changes in Equity (Cont'd)

错误!未知的文档属性名称

Expressed in Renminbi Yuan

		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 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	1,241,106,400.00	2,947,263,843.53	240,255,502.45	26,512,917.07	14,488,955.52	51,830,974.45	23,018,722.11	4,063,966,310.23	202,028,952.72	4,265,995,262.95

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
2023

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2023</u>	<u>2022</u>
I. Cash flows from operating activities			
Proceeds from sale of goods and rendering of services		4,642,173,392.49	3,980,777,143.75
Receipts of taxes and surcharges refunds		67,900,854.62	65,415,784.48
Cash generated from other operating activities	64	<u>63,085,940.61</u>	<u>37,413,422.25</u>
Subtotal of cash generated from operating activities		<u>4,773,160,187.72</u>	<u>4,083,606,350.48</u>
Payments for goods and services		3,004,966,440.52	2,469,141,272.41
Cash payments to and on behalf of employees ¹		766,697,629.83	672,362,139.67
Payments of all types of taxes and surcharges		170,874,687.85	155,555,899.95
Cash used in other operating activities	64	<u>343,440,690.86</u>	<u>280,252,577.50</u>
Subtotal of cash used in operating activities		<u>4,285,979,449.06</u>	<u>3,577,311,889.53</u>
Net cash generated from/used in operating activities	65	<u>487,180,738.66</u>	<u>506,294,460.95</u>
II. Cash flows from investing activities			
Proceeds from disinvestment		2,817,697,183.06	5,461,128,307.85
Investment income		8,788,769.72	19,977,080.02
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		519,230.09	299,284.95
Cash generated from other investing activities	64	<u>-</u>	<u>20,741,402.85</u>
Subtotal of cash generated from investing activities		<u>2,827,005,182.87</u>	<u>5,502,146,075.67</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		307,727,914.50	217,707,161.02
Payments for investments		2,705,884,238.80	5,586,038,692.54
Net payments for the acquisition of subsidiaries and other business units		-	115,932,016.05
Cash used in other investing activities	64	<u>-</u>	<u>20,000,000.00</u>
Subtotal of cash used in investing activities		<u>3,013,612,153.30</u>	<u>5,939,677,869.61</u>
Net cash generated from/used in investing activities		<u>(186,606,970.43)</u>	<u>(437,531,793.94)</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
2023

Expressed in Renminbi Yuan

	<u>Note V</u>	<u>2023</u>	<u>2022</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		441,741,239.04	255,640,726.89
Cash generated from other financing activities	64	<u>415,790,865.75</u>	<u>740,125,575.61</u>
Subtotal of cash generated from financing activities		<u>857,532,104.79</u>	<u>998,366,302.50</u>
Repayment of borrowings		373,742,740.68	452,030,374.54
Interest and dividends paid		16,883,749.75	8,391,200.32
Cash used in other financing activities	64	<u>378,041,150.02</u>	<u>673,378,550.06</u>
Subtotal of cash used in financing activities		<u>768,667,640.45</u>	<u>1,133,800,124.92</u>
Net cash generated from/used in financing activities		<u>88,864,464.34</u>	<u>(135,433,822.42)</u>
IV. Effect of foreign exchange rates changes on cash and cash equivalents		<u>49,355,682.00</u>	<u>41,088,076.94</u>
V. Net increase/(decrease) in cash and cash equivalents	65	438,793,914.57	(25,583,078.47)
Add: Cash and cash equivalents, beginning of the period	65	<u>1,233,720,697.27</u>	<u>1,259,303,775.74</u>
VI. Cash and cash equivalents, at end of the period	65	<u><u>1,672,514,611.84</u></u>	<u><u>1,233,720,697.27</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 2023

Expressed in Renminbi Yuan

<u>Assets</u>	<u>Note XV</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Current assets			
Cash and bank balances		522,275,723.41	150,462,307.50
Financial assets held for trading		641,997,959.60	544,644,172.35
Note receivable		5,606,037.02	-
Accounts receivable	1	190,361,646.28	252,845,901.89
Receivables financing		4,268,677.09	8,665,919.20
Prepayments		5,298,841.09	5,599,366.14
Other receivables	2	654,825,093.49	595,201,759.62
Inventories		159,389,489.31	144,657,557.06
Contract assets		22,201,442.67	28,301,152.72
Current portion of non-current assets		5,970,000.00	311,763,750.00
Other current assets		1,583,542.63	620,238.68
Total current assets		<u>2,213,778,452.59</u>	<u>2,042,762,125.16</u>
Non-current assets			
Long-term receivables		4,308,196.00	1,294,299.00
Long-term equity investments	3	875,978,593.12	760,833,667.45
Other non-current financial assets		148,108,670.05	134,097,590.81
Fixed assets		296,287,511.68	311,637,453.98
Construction in progress		4,273,340.82	4,716.98
Right-of-use assets		6,238,404.20	8,298,157.57
Intangible assets		55,652,155.93	56,644,698.03
Long-term prepaid expenses		4,967,872.25	6,215,303.00
Deferred tax assets		174,616,613.96	173,968,753.31
Other non-current assets		72,919,162.50	34,520,000.00
Total non-current assets		<u>1,643,350,520.51</u>	<u>1,487,514,640.13</u>
Total assets		<u><u>3,857,128,973.10</u></u>	<u><u>3,530,276,765.29</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 2023

Expressed in Renminbi Yuan

<u>Liabilities and equity</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Current liabilities		
Short term loans	20,000,000.00	-
Trading financial liabilities	728.57	7,230,000.00
Notes payable	39,577,380.86	47,602,955.27
Accounts payable	65,855,068.76	46,036,442.22
Contract liabilities	53,704,255.92	29,803,024.37
Employee benefits payable	16,801,339.01	14,571,839.42
Tax payable	5,459,697.96	430,234.63
Other payables	103,498,597.36	125,142,268.32
Current portion of non-current liabilities	9,361,216.26	1,703,312.89
Other current liabilities	588,152.27	1,481,251.36
Total current liabilities	<u>314,846,436.97</u>	<u>274,001,328.48</u>
Non-current liabilities		
Long term loans	32,436,000.00	-
Lease liabilities	5,166,917.05	6,781,238.89
Provisions	1,418,799.52	1,283,500.00
Deferred income	9,956,991.66	11,073,651.66
Other non-current liabilities	-	470,437.92
Total non-current liabilities	<u>48,978,708.23</u>	<u>19,608,828.47</u>
Total liabilities	<u>363,825,145.20</u>	<u>293,610,156.95</u>
Equity		
Share capital	1,240,618,400.00	1,241,106,400.00
Capital surplus	2,745,450,997.27	2,820,661,243.26
Less: Treasury stock	218,298,532.79	240,255,502.45
Special reserve	6,645,318.98	7,200,502.88
Surplus reserves	51,830,974.45	51,830,974.45
Retained earnings	(332,943,330.01)	(643,877,009.80)
Total Equity	<u>3,493,303,827.90</u>	<u>3,236,666,608.34</u>
Total liabilities and Equity	<u><u>3,857,128,973.10</u></u>	<u><u>3,530,276,765.29</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
2023

Expressed in Renminbi Yuan

	<u>Note XV</u>	<u>2023</u>	<u>2022</u>
Operating revenue	4	500,581,222.34	521,042,097.24
Less: Cost of sales	4	266,015,344.67	272,827,724.91
Taxes and surcharges		6,779,241.99	5,683,155.26
Selling expenses		40,854,863.63	17,209,290.59
Administrative expenses		93,180,157.73	97,805,978.92
R&D expenses		22,829,162.22	18,858,241.84
Finance costs		(11,186,446.37)	(30,772,961.40)
Including: Interest expenses		4,350,360.42	2,212,567.00
Interest income		(13,912,716.65)	12,296,701.61
Add: Other income		3,897,767.25	6,635,795.27
Investment income	5	321,068,620.44	24,811,647.21
Including: Share of profit or loss of joint ventures and associates		(753,369.07)	3,143,695.45
Gain/(loss) on changes in fair value		(56,253,675.31)	8,365,325.57
Credit impairment loss		284,355.09	206,054.50
Asset impairment loss		(106,669.84)	(1,117,287.51)
Gain on disposal of assets		-	1,379,510.93
		<hr/>	<hr/>
Operating profit		350,999,296.10	179,711,713.09
Add: Non-operating income		713,971.52	613,023.15
Less: Non-operating expenses		845,736.74	146,746.24
		<hr/>	<hr/>
Profit before income taxes		350,867,530.88	180,177,990.00
Less: Income tax expenses		39,933,851.09	(64,521,335.28)
		<hr/>	<hr/>
Net profit		310,933,679.79	244,699,325.28
Including: Net profit from continuing operations		310,933,679.79	244,699,325.28
		<hr/>	<hr/>
Total comprehensive income		310,933,679.79	244,699,325.28
		<hr/>	<hr/>

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

错误!未知的文档属性名称

Company Statement of Changes in Equity

错误!未知的文档属性名称

Expressed in Renminbi Yuan

2023

		Share capital	Share capital Capital surplus	Less: Treasury stock	Special reserve	Surplus reserves	Retained earnings	Total equity
I.	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>
II.	At 1 January 2023	<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>
III.	Changes for the year	(488,000.00)	(75,210,245.99)	(21,956,969.66)	(555,183.90)	-	310,933,679.79	256,637,219.56
(I)	Total comprehensive income	-	-	-	-	-	310,933,679.79	310,933,679.79
(II)	Owner's contributions and reduction in capital							-
1.	Share-based payments included in equity	-	21,203,834.59	-	-	-	-	21,203,834.59
2.	Others	(488,000.00)	(96,414,080.58)	(21,956,969.66)	-	-	-	(74,945,110.92)
(III)	Special reserve							
1.	Provision in the period	-	-	-	826,188.88	-	-	826,188.88
2.	Amount utilised in the period	-	-	-	(1,381,372.78)	-	-	(1,381,372.78)
IV.	At 31 December 2023	<u><u>1,240,618,400.00</u></u>	<u><u>2,745,450,997.27</u></u>	<u><u>218,298,532.79</u></u>	<u><u>6,645,318.98</u></u>	<u><u>51,830,974.45</u></u>	<u><u>(332,943,330.01)</u></u>	<u><u>3,493,303,827.90</u></u>

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

错误!未知的文档属性名称

Company Statement of Changes in Equity

错误!未知的文档属性名称

Expressed in Renminbi Yuan

		Share capital	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	1,241,106,400.00	2,820,661,243.26	240,255,502.45	7,200,502.88	51,830,974.45	(643,877,009.80)	3,236,666,608.34

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

**Company Statement of Cash Flows
2023****Expressed in Renminbi Yuan**

	<u>2023</u>	<u>2022</u>
I. Cash flows from operating activities		
Proceeds from sale of goods and rendering of services	543,144,763.30	355,422,382.54
Receipts of taxes and surcharges refunds	18,624,572.39	20,405,793.81
Cash generated from other operating activities	<u>37,082,171.29</u>	<u>33,411,792.89</u>
Subtotal of cash generated from operating activities	<u>598,851,506.98</u>	<u>409,239,969.24</u>
Payments for goods and services	255,701,960.58	238,655,533.97
Cash payments to and on behalf of employees	96,818,630.04	90,655,013.90
Payments of all types of taxes and surcharges	5,907,970.50	9,877,155.70
Cash used in other operating activities	<u>145,909,271.88</u>	<u>35,938,085.85</u>
Subtotal of cash used in operating activities	<u>504,337,833.00</u>	<u>375,125,789.42</u>
Net cash generated from operating activities	<u>94,513,673.98</u>	<u>34,114,179.82</u>
II. Cash flows from investing activities		
Proceeds from disinvestment	1,695,765,692.04	2,957,634,482.77
Investment income	72,940,439.51	3,788,252.05
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	-	23,000.00
Other cash receipts relating to investing activities	<u>326,643,514.64</u>	<u>20,903,000.00</u>
Subtotal of cash generated from investing activities	<u>2,095,349,646.19</u>	<u>2,982,348,734.82</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	49,079,505.20	47,508,537.31
Payments for investments	2,030,963,951.96	2,834,602,224.34
Net payments for the acquisition of subsidiaries and other business units	-	173,800,000.00
Other cash payments relating to other investing activities	<u>-</u>	<u>20,000,000.00</u>
Subtotal of cash used in investing activities	<u>2,080,043,457.16</u>	<u>3,075,910,761.65</u>
Net cash generated from/used in investing activities	<u>15,306,189.03</u>	<u>(93,562,026.83)</u>

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

错误!未知的文档属性名称

Company Statement of Cash Flows (Cont'd)
2023

Expressed in Renminbi Yuan

	<u>2023</u>	<u>2022</u>
III. Cash flows from financing activities		
Borrowings raised	98,180,000.00	33,431,500.00
Cash generated from other financing activities	<u>340,829,045.67</u>	<u>585,791,128.23</u>
Subtotal of cash generated from financing activities	<u>439,009,045.67</u>	<u>619,222,628.23</u>
Repayment of borrowings	38,048,000.00	33,431,500.00
Interest and dividends paid	5,103,094.39	1,438,732.23
Cash used in other financing activities	<u>242,155,673.21</u>	<u>539,194,859.08</u>
Subtotal of cash used in financing activities	<u>285,306,767.60</u>	<u>574,065,091.31</u>
Net cash generated from financing activities	<u>153,702,278.07</u>	<u>45,157,536.92</u>
IV. Net increase/(decrease) in cash and cash equivalents	<u>-</u>	<u>-</u>
Add: Cash and cash equivalents, beginning of the period		
V. Cash and cash equivalents, beginning of the period	263,522,141.08	(14,290,310.09)
	<u>142,319,826.12</u>	<u>156,610,136.21</u>
VI. Cash and cash equivalents, at end of the period	<u>405,841,967.20</u>	<u>142,319,826.12</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.

The Group's main business includes four business sectors: smart corrugated packaging equipment, industrial internet industry solutions, digital printers and water power spots equipment.

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

These financial statements were authorized for issue by the Board of Directors of the Company on 26 March 2024.

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"). In addition, the financial statements also disclose relevant financial information in accordance with the Rules No. 15 for the Preparation of Information Disclosure by Companies Offering Securities to the Public - General Provisions on Financial Reports.

The financial statements are prepared on a going concern basis.

III. Principal Accounting Policies and Accounting Estimates

The Group has formulated specific accounting policies and accounting estimates according to the characteristics of its actual production and operation, which is mainly embodied in the provision for the bad debt of accounts receivable, provision for write-down of inventories, depreciation of fixed assets, provision for product warranties, capitalization conditions for expenditure on the development phase of research and development expenses and recognition and measurement of revenue.

1. Statement of compliance

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2023, 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. Determination method and selection basis of materiality criteria

Materiality criteria

Significant construction in progress	Budgeted amount for investment exceeds RMB50,000,000
Significant cash flows from investing activities	Amount exceeds RMB50,000,000
Significant non-wholly owned subsidiaries	Net assets of non-wholly owned subsidiaries account for more than 10% of consolidated net assets
Significant associates	The carrying amount of long-term equity investments in associates accounts for more than 5% of the consolidated net assets

5. 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.

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

5. Business combination (cont'd)

Business combinations involving entities under common control (cont'd)

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.

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 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.

6. 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). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

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

6. Consolidated financial statements (cont'd)

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.

If the control right is not lost, the change of minority shareholders' equity shall be regarded as equity transaction.

7. 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.

8. 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.

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

8. Foreign currency translation (cont'd)

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.

9. 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.

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

9. Financial instruments (cont'd)

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.

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.

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

9. Financial instruments (cont'd)

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:

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.

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

9. Financial instruments (cont'd)

Impairment of financial instruments (cont'd)

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 IX.2.

The Group's approach to measuring ECLs on financial instruments reflects factors such as the unbiased probability-weighted average amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information about past events, current conditions and projections of future economic conditions available at the balance sheet date without undue additional cost or effort.

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)

10. 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)

11. 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.

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)

11. 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.

12. 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.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)**12. Fixed assets (cont'd)**

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.

13. 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.

The criteria for construction in progress to be transferred to fixed assets when it is ready for its intended use are as follows:

	Criteria
Buildings and constructions	Actual start of use
Machinery	The earlier of actual start of use/completion of installation and acceptance

14. 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)**15. Intangible assets**

Overseas land use rights and trademark rights are intangible assets with indefinite useful lives. 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.

Other intangible assets are amortised on a straight-line basis over their useful lives as follows:

	Useful life	Determination basis
Land use rights	40-50 years	Term of land use right
Trademark	5-10 years	The shorter of the term of trademark rights/expected term of use
Patent	5-10 years	Expected benefit period

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.

After meeting the above conditions, passing the technical feasibility and economic feasibility study, the corresponding projects of the Group enter the development stage and begin to be capitalized after being reviewed and approved.

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)

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. 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.

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.

20. 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.

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

21. 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.

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. 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.

23. 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).

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.

24. 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.

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

24. Government grants (cont'd)

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.

25. 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.

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

25. Deferred tax assets (cont'd)

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.

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.

26. 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.

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.

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

26. Leases (cont'd)

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.

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 contains 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.

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

27. 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.

28. Expenses for safety production

The expenses for safety production set aside as stipulated shall be included in the cost of relevant products or current profits and losses, and included in the special reserve at the same time. When such expenses are used, accounting treatment will be performed according to whether fixed assets are formed. If identified as expense expenditures, the special reserve will be written down directly; if fixed assets are formed, the expenses incurred will be collected, fixed assets will be recognized when they reach a predetermined usable state, and the equivalent amount of special reserve will be written down and the equivalent accumulated depreciation will be recognized.

29. 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.

30. 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)

31. 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.

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.

III. Principal Accounting Policies and Accounting Estimates (Cont'd)**31. Significant accounting judgements and estimates (cont'd)**Estimation uncertainty (cont'd)*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.

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.

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

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

Estimation uncertainty (cont'd)

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.

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

	Tax basis	Tax rate
Value-added tax (VAT)	The output tax: taxable income; VAT: difference after deducting the input tax which is allowed to be deducted in the current period	13% and 6%
City maintenance and construction tax	Turnover tax actually paid	7%
Education surcharge	Turnover tax actually paid	3%
Local education Surcharge	Turnover tax actually paid	2%
Property tax	Ad valorem tax: remaining value after deducting 30% from the original value of the property; Tax levied from rent: rental income.	1.2% and 12%
Corporate income tax	Taxable income	15%-28%

The taxpaying entities subject to different corporate income tax rates are as follows:

	Income tax rate
Guangdong Dongfang Precision Science & Technology Co., Ltd.	15.0%
Suzhou Parsun Power Machine Co., Ltd. ("Parsun Power")	15.0%
Guangdong Fosber Intelligent Equipment Co., Ltd. ("Fosber Asia")	15.0%
Shenzhen Wonder Printing System Co.,Ltd. ("Wonder Printing")	15.0%
Dong Fang Precision (HK) Limited ("Dongfang Precision (HK)")	16.5%
Dong Fang Precision (Netherland) Cooperatief U.A.("Dongfang Precision (Netherland)")	20.0%
Fosber S.p.A.	24.0%
Fosber America, Inc.("Fosber America")	21.0%
EDF Europe s.r.l.("EDF")	24.0%
Tiruña America inc. ("Tiruña America")	21.0%
Quantum Corrugated S.r.l.("QCorr")	24.0%
Tiruña S.L.U.	28.0%
Tiruña France SARL	15.0%
SCI Candan	15.0%

IV. Taxation (Cont'd)

2. Tax concessions

On 28 December 2023, 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.: GR202344004676) 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 2023.

Suzhou Parsun Power Machine Co., Ltd., 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 2023.

Guangdong Fosber Intelligent Equipment Co., Ltd., 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 2023.

Shenzhen Wonder Printing System Co., Ltd., 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 2023.

V. Notes to the Consolidated Financial Statements

1. Cash and bank balances

	2023	2022
Cash on hand	438,600.93	589,575.75
Cash at banks	1,491,798,403.81	1,011,562,524.44
Other cash balances	<u>334,182,899.75</u>	<u>262,295,099.55</u>
	<u>1,826,419,904.49</u>	<u>1,274,447,199.74</u>
Of which: Total amount deposited overseas	889,925,365.66	752,430,975.78
Total restricted amount as collateral, pledge or frozen	153,905,292.65	40,726,502.47

As at 31 December 2023, the fund deposited abroad with restrictions on repatriation was equivalent to RMB9,020,813.02 (31 December 2022: RMB17,937,703.00).

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

Note 1: Other cash balances include: 1) a total of RMB153,157,792.65 in guarantee deposits for letters of guarantee, bank acceptance bill deposits, loan deposits, and forward exchange settlement and sale deposits; 2) pledged time deposits with a book value of RMB480,000.00; 3) legal freeze funds with a book value of RMB267,500.00; 4) RMB119,423,040.75 of investment deposits; 5) RMB422,270.04 of funds pending verification; 6) RMB60,432,296.31 of monetary funds are funds in transit generated by internal transfers of the Group's overseas subsidiaries on December 29, 2023. These funds in transit arrived at the relevant accounts on January 2, 2024.

V. Notes to the Consolidated Financial Statements (cont'd)**2. Financial assets held for trading**

	2023	2022
Financial assets at fair value through profit or loss		
Asset management plans	312,284,352.19	307,794,620.13
Investments in bank's wealth management products	133,662,614.39	351,182,315.74
Stocks and Funds	205,349,301.18	200,355,381.34
Investments in trust products	-	717,241.38
Derivative financial assets	<u>31,329,174.69</u>	<u>782,720.29</u>
	<u>682,625,442.45</u>	<u>860,832,278.88</u>

3. Notes receivable

	2023	2022
Bank acceptance notes	<u>47,661,412.88</u>	<u>24,566,100.12</u>

Notes receivable that were endorsed or discounted but undue at the balance sheet date are as follows:

	Derecognized	Un-derecognized
Bank acceptance notes	<u>-</u>	<u>25,837,473.39</u>

As at 31 December 2023, there's no need to establish impairment allowances for notes receivable in the management's opinion.

4. Accounts receivable

The aging of accounts receivable is analyzed as follows:

	2023	2022
Within 1 year	797,174,742.31	759,915,056.92
1-2 years	97,122,608.26	74,419,438.55
2-3 years	30,354,347.33	13,000,155.24
3-4 years	3,905,106.39	7,711,547.63
4-5 years	4,320,546.03	7,653,168.93
Over 5 years	<u>8,831,175.90</u>	<u>7,018,540.90</u>
	941,708,526.22	869,717,908.17
Less: allowances for doubtful accounts receivable	<u>37,704,550.75</u>	<u>32,412,150.71</u>
	<u>904,003,975.47</u>	<u>837,305,757.46</u>

V. Notes to the Consolidated Financial Statements (cont'd)

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Notes to the Financial Statements (Cont'd)

2023

Expressed in Renminbi Yuan

4. Accounts receivable (cont'd)

2023

	<u>Gross amount</u>		<u>Allowance</u>		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	2,477,303.19	0.26	2,477,303.19	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>939,231,223.03</u>	<u>99.74</u>	<u>35,227,247.56</u>	<u>3.75</u>	<u>904,003,975.47</u>
	<u>941,708,526.22</u>	<u>100.00</u>	<u>37,704,550.75</u>		<u>904,003,975.47</u>

2022

	<u>Gross amount</u>		<u>Allowance</u>		Carrying amount
	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	<u>866,713,808.17</u>	<u>99.65</u>	<u>29,408,050.71</u>	<u>3.39</u>	<u>837,305,757.46</u>
	<u>869,717,908.17</u>	<u>100.00</u>	<u>32,412,150.71</u>		<u>837,305,757.46</u>

V. Notes to the Consolidated Financial Statements (cont'd)

4. Accounts receivable (cont'd)

Accounts receivable for which allowances are established individually are as follows:

	2023			Reason for allowance	2022	
	Gross amount	Allowance	ECL (%)		Gross amount	Allowance
Customer 1	939,000.00	939,000.00	100.00	Customer's inability to settle the amount due	939,000.00	939,000.00
Customer 2	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due	641,600.00	641,600.00
Customer 3	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due	608,800.00	608,800.00
Customer 4	-	-	-		516,000.00	516,000.00
Customer 5	283,000.00	283,000.00	100.00	Customer's inability to settle the amount due	283,000.00	283,000.00
Customer 6	4,903.19	4,903.19	100.00	Customer's inability to settle the amount due	15,700.00	15,700.00
	<u>2,477,303.19</u>	<u>2,477,303.19</u>			<u>3,004,100.00</u>	<u>3,004,100.00</u>

As at 31 December 2023, accounts receivable for which allowances are established by group with similar credit risk characteristics are as follows:

	Gross amount	Allowance	ECL(%)
Within 1 year	797,174,742.31	8,884,081.81	1.11
1-2 years	97,122,608.26	7,016,334.29	7.22
2-3 years	30,354,347.33	8,412,219.67	27.71
3-4 years	3,905,106.39	1,665,177.92	42.64
4-5 years	4,320,546.03	2,895,561.16	67.02
Over 5 years	<u>6,353,872.71</u>	<u>6,353,872.71</u>	<u>100.00</u>
	<u>939,231,223.03</u>	<u>35,227,247.56</u>	

V. Notes to the Consolidated Financial Statements (cont'd)**4. Accounts receivable (cont'd)**

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	Closing balance
2023	<u>32,412,150.71</u>	<u>11,351,715.95</u>	<u>(870,645.35)</u>	<u>(6,435,596.12)</u>	<u>1,246,925.56</u>	<u>37,704,550.75</u>

As at 31 December 2023, the top five accounts receivable and contract assets were as follows:

	Closing balance of accounts receivable	Closing balance of contract assets	Total closing balance of accounts receivable and contract assets	As a % of the closing balance of total accounts receivable and contract assets	Total closing balance of provision for bad debts of accounts receivable and provision for impairment of contract assets
Customer 7	95,762,655.22	-	95,762,655.22	9.68	777,411.90
Customer 8	88,195,466.36	-	88,195,466.36	8.91	2,101,671.68
Customer 9	38,878,636.20	-	38,878,636.20	3.93	323,316.84
Customer 10	36,499,400.00	-	36,499,400.00	3.69	1,824,970.00
Customer 11	<u>29,602,061.11</u>	<u>-</u>	<u>29,602,061.11</u>	<u>2.99</u>	<u>247,534.38</u>
合计	<u>288,938,218.89</u>	<u>-</u>	<u>288,938,218.89</u>	<u>29.20</u>	<u>5,274,904.80</u>

5. Receivables financing

	2023	2022
Bank acceptance notes	<u>9,365,344.07</u>	<u>15,305,668.26</u>

6. Prepayments

The aging of prepayments is analyzed as follows:

	2023		2022	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	42,509,851.47	92.93	64,413,090.83	99.18
1-2 years	2,960,199.29	6.47	275,315.22	0.42
2-3 years	20,968.14	0.05	31,175.83	0.05
Over 3 years	<u>250,125.00</u>	<u>0.55</u>	<u>227,319.38</u>	<u>0.35</u>
	<u>45,741,143.90</u>	<u>100.00</u>	<u>64,946,901.26</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:

	2023	As a % of total prepayments
Supplier 1	6,466,538.76	14.14
Supplier 2	4,262,830.08	9.32
Supplier 3	3,883,266.09	8.49
Supplier 4	3,351,578.17	7.33
Supplier 5	<u>3,147,271.65</u>	<u>6.88</u>
	<u><u>21,111,484.75</u></u>	<u><u>46.16</u></u>

7. Other receivables

	2023	2022
Other receivables	<u>51,797,943.96</u>	<u>83,996,902.82</u>

Other receivables

The aging of other receivables is analyzed as follows:

	2023	2022
Within 1 year	38,472,808.52	39,240,181.70
1-2 years	6,754,108.79	5,772,952.90
2-3 years	4,574,557.21	3,174,795.18
3-4 years	2,082,428.89	176,147.32
4-5 years	138,543.93	38,260,742.08
Over 5 years	<u>1,111,902.73</u>	<u>1,260,558.08</u>
Less: allowances for doubtful other receivables	<u>1,336,406.11</u>	<u>3,888,474.44</u>
	<u><u>51,797,943.96</u></u>	<u><u>83,996,902.82</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)

7. Other receivables (cont'd)

Other receivables (cont'd)

Other receivables are classified by nature as follows:

	2023	2022
Amount for transfer of equity investments	-	39,461,356.50
Prepaid service charges	19,593,768.86	12,446,401.37
Security deposits	7,956,393.69	8,340,341.53
Export tax refunds	2,952,066.14	1,294,466.80
Employee loans and petty cash	5,078,147.88	3,388,217.50
Others	<u>17,553,973.50</u>	<u>22,954,593.56</u>
	<u>53,134,350.07</u>	<u>87,885,377.26</u>

2023

	<u>Gross amount</u>		<u>Allowance</u>		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables for which allowances are established by group with similar credit risk characteristics	<u>53,134,350.07</u>	<u>100.00</u>	<u>1,336,406.11</u>	2.52	<u>51,797,943.96</u>

As at 31 December 2023, other receivables for provision for bad debts according to the combination of credit risk characteristics:

	Gross amount	Allowance	ECL(%)
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>53,134,350.07</u>	<u>1,336,406.11</u>	2.52

V. Notes to the Consolidated Financial Statements (cont'd)

7. Other receivables (cont'd)

Other receivables (cont'd)

Movements in allowances for doubtful other receivables that are established based on the 12-month ECL and the lifetime ECL are as follows:

	Stage 1	Stage 2	Stage 3	Total
	Financial assets			
	12-month ECL	Lifetime ECL	with credit impairment (lifetime ECL)	
Opening balance	3,388,474.44	500,000.00	-	3,888,474.44
Reversed in the period	(2,756.83)			(2,756.83)
Written off in the period	(2,624,421.55)	-	-	(2,624,421.55)
Other changes	<u>75,110.05</u>	<u>-</u>	<u>-</u>	<u>75,110.05</u>
Closing balance	<u>836,406.11</u>	<u>500,000.00</u>	<u>-</u>	<u>1,336,406.11</u>

Movements in allowances for doubtful other receivables are as follows:

	Opening balance	Established i n the period	Reversed in the period	Decrease due t o disposal of subsidiaries	Effect of exchange rate movements	Closing balance
2023	<u>3,888,474.44</u>	<u>-</u>	<u>(2,756.83)</u>	<u>(2,624,421.55)</u>	<u>75,110.05</u>	<u>1,336,406.11</u>

V. Notes to the Consolidated Financial Statements (cont'd)

7. Other receivables (cont'd)

Other receivables (cont'd)

As at 31 December 2023, top 5 of other receivables are as follows:

	2023	As a % of total other receivables	Nature	Age	Closing balance of allowance
Entity 1		7.78	Transactions with third parties	Within 1 year	-
	4,133,194.98				
Entity 2		5.82	Transactions with third parties	Within 1 year	-
	3,094,404.29				
Entity 3		4.03	Deposit	Within 1 year, 1-2 years	-
	2,140,000.00				
Entity 4		3.07	Deposit	3-4 years	-
	1,630,000.00				
Entity 5		1.82	Deposit	1-2 years	-
	<u>965,159.53</u>				
	<u>11,962,758.80</u>	<u>22.52</u>			<u>-</u>

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Notes to the Financial Statements (Cont'd)

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V. Notes to the Consolidated Financial Statements (cont'd)

8. Inventories

	2023			2022		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Raw materials	658,870,239.78	23,591,282.36	635,278,957.42	582,372,253.76	18,010,104.87	564,362,148.89
Work-in-progress	422,201,722.20	20,499,380.02	401,702,342.18	368,570,631.39	19,879,129.16	348,691,502.23
Finished goods	75,950,836.96	3,475,752.29	72,475,084.67	108,150,704.87	4,681,895.11	103,468,809.76
Product deliveries	31,374,046.56	-	31,374,046.56	35,190,253.35	-	35,190,253.35
Semi-finished goods	41,372,916.93	662,291.37	40,710,625.56	28,847,199.70	787,613.38	28,059,586.32
Materials consigned for processing	869,999.29	-	869,999.29	13,209,583.96	-	13,209,583.96
	<u>1,230,639,761.72</u>	<u>48,228,706.04</u>	<u>1,182,411,055.68</u>	<u>1,136,340,627.03</u>	<u>43,358,742.52</u>	<u>1,092,981,884.51</u>

错误!未知的文档属性名称

Notes to the Financial Statements (Cont'd)

2023

Expressed in Renminbi Yuan

V. Notes to the Consolidated Financial Statements (cont'd)

8 Inventories (cont'd)

Movements in inventory valuation allowances are as follows:

	Opening balance	Established in the period	Decrease in the period		Closing balance
			Reversed or written off	Others	
Raw materials	18,010,104.87	14,928,451.87	(10,085,023.65)	737,749.27	23,591,282.36
Work-in-progress	19,879,129.16	708,399.86	(356,537.19)	268,388.19	20,499,380.02
Finished goods	4,681,895.11	1,192,065.37	(2,398,208.19)	-	3,475,752.29
Semi-finished goods	787,613.38	512,240.37	(637,562.38)	-	662,291.37
	<u>43,358,742.52</u>	<u>17,341,157.47</u>	<u>(13,477,331.41)</u>	<u>1,006,137.46</u>	<u>48,228,706.04</u>

9. Contract assets

	2023			2022		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Carrying amount	<u>47,751,792.27</u>	<u>1,805,415.13</u>	<u>45,946,377.14</u>	<u>67,018,545.44</u>	<u>1,928,694.23</u>	<u>65,089,851.21</u>

错误!未知的文档属性名称

Notes to the Financial Statements (Cont'd)

错误!未知的文档属性名称

Expressed in Renminbi Yuan

V. Notes to the Consolidated Financial Statements (cont'd)

9. Contract assets (cont'd)

2023

	Gross amount		Impairment allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Contract assets for which allowances are established by group with similar credit risk characteristics	<u>47,751,792.27</u>	<u>100</u>	<u>1,805,415.13</u>	3.78	<u>45,946,377.14</u>

2022

	Gross amount		Impairment allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Contract assets for which allowances are established by group with similar credit risk characteristics	<u>67,018,545.44</u>	<u>100.00</u>	<u>1,928,694.23</u>	2.88	<u>65,089,851.21</u>

As at 31 December 2023, contract assets for which allowances are established by group with similar credit risk characteristics are as follows:

	Gross amount	Impairment allowance	ECL(%)
Within 1 year	35,474,332.34	388,204.27	1.09
1-2 years	11,792,268.12	1,114,037.77	9.45
2-3 years	<u>485,191.81</u>	<u>303,173.09</u>	<u>62.49</u>
	<u>47,751,792.27</u>	<u>1,805,415.13</u>	

Movements in impairment allowances for contract assets are as follows:

Opening balance	Established in the period	Reversed in the period	Other decreases	Closing balance
<u>1,928,694.23</u>	<u>258,269.89</u>	<u>(382,329.97)</u>	<u>780.98</u>	<u>1,805,415.13</u>

V. Notes to the Consolidated Financial Statements (cont'd)**10. Current portion of non-current assets**

	2023	2022
Current portion of long-term receivables	5,970,000.00	1,463,750.00
Current portion of security deposits for loans	<u>-</u>	<u>310,300,000.00</u>
	<u>5,970,000.00</u>	<u>311,763,750.00</u>

As at 31 December 2023, there's no need to establish impairment allowances for the current portion of non-current assets in the management's opinion.

11. Other current assets

	2023	2022
Input VAT to be deducted	19,118,882.69	15,469,529.33
Overpaid value-added tax (VAT)	37,973,926.46	23,483,390.49
Tax repayments	5,248,796.24	13,582,808.39
Others	<u>12,893,050.68</u>	<u>8,834,723.10</u>
	<u>75,234,656.07</u>	<u>61,370,451.31</u>

错误!未知的文档属性名称

Notes to the Financial Statements (Cont'd)

2023

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V. Notes to the Consolidated Financial Statements (cont'd)

12. Long-term receivables

	2023			2022		
	Gross amount	Provision for bad debts	Carrying amount	Gross amount	Provision for bad debts	Carrying amount
Amounts receivable by installment for selling goods	<u>4,382,500.00</u>	<u>74,304.00</u>	<u>4,308,196.00</u>	<u>1,305,000.00</u>	<u>10,701.00</u>	<u>1,294,299.00</u>
	<u>Gross amount</u>		<u>Allowance</u>		<u>Carrying amount</u>	
	<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>		
Long-term receivables for which allowances are established by group with similar credit risk characteristics	<u>4,382,500.00</u>	<u>100.00</u>	<u>74,304.00</u>	1.70	<u>4,308,196.00</u>	

V. Notes to the Consolidated Financial Statements (cont'd)

12. Long-term receivables (cont'd)

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
2023	<u>10,701.00</u>	<u>63,603.00</u>	<u>-</u>	<u>-</u>	<u>74,304.00</u>

13. Long-term equity investments

	Opening balance	Change in the period			Closing balance
		Additional investment	Return on investment under the equity method	Other comprehensive income	
Associates					
Jaten Robot	86,533,484.12	-	943,242.05	-	87,476,726.17
Talleres Tapre	1,707,227.29	-	-	52,674.17	1,759,901.46
Nanjing Profeta	<u>7,111,970.11</u>	<u>23,075,777.90</u>	<u>(3,202,495.03)</u>	<u>-</u>	<u>28,029,257.21</u>
	<u>95,352,681.52</u>	<u>23,075,777.90</u>	<u>(2,259,252.98)</u>	<u>52,674.17</u>	<u>117,265,884.84</u>

As at 31 December 2023, 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

	2023	2022
Financial assets at fair value through profit or loss	<u>461,278,259.67</u>	<u>334,449,603.33</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

	Buildings and constructions	Machinery	Transportation facility	Other equipment	Total
Gross amount					
Opening balance	595,767,164.78	495,941,700.77	35,181,776.36	65,440,308.96	1,192,330,950.87
Purchases	6,784,769.93	13,308,437.13	5,478,483.17	6,128,776.37	31,700,466.60
Transfers from construction in progress	51,528,107.01	4,404,214.47	-	184,844.53	56,117,166.01
Disposal or retirement	(361,637.88)	(10,675,610.31)	(5,310,350.20)	(631,971.27)	(16,979,569.66)
Effect of exchange rate movements	<u>10,766,071.74</u>	<u>18,073,394.57</u>	<u>161,375.11</u>	<u>411,482.36</u>	<u>29,412,323.78</u>
Closing balance	<u>664,484,475.58</u>	<u>521,052,136.63</u>	<u>35,511,284.44</u>	<u>71,533,440.95</u>	<u>1,292,581,337.60</u>
Accumulated depreciation					
Opening balance	199,822,190.57	364,322,605.23	20,295,753.93	37,690,287.35	622,130,837.08
Provision	15,780,045.44	22,264,645.63	3,716,943.97	8,980,044.80	50,741,679.84
Disposal or retirement	(170,379.18)	(9,576,266.18)	(4,992,881.21)	(529,714.51)	(15,269,241.08)
Effect of exchange rate movements	<u>5,643,947.54</u>	<u>17,121,985.31</u>	<u>110,943.11</u>	<u>249,608.76</u>	<u>23,126,484.72</u>
Closing balance	<u>221,075,804.37</u>	<u>394,132,969.99</u>	<u>19,130,759.80</u>	<u>46,390,226.40</u>	<u>680,729,760.56</u>
Carrying amount					
Closing	<u>443,408,671.21</u>	<u>126,919,166.64</u>	<u>16,380,524.64</u>	<u>25,143,214.55</u>	<u>611,851,577.04</u>
Opening	<u>395,944,974.21</u>	<u>131,619,095.54</u>	<u>14,886,022.43</u>	<u>27,750,021.61</u>	<u>570,200,113.79</u>

错误!未知的文档属性名称

Notes to the Financial Statements (Cont'd)

2023

Expressed in Renminbi Yuan

V. Notes to the Consolidated Financial Statements (cont'd)

15. Fixed assets (cont'd)

As at 31 December 2023, no registration certificate for properties has been obtained for the new plant with carrying amount of RMB51,528,107.01 (2022: Nil).

16. Construction in progress

	2023			2022		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Plants and buildings	161,127,696.15	-	161,127,696.15	36,216,546.63	-	36,216,546.63
Equipment installation	<u>34,429,401.65</u>	-	<u>34,429,401.65</u>	<u>2,687,991.22</u>	-	<u>2,687,991.22</u>
	<u>195,557,097.80</u>	-	<u>195,557,097.80</u>	<u>38,904,537.85</u>	-	<u>38,904,537.85</u>

错误!未知的文档属性名称

Notes to the Financial Statements (Cont'd)
2023

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V. Notes to the Consolidated Financial Statements (cont'd)

16. Construction in progress (cont'd)

Movements in substantial construction in progress in 2023 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
Dongfang Precision - Plant Construction Project	32,753,000.00	-	4,268,623.84	-	-	4,268,623.84	Self-funded	13
Tiruñā (Guangdong) Intelligent Equipment Manufacturing Co., Ltd. (“Tiruñā Asia”)-Plant Construction Project	85,745,627.16	32,851,532.05	32,334,095.11	51,528,107.01	-	13,657,520.15	Self-funded	76
Parsun Power - Plant Construction Project	348,503,300.00	1,570,900.95	85,292,644.71	-	-	86,863,545.66	Self-funded	25
Fosber Asian – Fosber Songgang Plant	300,000,000.00	1,673,461.65	38,054,030.19	-	-	39,727,491.84	Self-funded	13
Tiruñā S.L.U. - Corrugated roller production equipment	74,874,598.40	-	25,079,297.27	-	-	25,079,297.27	Self-funded	33
Fosber Group - Plant Construction Project	157,184,000.00	68,703.32	16,537,099.73	-	-	16,605,803.05	Self-funded	11
Others	-	2,739,939.88	11,216,541.59	4,589,059.00	12,606.48	9,354,815.99	Self-funded	-
	<u>999,060,525.56</u>	<u>38,904,537.85</u>	<u>212,782,332.44</u>	<u>56,117,166.01</u>	<u>12,606.48</u>	<u>195,557,097.80</u>		

V. Notes to the Consolidated Financial Statements (cont'd)

17. Right-of-use assets

	Buildings	Vehicles	Total
Cost			
Opening balance	107,881,926.02	16,228,783.97	124,110,709.99
Increase	7,859,694.19	7,991,990.67	15,851,684.86
Disposal	(11,164,431.77)	(1,976,499.84)	(13,140,931.61)
Effect of exchange rate movements	14,177,505.08	6,546,212.31	20,723,717.39
Closing balance	<u>118,754,693.52</u>	<u>28,790,487.11</u>	<u>147,545,180.63</u>
Accumulated depreciation			
Opening balance	29,083,848.03	8,577,883.94	37,661,731.97
Provision	17,792,786.39	4,274,048.67	22,066,835.06
Disposal	(10,971,283.51)	(940,298.88)	(11,911,582.39)
Effect of exchange rate movements	11,391,947.49	5,993,849.67	17,385,797.16
Closing balance	<u>47,297,298.40</u>	<u>17,905,483.40</u>	<u>65,202,781.80</u>
Carrying amount			
Closing	<u>71,457,395.12</u>	<u>10,885,003.71</u>	<u>82,342,398.83</u>
Opening	<u>78,798,077.99</u>	<u>7,650,900.03</u>	<u>86,448,978.02</u>

V. Notes to the Consolidated Financial Statements (cont'd)

18. Intangible assets

	Land use rights	Land ownership	Patented technologies	Trademarks and software	Total
Gross amount					
Opening balance	177,783,228.49	15,881,320.90	112,511,121.61	187,064,046.11	493,239,717.11
Purchases	-	-	2,050,304.02	4,300,847.11	6,351,151.13
Internal R&D	-	-	-	5,334,031.98	5,334,031.98
Disposal	-	-	-	(472,518.34)	(472,518.34)
Effect of exchange rate movements	-	933,465.38	5,409,249.46	9,701,035.21	16,043,750.05
Closing balance	<u>177,783,228.49</u>	<u>16,814,786.28</u>	<u>119,970,675.09</u>	<u>205,927,442.07</u>	<u>520,496,131.93</u>
Accumulated depreciation					
Opening balance	24,758,265.85	-	66,420,930.77	33,957,125.38	125,136,322.00
Provision	3,856,021.52	-	10,212,114.77	10,029,983.61	24,098,119.90
Disposal	-	-	-	(279,351.45)	(279,351.45)
Effect of exchange rate movements	259,376.87	-	4,000,069.40	1,327,115.16	5,586,561.43
Closing balance	<u>28,873,664.24</u>	<u>-</u>	<u>80,633,114.94</u>	<u>45,034,872.70</u>	<u>154,541,651.88</u>
Carrying amount					
Closing	<u>148,909,564.25</u>	<u>16,814,786.28</u>	<u>39,337,560.15</u>	<u>160,892,569.37</u>	<u>365,954,480.05</u>
Opening	<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>

As at 31 December 2023, the proportion of intangible assets formed through internal research and development to the carrying amount of intangible assets at the end of the year was 1.25%.

19. Research and development costs

	Opening balance	Increase in the period Internal research and development	Decrease in the period Recognition of intangible assets	Closing balance
Data Platform Project Business Platform	108,069.78	1,011,090.52	(1,119,160.30)	-
Project	2,874,316.59	119,643.15	(2,993,959.74)	-
IoT Platform Project	<u>719,843.39</u>	<u>501,068.55</u>	<u>(1,220,911.94)</u>	<u>-</u>
	<u>3,702,229.76</u>	<u>1,631,802.22</u>	<u>(5,334,031.98)</u>	<u>-</u>

Refer to Note VI.

V. Notes to the Consolidated Financial Statements (cont'd)

20. Goodwill

	Opening balance	Increase in the period Exchange rate movements	Decrease in the period Disposal allocated to disposal groups held for sale	Closing balance
Fosber Group	152,396,437.31	8,957,491.76	-	161,353,929.07
Parsun Power	208,031,946.10	-	-	208,031,946.10
Italy EDF	65,167,148.84	3,830,366.44	-	68,997,515.28
Italy QCorr	12,921,351.12	759,485.58	-	13,680,836.70
Wonder Printing	119,422,168.56	-	-	119,422,168.56
	<u>557,939,051.93</u>	<u>13,547,343.78</u>	<u>-</u>	<u>571,486,395.71</u>

Movements in impairment allowances for goodwill are as follows:

	Opening balance	Increase in the period Exchange rate movements	Decrease in the period Disposal allocated to disposal groups held for sale	Closing balance
Parsun Power	61,855,054.35	-	-	61,855,054.35
Italy EDF	65,167,148.84	3,830,366.44	-	68,997,515.28
	<u>127,022,203.19</u>	<u>3,830,366.44</u>	<u>-</u>	<u>130,852,569.63</u>

V. Notes to the Consolidated Financial Statements (cont'd)

20. Goodwill (cont'd)

Information about the asset groups is as follows:

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 525.97 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 20.59% (19.85% in 2022).

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 319.68 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 11.85% (12.22% in 2022).

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 264.81 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 12.17% (13.27% in 2022).

V. Notes to the Consolidated Financial Statements (cont'd)

20. Goodwill (cont'd)

Where the recoverable amount is determined according to the present value of the expected future cash flows:

	Carrying amount	Recoverable amount	Impairment amount	Years of budget/forecast period	Key parameters of budget/forecast period	Key parameters of stable period	Basis for determination of key parameters of stable period
Fosber Group	525,967,510.91	2,393,364,573.02	-	5 years	Revenue growth rate	Revenue growth rate	Based on 0% revenue growth rate for stable period
Parsun Power	319,677,584.80	1,087,360,886.38	-	5 years	Revenue growth rate	Revenue growth rate	Based on 0% revenue growth rate for stable period
Italy QCorr	63,349,819.29	163,750,198.36	-	5 years	Revenue growth rate	Revenue growth rate	Based on 0% revenue growth rate for stable period
Wonder Printing	264,808,276.22	279,036,383.05	-	5 years	Revenue growth rate	Revenue growth rate	Based on 0% revenue growth rate for stable period
	<u>1,173,803,191.22</u>	<u>3,923,512,040.81</u>	<u>-</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

The following describes the key assumptions made by the management in determining cash flow forecasting for goodwill impairment testing:

Budget gross margin - Developed based on the average gross margin of historical operating results and expectations for market development.

Discount rate - The discount rate used is the pre-tax discount rate that reflects the specific risks of the relevant asset group or asset group combination.

The amount of the key assumptions allocated to the above asset group or asset group portfolio is consistent with the Group's historical experience and external information.

V. Notes to the Consolidated Financial Statements (cont'd)

21. Long-term prepaid expenses

	Opening balance	Increase in the period	Amortization in the period	Other decreases	Closing balance
Plant decoration expenditures	3,387,139.73	874,886.54	(1,110,325.20)	(31,911.69)	3,119,789.38
Office decoration expenditures	5,324,776.48	2,132,445.01	(3,098,032.48)	(444,948.31)	3,914,240.70
Amortization of moulds	2,305,043.35	20,587,622.65	(5,870,957.95)	-	17,021,708.05
Amortization of lease assets	2,172,204.26	-	(57,918.55)	-	2,114,285.71
Internet access for offices	811,214.14	614,629.98	(1,230,103.16)	(147,342.77)	48,398.19
CE certification fee	617,562.29	192,363.78	(325,815.54)	-	484,110.53
Expenditures on supporting engineering for plants	2,117,612.73	654,787.96	(794,066.65)	(137,285.06)	1,841,048.98
	<u>16,735,552.98</u>	<u>25,056,735.92</u>	<u>(12,487,219.53)</u>	<u>(761,487.83)</u>	<u>28,543,581.54</u>

22. Deferred tax assets/liabilities

Deferred tax assets and liabilities before offsetting:

	2023		2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible loss	41,464,787.21	7,585,286.13	39,530,769.25	7,299,859.61
Provisions—after-sales maintenance service charges	31,106,124.16	7,465,469.80	29,017,229.54	6,964,135.09
Deferred income	1,148,967,602.00	174,998,363.51	1,115,356,405.03	170,790,680.98
Accrued expenses	137,007,925.99	35,957,989.47	110,904,039.46	27,965,656.80
Asset impairment allowances	52,411,022.56	11,682,516.17	63,619,447.75	14,092,864.85
Equity incentive expenses	48,552,350.45	9,375,318.47	29,263,236.96	4,659,406.75
Credit impairment loss	1,549,606.23	237,403.35	59,507,278.84	9,165,630.00
Internal unrealized profit	41,884,654.49	9,319,501.09	38,382,165.54	8,119,663.58
Lease liabilities	25,116,594.05	3,435,296.89	-	-
Others	117,570,323.59	26,223,652.55	121,057,339.07	22,623,110.51
	<u>1,645,630,990.73</u>	<u>286,280,797.43</u>	<u>1,606,637,911.44</u>	<u>271,681,008.17</u>

V. Notes to the Consolidated Financial Statements (cont'd)

22. Deferred tax assets/liabilities (cont'd)

	2023		2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax liabilities				
Financial assets at fair value through profit or loss	1,794,832.35	233,592.92	21,098,870.19	3,750,525.42
Increase in value in asset valuation	42,559,397.20	7,565,638.16	49,738,790.86	8,867,879.18
Depreciation difference of fixed assets	61,963,523.25	10,363,510.02	26,455,083.92	5,468,413.09
	22,733,086.57	3,069,779.96	-	-
Others	69,220,019.79	18,030,160.88	79,681,187.34	15,877,516.64
合计	198,270,859.16	39,262,681.94	176,973,932.31	33,964,334.33

Deferred tax assets and liabilities are offset and presented as a net amount:

	2023		2022	
	Offset balance	Offset balance	Offset amount	Offset balance
Deferred tax assets	30,408,387.66	255,872,409.78	27,138,883.56	244,542,124.61
Deferred tax liabilities	30,408,387.66	8,854,294.28	27,138,883.56	6,825,450.77

Deductible temporary differences and deductible losses not recognized as deferred tax assets are as follows:

	2023	2022
Deductible temporary differences	3,925,408.90	9,196,588.97
Deductible losses	149,803,433.80	90,723,784.03
	153,728,842.70	99,920,373.00

V. Notes to the Consolidated Financial Statements (cont'd)**22. Deferred tax assets/liabilities (cont'd)**

Deductible temporary differences and tax losses not recognized as deferred tax assets will expire as follows:

	2023	2022
2023	-	11,447,032.87
2024	4,418,846.10	493,437.20
2025	13,984,168.64	13,984,168.64
2026	12,841,957.31	12,841,957.31
2027	73,324,757.62	61,153,776.98
2028	49,159,113.03	-
	<u>153,728,842.70</u>	<u>99,920,373.00</u>

The Company has accrued deferred tax assets of RMB168,933,394.30 (2022: RMB164,436,231.16) for the accumulated deductible losses of RMB1,126,222,628.65 based on the forecast of its profits in the next five years.

23. Other non-current assets

	2023	2022
Prepayment for acquisition of long-term assets	87,122,697.89	45,320,004.82
Certificates of deposit	10,248,630.14	-
Others	66,274.25	-
	<u>97,437,602.28</u>	<u>45,320,004.82</u>

V. Notes to the Consolidated Financial Statements (cont'd)**24. Assets with restricted ownership or right of use**

2023

	2023	2022	Limited type
Cash and bank balances	153,905,292.65	40,726,502.47	Deposit, pledge and Note 1 freezing
Fixed assets	4,460,554.82	4,409,110.42	Mortgage Note 2
Current portion of non-current assets	-	310,300,000.00	
合计	<u>158,365,847.47</u>	<u>355,435,612.89</u>	

Note 1: At 31 December 2023, currency funds with carrying amount of RMB153,157,792.65 were used to obtain deposits for bank acceptance bills, letters of guarantee, loans, forward settlement and sales and other payments (31 December 2022: RMB40,726,502.47); currency funds with carrying amount of RMB480,000.00 are pledged as time deposits (31 December 2022: Nil); currency funds with carrying amount of RMB267,500.00元 were legally frozen (31 December 2022: Nil).

Note 2: At 31 December 2023, a carrying amount of RMB4,460,554.82 (31 December 2022: RMB4,409,110.42) of fixed assets was pledged for the Group to obtain bank loans with a maturity until 2030.

25. Short-term borrowings

	2023	2022
Guaranteed loan	260,544,181.40	2,800,000.00
Credit loan	89,544,237.78	39,015,129.24
Bills discounted	20,461,553.62	-
	<u>370,549,972.80</u>	<u>41,815,129.24</u>

26. Financial liabilities held for trading

	2023	2022
Financial liabilities at fair value through profit or loss		
Non-controlling interests put options	<u>115,900,827.21</u>	<u>57,022,555.58</u>

V. Notes to the Consolidated Financial Statements (cont'd)**27. Notes payable**

	2023	2022
Bank acceptance notes	<u>152,433,276.09</u>	<u>149,918,253.31</u>

As at 31 December 2023, outstanding notes payable upon maturity were nil (31 December 2022: nil).

28. Accounts payable

	2023	2022
Purchases of inventories	<u>737,544,841.42</u>	<u>748,319,561.21</u>

As at 31 December 2023, substantial accounts payable with aging over 1 year were nil (31 December 2022: nil).

29. Contract liabilities

	2023	2022
Contract liabilities	<u>645,608,919.34</u>	<u>692,567,968.60</u>

As at 31 December 2023, there were no significant contract liabilities with aging over one year (31 December 2022: Nil).

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 1 to 12 months after relevant products are delivered and the control over the equipment is transferred.

V. Notes to the Consolidated Financial Statements (cont'd)

30. Employee benefits payable

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term benefits	114,133,461.02	733,377,200.69	707,948,798.51	139,561,863.20
Retirement benefits (defined contribution schemes)	<u>9,561,867.29</u>	<u>98,552,268.20</u>	<u>94,393,066.59</u>	<u>13,721,068.90</u>
	<u><u>123,695,328.31</u></u>	<u><u>831,929,468.89</u></u>	<u><u>802,341,865.10</u></u>	<u><u>153,282,932.10</u></u>

Short-term benefits are as follows:

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	108,414,374.41	649,112,978.61	624,884,133.01	132,643,220.01
Employee welfare	4,716,503.25	33,218,545.65	32,179,239.12	5,755,809.78
Social security contributions	554,100.71	44,785,261.93	45,043,640.70	295,721.94
Including: Medical insurance	529,159.87	30,520,045.91	30,806,528.96	242,676.82
Work injury insurance	23,264.84	13,679,631.47	13,665,963.18	36,933.13
Maternity insurance	1,676.00	585,584.55	571,148.56	16,111.99
Housing funds	22,348.00	5,106,643.42	4,514,919.42	614,072.00
Labour union funds and employee education funds	<u>426,134.65</u>	<u>1,153,771.08</u>	<u>1,326,866.26</u>	<u>253,039.47</u>
	<u><u>114,133,461.02</u></u>	<u><u>733,377,200.69</u></u>	<u><u>707,948,798.51</u></u>	<u><u>139,561,863.20</u></u>

Defined contribution schemes are as follows:

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic endowment insurance	9,553,228.48	97,986,576.10	93,836,694.52	13,703,110.06
Unemployment insurance	<u>8,638.81</u>	<u>565,692.10</u>	<u>556,372.07</u>	<u>17,958.84</u>
	<u><u>9,561,867.29</u></u>	<u><u>98,552,268.20</u></u>	<u><u>94,393,066.59</u></u>	<u><u>13,721,068.90</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)

31. Tax payable

	2023	2022
Value-added tax	5,649,692.90	2,794,718.85
Corporate income tax	45,973,508.11	9,990,213.17
Individual income tax	11,897,332.76	9,978,972.79
City maintenance and construction tax	430,752.88	552,631.31
Education surcharge	307,070.00	411,264.85
Property tax	2,731,038.94	218,184.92
Stamp duties	151,505.57	109,070.84
Land use tax	468,302.25	47,325.67
Others	-	9,321.30
	<u>67,609,203.41</u>	<u>24,111,703.70</u>

32. Other payables

	2023	2022
Other payables	<u>126,415,425.61</u>	<u>90,080,142.50</u>

Other payables

	2023	2022
Accrued expenses	53,166,304.73	36,647,193.30
Repurchase obligation of restricted shares	2,290,000.00	28,440,000.00
Payables for settled lawsuit	3,311,817.37	3,127,963.30
Security deposits	2,557,648.92	4,807,183.50
Equity acquisition	31,587,327.06	-
Others	<u>33,502,327.53</u>	<u>17,057,802.40</u>
	<u>126,415,425.61</u>	<u>90,080,142.50</u>

As at 31 December 2023, substantial other payables with aging over 1 year were nil (31 December 2022: nil).

V. Notes to the Consolidated Financial Statements (cont'd)**33. Current portion of non-current liabilities**

	2023	2022
Current portion of long-term borrowings	35,871,630.01	295,113,556.27
Of which: Pledge loan	-	254,610.59
Mortgage loan	249,305.06	7,100,000.00
Guaranteed loan	20,683,642.46	263,030,910.73
Credit loan	14,938,682.49	24,728,034.95
Current portion of lease liabilities	<u>21,129,766.43</u>	<u>20,653,874.99</u>
	<u>57,001,396.44</u>	<u>315,767,431.26</u>

34. Other current liabilities

	2023	2022
Endorsed notes receivable	5,375,919.77	1,449,810.18
Output tax to be written off	<u>3,769,255.24</u>	<u>4,539,069.11</u>
	<u>9,145,175.01</u>	<u>5,988,879.29</u>

35. Long-term borrowings

	2023	2022
Pledge loan	-	2,262,533.40
Mortgage loan	2,150,669.29	7,100,000.00
Guaranteed loan	55,374,274.02	296,130,679.37
Credit loan	<u>57,454,387.85</u>	<u>47,504,838.39</u>
Of which: Current portion of long-term borrowings	<u>(35,871,630.01)</u>	<u>(295,113,556.27)</u>
	<u>79,107,701.15</u>	<u>57,884,494.89</u>

As at 31 December 2023, the annual interest rates of the above borrowings ranged from 0.0% to 5.65% (31 December 2022: 0.0%-4.55%).

As at 31 December 2023 and 31 December 2022, the Group has no loans overdue.

V. Notes to the Consolidated Financial Statements (cont'd)**36. Lease liabilities**

	2023	2022
Lease payments	86,991,207.75	89,642,986.32
Less: Current portion of non-current liabilities	<u>21,129,766.43</u>	<u>20,653,874.99</u>
	<u>65,861,441.32</u>	<u>68,989,111.33</u>

37. Long-term employee benefits payable

	2023	2022
Net liabilities of defined benefit schemes	<u>13,964,394.20</u>	<u>13,179,944.17</u>
	<u>13,964,394.20</u>	<u>13,179,944.17</u>

Movements in the present value of defined benefit obligations are as follows:

	2023	2022
Opening balance	13,179,944.17	16,083,170.32
Included in profit or loss		
Current service cost	298,718.86	209,406.84
Net interest	60,856.56	485,893.76
Included in other comprehensive income		
Actuarial gains or losses	44,025.32	(1,948,490.61)
Other changes		
Benefits paid	(394,106.12)	(2,102,700.40)
Effect of exchange rate movements	<u>774,955.41</u>	<u>452,664.26</u>
Closing balance	<u>13,964,394.20</u>	<u>13,179,944.17</u>

V. Notes to the Consolidated Financial Statements (cont'd)

37. Long-term employee benefits payable(cont'd)

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:

	2023	2022
Separation rate	2.50%	2.50%
Inflation rate	2.00%	2.30%
Discount rate	3.08%	3.63%

The quantitative sensitivity analysis of key assumptions used is as follows:

2023

	Increase	Increase/(decrease) in obligations of defined benefit scheme	Decrease	Increase/(decrease) in obligations of defined benefit scheme
	%		%	
Separation rate	1.00	22,821.94	1.00	(25,101.66)
Inflation rate	0.25	86,826.24	0.25	(85,238.92)
Discount rate	0.25	(134,531.35)	0.25	139,045.20

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

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.

V. Notes to the Consolidated Financial Statements (cont'd)**38. Provisions**

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Product quality warranty	108,406,154.83	93,250,839.58	65,852,506.29	135,804,488.12
Others	<u>10,539,798.95</u>	<u>25,349,468.65</u>	<u>3,334,801.88</u>	<u>32,554,465.72</u>
	<u>118,945,953.78</u>	<u>118,600,308.23</u>	<u>69,187,308.17</u>	<u>168,358,953.84</u>

39. Deferred income

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Government grants	<u>11,073,651.66</u>	<u>-</u>	<u>1,116,660.00</u>	<u>9,956,991.66</u>

40. Other non-current liabilities

	2023	2022
Purchase obligations of non-controlling interest options	16,941,926.93	132,077,339.29
Other	<u>5,476,927.87</u>	<u>4,318,953.26</u>
	<u>22,418,854.80</u>	<u>136,396,292.55</u>

The option repurchase obligation relates to the non-controlling interests of QCorr and Parsun Power. At 31 December 2023, the Group recognized other non-current liabilities of RMB16,941,926.93 (31 December 2022: RMB132,077,339.29) based on evaluation. As at 31 December 2023, the repurchase obligation period of minority shareholders' put options of Parsun Power was one year, which was transferred from other non-current liabilities to financial liabilities held for trading.

V. Notes to the Consolidated Financial Statements (cont'd)

41. Share capital

	Opening balance	Movement		Closing balance
		Others	Total	
Total share capital	<u>1,241,106,400.00</u>	<u>(488,000.00)</u>	<u>(488,000.00)</u>	<u>1,240,618,400.00</u>

For the current year, the total number of shares cancelled by the Company was 488,000 shares, and the total number of shares of the Company changed from 1,241,106,400 shares to 1,240,618,400 shares after the cancellation.

42. Capital surplus

	Opening balance	Increase in	Decrease in	Closing balance
		the period (Note 1)	the period (Note 2)	
Share premium	2,848,837,575.96	-	96,604,986.05	2,752,232,589.91
Others	<u>98,426,267.57</u>	<u>39,270,139.73</u>	<u>-</u>	<u>137,696,407.30</u>
	<u>2,947,263,843.53</u>	<u>39,270,139.73</u>	<u>96,604,986.05</u>	<u>2,889,928,997.21</u>

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 22,151,043.21.
- (2) The Company acquired 10.8% non-controlling interests of its subsidiary Fosber Asia in the period, increasing other capital surplus by RMB 16,075,092.29.
- (3) Other equity of the Company's associated enterprises changed, increasing other capital surplus by RMB 1,044,004.23.

Note 2: Decreases of capital surplus in the period are as follows:

- (1) The Company retired a total of 488,000 shares in the period (as described in Item 41 of Note V), reducing other capital surplus by RMB 1,744,093.01.
- (2) The Company's share-based payments unlocked 25,662,000 shares in the period, reducing other capital surplus by RMB 94,838,368.04.
- (3) The Company repurchased shares in the period, which resulted in payment of related commissions and charges, reducing other capital surplus by RMB 22,525.00.

V. Notes to the Consolidated Financial Statements (cont'd)**43. Treasury shares**

	Opening balance	Increase in the period (Note)	Decrease in the period (Note)	Closing balance
Share repurchase	<u>240,255,502.45</u>	<u>107,553,284.40</u>	<u>129,510,254.06</u>	<u>218,298,532.79</u>
	<u>240,255,502.45</u>	<u>107,553,284.40</u>	<u>129,510,254.06</u>	<u>218,298,532.79</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 41 of Note V).

44. Other comprehensive income

Cumulative balance of other comprehensive income attributable to shareholders of the Company in the consolidated balance sheet:

2023

	1 January 2023	Change	31 December 2023
Changes due to remeasurement of defined benefit schemes	1,209,005.83	(44,025.32)	1,164,980.51
Differences arising from the translation of foreign currency-denominated financial statements	25,347,883.31	48,653,186.77	74,001,070.08
Others	<u>(43,972.07)</u>	<u>-</u>	<u>(43,972.07)</u>
	<u>26,512,917.07</u>	<u>48,609,161.45</u>	<u>75,122,078.52</u>

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)

44. Other comprehensive income (cont'd)

Other comprehensive income:

2023

	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	(44,025.32)	-	(44,025.32)	-
Other comprehensive income that will be reclassified to profit or loss				
Differences arising from the translation of foreign currency-denominated financial statements	48,118,257.53	-	48,653,186.77	(534,929.24)
	<u>48,074,232.21</u>	<u>-</u>	<u>48,609,161.45</u>	<u>(534,929.24)</u>

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)**45. Special reserve**

	Opening balance	Provision in the period	Utilisation in the period	Closing balance
Expenses for Safety Production	<u>14,488,955.52</u>	<u>5,118,146.78</u>	<u>3,377,285.27</u>	<u>16,229,817.03</u>

46. Surplus reserves

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserves	<u>51,830,974.45</u>	<u>-</u>	<u>-</u>	<u>51,830,974.45</u>
	<u>51,830,974.45</u>	<u>-</u>	<u>-</u>	<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.

47. Retained earnings

	2023	2022
Opening retained earnings	23,018,722.11	(424,159,175.27)
Net profit attributable to owners of the parent	<u>433,240,237.44</u>	<u>447,177,897.38</u>
Closing retained earnings	<u>456,258,959.55</u>	<u>23,018,722.11</u>

V. Notes to the Consolidated Financial Statements (cont'd)

48. Operating revenue and costs

	2023		2022	
	Revenue	Costs	Revenue	Costs
Principal operations	4,711,802,008.34	3,335,255,728.46	3,861,267,826.14	2,811,064,346.64
Other operations	<u>33,935,313.49</u>	<u>24,272,817.55</u>	<u>31,440,683.50</u>	<u>22,241,401.90</u>
	<u>4,745,737,321.83</u>	<u>3,359,528,546.01</u>	<u>3,892,708,509.64</u>	<u>2,833,305,748.54</u>

Breakdown of operating revenue arising from contracts with customers is as follows:

2023

Reporting segments

Principal product type

Goods	4,345,601,360.53
Services	<u>398,874,776.36</u>
	<u>4,744,476,136.89</u>

Principal operating segment

Mainland China	744,020,072.39
Other regions	<u>4,000,456,064.49</u>
	<u>4,744,476,136.88</u>

By revenue recognition time

Revenue recognition at a point of time	4,345,601,360.53
Revenue recognition for a period of time	<u>398,874,776.36</u>
	<u>4,744,476,136.89</u>

V. Notes to the Consolidated Financial Statements (cont'd)**48. Operating revenue and costs (cont'd)**

Breakdown of operating revenue arising from contracts with customers is as follows: (cont'd)

2022

Reporting segments

Principal product type

Goods	3,530,766,862.10
Services	<u>360,640,124.60</u>
	<u><u>3,891,406,986.70</u></u>

Principal operating segment

Mainland China	441,664,388.05
Other regions	<u>3,449,742,598.65</u>
	<u><u>3,891,406,986.70</u></u>

By revenue recognition time

Revenue recognition at a point of time	3,530,766,862.10
Revenue recognition for a period of time	<u>360,640,124.60</u>
	<u><u>3,891,406,986.70</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)

48. Operating revenue and costs (cont'd)

Breakdown of operating cost arising from contracts with customers is as follows:

Reporting segments

Principal product type

Goods	3,034,567,411.11
Services	<u>324,961,134.90</u>
	<u><u>3,359,528,546.01</u></u>

Principal operating segment

Mainland China	559,477,908.69
Other regions	<u>2,800,050,637.32</u>
	<u><u>3,359,528,546.01</u></u>

By revenue recognition time

Revenue recognition at a point of time	3,034,567,411.11
Revenue recognition for a period of time	<u>324,961,134.90</u>
	<u><u>3,359,528,546.01</u></u>

Revenue recognized that was included in contract liabilities at the beginning of the year:

	2023	2022
Sales payment in advance	<u>581,304,573.91</u>	<u>334,296,679.75</u>

V. Notes to the Consolidated Financial Statements (cont'd)

48. Operating revenue and costs (cont'd)

Information about the Group's performance obligations is as follows:

	Timing of satisfaction of performance obligations	Significant payment terms	Nature of goods promised to transfer	Whether the principal	Expected refunds to customers	Types of warranties and related obligations
Sales of goods	Upon delivery	80%-90% payment before delivery	Sales of machinery and parts	Yes	Nil	Statutory warranties
Provision of services	During service	After service Payment based on	Installation and maintenance service	Yes	Nil	Nil
Provision of services	During service	service progress	Warranties for services	Yes	Nil	Nil

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:

	2023	2022
Within 1 year	<u>645,608,919.34</u>	<u>692,567,968.60</u>

49. Taxes and surcharges

	2023	2022
City maintenance and construction tax	4,201,309.37	3,556,299.02
Education surcharge	1,912,550.12	1,354,323.03
Property tax	5,039,330.50	4,472,175.71
Land use tax	800,993.84	518,958.69
Vehicle and vessel tax	14,719.14	11,064.76
Stamp tax	1,212,137.29	836,666.85
Local education surcharge	1,200,374.13	892,159.78
Environmental protection tax	25,023.33	16,321.08
Others	<u>146,392.37</u>	<u>298,321.03</u>
	<u>14,552,830.09</u>	<u>11,956,289.95</u>

V. Notes to the Consolidated Financial Statements (cont'd)**50. Selling expenses**

	2023	2022
Commissions and agency fees	65,569,469.47	47,370,007.70
Employee benefits and equity incentive expenses	73,673,180.14	56,966,000.14
Product quality warranties	78,496,207.90	42,349,630.26
Advertising and exhibition expenses	19,791,182.47	7,889,277.47
Travel expenses	12,198,575.02	11,572,146.49
Office expenses	2,469,847.27	2,216,107.13
Depreciation and amortization expenses	2,828,742.50	1,327,867.77
Other expenses	23,813,324.16	12,864,838.75
	<u>278,840,528.93</u>	<u>182,555,875.71</u>

51. Administrative expenses

	2023	2022
Employee benefits	178,922,030.42	151,890,144.23
Depreciation and amortization expenses	27,465,333.94	30,683,414.09
Intermediary expenses	35,873,535.50	32,748,743.44
Equity incentives	14,812,302.40	28,245,389.68
Office expenses	17,171,371.14	15,241,253.59
Travel and reception expenses	15,935,791.58	9,797,492.56
Conference expenses	11,643,977.90	11,037,605.97
Property management expenses	5,547,279.55	3,168,050.31
Maintenance expenses	1,347,244.81	1,060,687.27
Car expenses	1,725,795.42	814,131.46
Materials consumption	2,180,990.32	1,857,128.89
Rental expenses	6,603,503.97	4,952,760.91
Other expenses	24,995,535.56	19,966,810.76
	<u>344,224,692.51</u>	<u>311,463,613.16</u>

V. Notes to the Consolidated Financial Statements (cont'd)**52. R&D expenses**

	2023	2022
Employee benefits and equity incentive expenses	79,930,804.74	64,751,562.30
Depreciation and amortization expenses	18,038,231.99	12,327,999.54
Material expenses	13,107,475.15	11,111,028.94
Utilities	1,939,154.97	1,708,605.10
Assembly testing and debugging expenses	770,749.65	176,934.19
Other expenses	<u>13,780,065.92</u>	<u>7,878,323.33</u>
	<u>127,566,482.42</u>	<u>97,954,453.40</u>

53. Finance costs

	2023	2022
Interest expenses	24,236,011.48	13,839,292.38
Less: Interest income	35,308,583.52	19,042,851.72
Exchange losses	3,836,892.35	(6,540,524.94)
Others	<u>6,146,062.99</u>	<u>2,773,390.59</u>
	<u>(1,089,616.70)</u>	<u>(8,970,693.69)</u>

54. Other income

	2023	2022
Government grants related to routine activities	15,006,349.35	20,754,916.28
Refund of handling charges for individual income tax withheld	<u>740,944.47</u>	<u>178,461.16</u>
	<u>15,747,293.82</u>	<u>20,933,377.44</u>

V. Notes to the Consolidated Financial Statements (cont'd)**55. Investment income**

	2023	2022
Income from long-term equity investments measured at equity method	(2,259,252.98)	1,851,796.60
Income from financial assets held for trading	12,718,052.00	17,279,281.22
Interest income from certificates of deposit during the holding period	248,630.14	-
	<u>10,707,429.16</u>	<u>19,131,077.82</u>

56. Gains and losses on changes in fair value

	2023	2022
Financial assets at fair value through profit or loss	38,915,711.89	13,423,921.51
Financial liability at fair value through profit or loss	-	(844,476.88)
Changes in fair value of non-controlling interests call/put options	8,472,193.22	5,337,601.98
	<u>47,387,905.11</u>	<u>17,917,046.61</u>

57. Credit impairment loss

	2023	2022
Loss on doubtful accounts receivable	10,481,070.60	4,417,400.72
Allowances losses for other receivables	(2,756.83)	681,873.15
Impairment loss on contract assets	63,603.00	10,701.00
	<u>10,541,916.77</u>	<u>5,109,974.87</u>

V. Notes to the Consolidated Financial Statements (cont'd)**58. Asset impairment loss**

	2023	2022
Inventory valuation loss	17,341,157.47	10,867,629.33
Reversed impairment loss on contract assets	<u>(124,060.08)</u>	<u>1,928,694.23</u>
	<u>17,217,097.39</u>	<u>12,796,323.56</u>

59. Gains and losses on disposal of assets

	2023	2022
Gain/(loss) on disposal of fixed assets	<u>716,995.85</u>	<u>(168,835.37)</u>

60. Non-operating income

	2023	2022	Recognized in exceptional gains and losses of 2023
Compensation fee	-	283,274.15	-
Penalty income	229,338.58	-	229,338.58
Equity compensation	1,686,462.38	-	1,686,462.38
Others	<u>4,058,840.21</u>	<u>2,176,293.18</u>	<u>4,058,840.21</u>
	<u>5,974,641.17</u>	<u>2,459,567.33</u>	<u>5,974,641.17</u>

V. Notes to the Consolidated Financial Statements (cont'd)

61. Non-operating expenses

	2023	2022	Recognized in exceptional gains and losses of 2023
Loss on disposal of non-current assets	23,374.33	182,551.41	23,374.33
Donations	450,624.37	224,849.92	450,624.37
Tax penalties and interest expense	14,800,942.90	-	14,800,942.90
Others	877,433.58	473,443.92	877,433.58
	<u>16,152,375.18</u>	<u>880,845.25</u>	<u>16,152,375.18</u>

62. Income tax expenses

	2023	2022
Current income tax expenses	194,787,159.35	83,948,000.57
Deferred tax expenses	<u>(6,389,006.63)</u>	<u>(61,760,709.14)</u>
	<u>188,398,152.72</u>	<u>22,187,291.43</u>

V. Notes to the Consolidated Financial Statements (cont'd)**62. Income tax expenses (cont'd)**

Reconciliation between income tax expenses and gross profit is as follows:

	2023	2022
Gross profit	658,736,734.34	505,928,312.72
Income tax calculated at applicable tax rates (Note 1)	98,810,510.15	75,889,246.91
Different tax rates for specific provinces or enacted by local authority	53,504,528.96	18,881,060.06
Adjustment to current income tax in previous periods	482,708.87	(775,371.61)
Supplementary income tax paid by overseas subsidiaries (Note 2)	40,581,711.74	-
Income not subject to tax	-	(471,554.32)
Over-deduction for R&D	(10,372,245.63)	(9,884,156.68)
Expenses not deductible for tax	9,450,693.56	5,666,686.60
Utilization and recognition of deductible losses of previous periods	(249,117.78)	(82,173,231.29)
Effect of unrecognized deductible temporary differences and deductible losses	<u>(3,810,637.15)</u>	<u>15,054,611.76</u>
Income tax expenses	<u>188,398,152.72</u>	<u>22,187,291.43</u>

Note 1: 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.

Note 2: Fosber Group, a subsidiary of the Group, reached a tax settlement with the Italian Revenue Agency in October 2023 and paid taxes owed.

V. Notes to the Consolidated Financial Statements (cont'd)**63. Earnings per share**

	2023 RMB/share	2022 RMB/share
Basic earnings per share		
Continuing operations	0.36	0.37
Diluted earnings per share		
Continuing operations	0.36	0.37

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.

Calculations of basic and diluted earnings per share are as follows:

	2023	2022
Earnings		
Net profit attributable to ordinary shareholders of the Company for the period	<u>433,240,237.43</u>	<u>447,177,897.38</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	1,202,048,618.00	1,214,301,810.17
Diluting effect—weighted average number of ordinary shares	<u>-</u>	<u>8,044,635.29</u>
Adjusted weighted average number of ordinary shares in issue of the Company	<u><u>1,202,048,618.00</u></u>	<u><u>1,222,346,445.46</u></u>

V. Notes to the Consolidated Financial Statements (cont'd)

64. Notes to cash flow statement line items**(1) Cash related to operating activities**

	2023	2022
Cash generated from other operating activities		
Government grants	17,630,633.82	19,804,538.17
Interest income	35,811,051.77	9,167,093.01
Current accounts and others	5,369,286.45	8,441,791.07
Guarantee deposit received	1,674,968.57	-
Deposits	2,600,000.00	-
	<u>63,085,940.61</u>	<u>37,413,422.25</u>
Cash used in other operating activities		
Selling expenses in cash	167,635,219.01	130,038,891.90
Administrative expenses in cash	122,829,444.94	105,291,187.76
R&D expenses in cash	18,407,566.42	13,993,627.09
Security deposits	2,145,000.00	2,187,739.39
Letter of guarantee paid	1,821,640.29	695,566.59
Tax penalties and interest paid by overseas subsidiaries	14,800,942.90	-
Current accounts and others	15,800,877.30	28,045,564.77
	<u>343,440,690.86</u>	<u>280,252,577.50</u>

V. Notes to the Consolidated Financial Statements (cont'd)

64. Notes to cash flow statement line items (Cont'd)

(2) Cash related to investing activities

	2023	2022
Cash received relating to significant investing activities		
Disposal/redemption of financial assets held for trading	<u>2,665,803,265.78</u>	<u>5,299,709,934.05</u>
	<u>2,665,803,265.78</u>	<u>5,299,709,934.05</u>
Cash payments relating to significant investing activities		
Purchase of financial assets held for trading	2,581,570,596.21	5,276,995,616.79
Purchase of equity investments	50,000,000.00	133,225,000.00
Acquisition of subsidiaries	-	173,800,000.00
Increase in capital of associates	<u>20,000,000.00</u>	<u>-</u>
	<u>2,651,570,596.21</u>	<u>5,584,020,616.79</u>
	2023	2022
Cash generated from other investing activities		
Performance compensation	-	741,402.85
Investment deposit	<u>-</u>	<u>20,000,000.00</u>
	<u>-</u>	<u>20,741,402.85</u>
Cash used in other investing activities		
Investment deposit	<u>-</u>	<u>20,000,000.00</u>
	<u>-</u>	<u>20,000,000.00</u>

V. Notes to the Consolidated Financial Statements (cont'd)

64. Notes to cash flow statement line items (cont'd)

(3) Cash related to financing activities

	2023	2022
Cash generated from other financing activities		
Security deposits for bank acceptance notes	87,228,875.76	177,363,575.61
Security deposits recovered for internal guarantees for external loans	310,300,000.00	420,000,000.00
Security deposits for loan	17,700,000.00	140,000,000.00
Share subscription	561,989.99	2,762,000.00
	<u>415,790,865.75</u>	<u>740,125,575.61</u>
Cash used in other financing activities		
Share repurchase	101,286,016.39	215,606,658.62
Security deposits paid for loans	107,345,506.70	210,000,000.00
Security deposits for bank acceptance notes	91,719,487.52	170,580,626.43
Payment of loan deposits	17,700,000.00	-
Purchase of non-controlling interests	36,698,456.01	50,866,860.00
Lease and interest payments	23,291,683.40	26,324,405.01
	<u>378,041,150.02</u>	<u>673,378,550.06</u>

Changes in liabilities arising from financing activities:

	Opening balance	Changes in the current period		Closing balance
		Changes in cash	Non-cash changes	
Short-term borrowing	41,815,129.24	317,848,152.63	10,886,690.93	370,549,972.80
Long-term borrowings (Including current portion of long-term borrowings)	352,998,051.16	(249,849,654.27)	11,830,934.27	114,979,331.16
Lease liabilities (Including current portion of non-current liabilities)	89,642,986.32	(23,291,683.40)	20,639,904.83	86,991,207.75
	<u>484,456,166.72</u>	<u>44,706,814.96</u>	<u>43,357,530.03</u>	<u>572,520,511.71</u>

V. Notes to the Consolidated Financial Statements (cont'd)**64. Notes to cash flow statement line items (cont'd)****(4) Major non-cash transactions**

	2023	2022
Non-cash additions to right-of-use assets and lease liabilities	<u>15,851,684.86</u>	<u>36,996,563.25</u>

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:

	2023	2022
Net profit	470,338,581.62	483,741,021.29
Add: Asset impairment allowances	17,217,097.39	12,796,323.56
Credit impairment loss	10,541,916.77	5,109,974.87
Depreciation of fixed assets	50,741,679.84	46,764,632.53
Depreciation of right-of-use assets	22,066,835.06	22,658,947.90
Amortization of intangible assets	23,060,612.28	22,931,485.79
Amortization of long-term prepaid expenses	12,487,219.53	5,992,219.61
Gain an loss on disposal of fixed assets, intangible assets and other long-lived assets	(716,995.85)	168,835.37
Loss on retirement of fixed assets	14,608.43	182,551.41
Loss on changes in fair value	(47,387,905.11)	(17,917,046.61)
Finance costs	10,697,674.87	3,689,292.38
Investment income	(10,707,429.16)	(19,131,077.82)
Increase in deferred tax assets	(11,297,358.96)	(63,715,107.07)
Decrease in deferred tax liabilities	1,995,917.30	1,377,055.21
Increase in inventories	(65,829,716.73)	(181,404,611.30)
Decrease in operating receivables	(7,194,337.99)	(237,029,947.97)
Increase/(decrease) in operating payables	(27,468,741.59)	385,587,050.58
Others	<u>38,621,080.96</u>	<u>34,492,861.22</u>
Net cash generated from/used in operating activities	<u>487,180,738.66</u>	<u>506,294,460.95</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)**

Net change in cash and cash equivalents:

	2023	2022
Closing balance of cash	1,672,514,611.84	1,233,720,697.27
Less: Opening balance of cash	1,233,720,697.27	1,259,303,775.74
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase/(decrease) in cash and cash equivalents	<u>438,793,914.57</u>	<u>(25,583,078.47)</u>

(2) Cash and cash equivalents

	2023	2022
Cash	<u>1,672,514,611.84</u>	<u>1,233,720,697.27</u>
Including: cash on hand	438,600.93	587,935.98
Bank deposits readily available	1,491,798,403.81	1,011,564,164.21
Other cash and bank balances readily available	180,277,607.10	221,568,597.08
Cash equivalents	-	-
Closing balance of cash and cash equivalents	<u>1,672,514,611.84</u>	<u>1,233,720,697.27</u>

V. Notes to the Consolidated Financial Statements (cont'd)

66. Monetary items in foreign currencies

	Original currency	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	80,302,039.41	7.0827	568,755,254.53
EUR	73,240,243.64	7.8592	575,609,722.82
HKD	35,359.65	0.9062	32,042.91
GBP	127,253.74	9.0411	1,150,513.79
Accounts receivable			
Including: USD	4,893,301.00	7.0827	34,657,782.99
EUR	100,864,530.83	7.8592	792,714,520.70
Contract assets			
Including: USD	2,004,010.68	7.0827	14,193,806.44
EUR	780,000.00	7.8592	6,130,176.00
Other receivables			
Including: EUR	11,302,383.25	7.8592	88,827,690.44
Accounts payable			
Including: EUR	66,186,982.45	7.8592	520,176,732.47
Short-term borrowings			
Including: EUR	40,923,811.48	7.8592	321,628,419.18
Current portion of non-current liabilities			
Including: EUR	4,628,126.57	7.8592	36,373,372.34
Long-term borrowings			
Including: EUR	5,938,479.89	7.8592	46,671,701.15
Lease liabilities			
Including: EUR	6,342,369.65	7.8592	49,845,951.55
Other payables			
Including: USD	556,146.02	7.0827	3,939,015.42
EUR	1,943,772.81	7.8592	15,276,499.27
			<u>3,075,983,202.00</u>

V. Notes to the Consolidated Financial Statements (cont'd)**66. Monetary items in foreign currencies (cont'd)**

The principal places of business overseas, the functional currencies and their determination basis of the major overseas business entities included in the consolidated financial statements are as follows:

Major overseas business entities	Principal place of business	Functional currency	Determination basis
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
Tiru ña Group	Spain	EUR	Settlement currency for local business activities

67. Leases**(1) As lessee**

	2023	2022
Interest expense on lease liabilities	2,382,929.15	2,474,602.57
Short term lease expense through profit or loss adopting simplified approach	7,855,599.28	1,205,273.76
Total cash outflows related to lease	31,319,311.36	29,438,261.70

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. The lease contract does not contain terms such as renewal option, termination option and variable rent. No effect of variable rent terms on potential future cash outflows.

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.26; for lease liabilities, see Note V.33&36.

VI. R&D expenditure

Classified by nature as follows:

	2023	2022
Employee benefits and equity incentive expenses	81,261,816.52	67,601,154.68
Depreciation and amortization expenses	18,194,502.36	12,874,846.10
Material expenses	13,113,046.67	11,172,857.69
Utilities	1,939,154.97	1,708,605.10
Assembly testing and debugging expenses	770,749.65	176,934.19
Other expenses	<u>13,919,014.47</u>	<u>8,122,285.40</u>
	<u>129,198,284.64</u>	<u>101,656,683.16</u>
Of which: Capitalized R&D expenses	127,566,482.42	97,954,453.40
Expensed R&D expenditure	1,631,802.22	3,702,229.76

R&D expenditures eligible for capitalization are as follows:

	Opening balance	Increase in the period	Decrease in the period	Closing balance
		Internal research and development	Recognition of intangible assets	
Data Platform Project	108,069.78	1,011,090.52	(1,119,160.30)	-
Business Platform Project	2,874,316.59	119,643.15	(2,993,959.74)	-
IoT Platform Project	<u>719,843.39</u>	<u>501,068.55</u>	<u>(1,220,911.94)</u>	-
	<u>3,702,229.76</u>	<u>1,631,802.22</u>	<u>(5,334,031.98)</u>	-

Capitalized R&D projects are as follows:

	R&D progress	Expected completion date	Expected economic benefits generation method	Commencem ent point for capitalizatio n	Specific basis for commencement of capitalization
Data Platform Project	Closed on 2023/8/18	Closed on 2023/8/18	Product sales	2022/12/4	Approval of project development decision review report
IoT Platform Project	Closed on 2023/4/26	Closed on 2023/4/26	Product sales	2022/9/14	Approval of project development decision review report
Business Platform Project	Closed on 2023/4/26	Closed on 2023/4/26	Product sales	2022/5/31	Approval of project development decision review report

VII. Interests in Other Entities

1. Interests in subsidiaries

Particulars of the subsidiaries of the Company are as follows:

	Principal place of business	Place of registration	Business nature	Registered capita	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	RMB29,581,891	100.00	-
Italy QCorr	Italy	Italy	Manufacturing	EUR375,000	-	60.00
Suzhou High-Tech Zone Jinqian Business Management Partnership (Limited Partnership)*("High-Tech Zone Jinqian")	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Investment	RMB10,553,000	-	1.23
Suzhou Parsun Power Technology Co., Ltd. ("Parsun Power Technology")	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Trading	RMB10million	-	70.63
Suzhou Baisheng International Trade Co., Ltd. ("Baisheng International")	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Trading	RMB3 million	-	70.63
Dongfang Digicom Data Technology Co., Ltd. ("Dongfang Digicom")	Haikou, Hainan, China	Haikou, Hainan, China	Industrial Internet	RMB100 million	100.00	-
Dongfang Digicom Data Technology (Guangdong) Co., Ltd. ("Dongfang Digicom (Guangdong)")	Foshan, Guangdong, China	Foshan, Guangdong, China	Industrial Internet	RMB8 million	100.00	-
Hainan Yineng Investment Co., Ltd. ("Yineng Investment")	Haikou, Hainan, China	Haikou, Hainan, China	Investment	RMB100 million	100.00	-
Dongfang Yineng International Holdings Co., Ltd. ("Yineng International")	Foshan, Guangdong, China	Foshan, Guangdong, China	Investment	RMB50 million	100.00	-
Tianjin Hangchuang Zhijin Investment Partnership (Limited Partnership) ("Tianjin Hangchuang")	Tianjin, China	Tianjin, China	Investment	RMB21 million	95.24	-
Changzhou Xichen Investment Partnership (Limited Partnership) ("Changzhou Xichen")	Changzhou, Jiangsu, China	Changzhou, Jiangsu, China	Investment	RMB50.6 million	-	94.86

VII. Interests in Other Entities (Cont'd)**1. Interests in subsidiaries (cont'd)**

	Principal place of business	Place of registration	Business nature	Registered capita	The Company's interest (%)	
					Direct	Indirect
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
Forsberg (Machinery) Tianjin Co., Ltd. ("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	62.80
Suzhou Shunyi Investment Co., Ltd. ("Shunyi Investment")	Suzhou, Jiangsu, China	Suzhou, Jiangsu, China	Investment	RMB10 million	100.00	-
EDF	Italy	Italy	Manufacturing	EUR100,000	-	100.00
Tiruña S.L.U.	Spain	Spain	Manufacturing	EUR1.44 million	-	100.00
Tiruña FranceSARL	France	France	Manufacturing	EUR100,000	-	100.00
SCI Candan	France	France	Manufacturing	EUR10,000	-	100.00
Tiruña America	America	America	Manufacturing	USD3 million	-	100.00
Guangdong Tiruña Rolls Manufactory company limited ("Tiruña Rolls Manufactory")	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	EUR21 million	-	66.30
Tiruña Asia	Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	RMB50 million	100.00	-
Wonder Printing	Shenzhen, Guangdong, China	Shenzhen, Guangdong, China	Manufacturing	RMB31,171,949	51.00	-
Dongguan Wonder Digital Machinery Co., Ltd. ("Wonder Digital")	Dongguan, Guangdong, China	Dongguan, Guangdong, China	Manufacturing	RMB5million	-	51.00

*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.

VII. Interests in Other Entities (Cont'd)**2. Interests in associates**

	Principal place of business	Place of registration	Business nature	Registered capital	The Company's interest (%)		Accounting method
					Direct	Indirect	
Associates							
Guangdong Robot Automation Ltd.	Jaten & Co., Foshan, Guangdong, China	Foshan, Guangdong, China	Manufacturing	RMB31.759 million	19.84	-	Equity method
Talleres Tapre,S.L.	Spain	Spain	Manufacturing	EUR37,563	-	20.00	Equity method
Nanjing Profeta	Nanjing, Jiangsu, China	Nanjing, Jiangsu, China	Manufacturing	RMB4.5427 million	15.00	5.67	Equity method

The table below presents the aggregate financial information of associates insignificant to the Group:

	2023	2022
Associates		
Total carrying amount of investments	117,265,884.84	95,352,681.52
Total amounts based on the Company's interests:		
Net loss	(2,259,252.98)	1,851,796.60
Total comprehensive loss	(2,259,252.98)	1,851,796.60

As there is no obligation to bear additional losses, the net losses incurred by the investee are recognized to the extent that the book value of the long-term equity investment and other long-term interests that substantially constitute the net investment in the investee are reduced to zero.

VIII. Government grants

As of December 31, 2023, no government grants was included in other receivables.

As of December 31, 2023, liabilities related to government grants are as follows:

	Opening balance	Recognized in Other Income During the Year	Closing balance	Related to asset/income
Deferred Income	<u>11,073,651.66</u>	<u>1,116,660.00</u>	<u>9,956,991.66</u>	Related to assets

VIII. Government grants (Cont'd)

The government grants recognised in profit or loss are as follows:

	2023	2022
Government grants related to assets		
Recognised as other income	1,116,660.00	1,116,660.00
Government grants related to income		
Recognised as other income	<u>13,889,689.35</u>	<u>19,638,256.28</u>
	<u>15,006,349.35</u>	<u>20,754,916.28</u>

IX. Risks Associated with Financial Instruments**1. Classification of financial instruments**

As at 31 December 2023, financial assets at fair value through profit or loss amounted to RMB1,143,903,702.12 (31 December 2022: RMB1,195,281,882.21), which was mainly presented in Financial assets held for trading and Other non-current financial assets; financial assets at fair value through other comprehensive income amounted to RMB19,613,974.21 (31 December 2022: RMB15,305,668.26), which was mainly presented in Receivables financing and Other non-current financial assets; financial assets at amortised cost amounted to RMB2,840,161,432.80 (31 December 2022: RMB2,530,374,009.14), which was mainly presented in Currency funds, Notes receivable, Accounts receivable Current portion of non-current assets, Long-term receivables and Other receivables; financial liabilities at fair value through profit or loss amounted to RMB138,319,682.01 (31 December 2022: RMB193,418,848.13), which was mainly presented in Financial liabilities held for trading and Other non-current liabilities; and financial liabilities at amortised cost amounted to RMB1,730,652,355.43 (31 December 2022: RMB1,474,223,933.92), which was mainly presented in Short-term borrowings, Notes payable, Accounts payable, Other payables, Current portion of non-current liabilities, Long-term borrowings, Other current liabilities and Lease liabilities.

2. Risks of financial instruments

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group's policies are summarised below.

IX. Risks Associated with Financial Instruments (cont'd)

1. Classification of financial instruments (cont'd)

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 Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. The Group's main criteria for determining significant increase in credit risk are that the number of days past due exceed 30 days, or one or more of the following indicators have changed significantly: significant adverse changes in the operating environment of the debtor, internal and external credit ratings, and actual or expected operating results.

Definition of credit-impaired financial assets

The Group's main criterion for determining that credit impairment has occurred is that the number of days past due exceeds 90 days. However, in some cases, if internal or external information indicates that the contract amount may not be recovered in full before considering any credit enhancements held, the Group will also consider that credit impairment has occurred.

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.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and other borrowings.

IX. Risks Associated with Financial Instruments (Cont'd)

2. Financial instrument risks (cont'd)

Liquidity risk (cont'd)

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarized as follows:

2023

	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	47,649,929.46	21,673,776.48	305,994,589.47	-	-	375,318,295.41
Notes payable	-	-	152,433,276.09	-	-	152,433,276.09
Accounts payable	-	-	737,544,841.42	-	-	737,544,841.42
Other payables	-	-	126,415,425.61	-	-	126,415,425.61
Financial liabilities held for trading	-	-	115,900,827.21	-	-	115,900,827.21
Current portion of non-current liabilities	2,457,366.02	4,392,084.31	52,417,329.88	-	-	59,266,780.21
Long-term borrowings	-	-	-	84,490,564.27	836,642.77	85,327,207.04
Lease liabilities	-	-	-	65,861,441.32	-	65,861,441.32
Other current liabilities	-	-	25,837,473.39	-	-	25,837,473.39
Other non-current liabilities	-	-	-	22,418,854.80	-	22,418,854.80
	<u>50,107,295.48</u>	<u>26,065,860.79</u>	<u>1,516,543,763.07</u>	<u>172,770,860.39</u>	<u>836,642.77</u>	<u>1,766,324,422.50</u>

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Notes to the Financial Statements (Cont'd)
2023

Expressed in Renminbi Yuan

IX. Risks Associated with Financial Instruments (Cont'd)

2. Financial instrument risks (cont'd)

Liquidity risk (cont'd)

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	-	-	-	136,396,292.55	-	136,396,292.55
	<u>10,879,191.21</u>	<u>15,779,112.72</u>	<u>1,367,426,406.28</u>	<u>264,368,121.97</u>	<u>1,075,526.84</u>	<u>1,659,528,359.02</u>

IX. Risks Associated with Financial Instruments (Cont'd)**2. 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

2023

	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	0.50	(435,630.76)	-	(435,630.76)
Loans	(0.50)	435,630.76	-	435,630.76

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	0.50	(1,458,187.97)	-	(1,458,187.97)
Loans	(0.50)	1,458,187.97	-	1,458,187.97

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.

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.

IX. Risks Associated with Financial Instruments (Cont'd)**2. Financial instrument risks (cont'd)****Market Risk (cont'd)**Exchange rate risk (cont'd)

2023

	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	2.00	(6,940,212.28)	-	(6,940,212.28)
Weaker RMB against EUR	(2.00)	6,940,212.28	-	6,940,212.28
Stronger RMB against USD	2.00	(10,011,216.17)	-	(10,011,216.17)
Weaker RMB against USD	(2.00)	10,011,216.17	-	10,011,216.17

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	2.00	(8,836,102.40)	-	(8,836,102.40)
Weaker RMB against EUR	(2.00)	8,836,102.40	-	8,836,102.40
Stronger RMB against USD	2.00	(6,699,491.41)	-	(6,699,491.41)
Weaker RMB against USD	(2.00)	6,699,491.41	-	6,699,491.41

IX. Risks Associated with Financial Instruments (cont'd)**3. 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 2023 and 2022.

4. Transfer of financial assets

Transfer method	Nature of transferred financial assets	Amount of Derecog transferred financial assets	Derecog nition	Judgment basis for derecognition
Notes discount ed/ endorsed	Notes receivable	25,837,473.39	Not derecog nised	Retained the substantial risks and rewards, which include default risks relating to such endorsed/discounted notes
Notes endorsed	Notes receivable	<u>13,508,608.93</u>	Derecog nised	Transferred substantially all risks and rewards relating to the derecognised notes
		<u>39,346,082.32</u>		

In 2023, financial assets derecognised as a result of the transfer are as follows:

	Transfer method	Amount of derecognised financial assets	Gains or losses related to derecognition
Notes receivable	Notes endorsed	<u>13,508,608.93</u>	-

Financial assets already transferred but not wholly derecognized

On 31 December 2023, the carrying value of the bank acceptance notes (BAs) discounted by the Group was RMB20,461,553.62 (31 December 2022: Nil). The Group believed that the Group retained almost all their risks and rewards, including the risk of default associated therewith, so the Group continued to confirm them and recognise in full its and related bank borrowings. After the discounting, 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 2023, the carrying amount of bank borrowings recognised by the Group amounted to RMB20,461,553.62 (31 December 2022: Nil).

IX. Risks Associated with Financial Instruments (Cont'd)**4. Transfer of financial assets (cont'd)**Financial assets already transferred but not wholly derecognized (cont'd)

On 31 December 2023, the carrying value of the BAs endorsed by the Group to suppliers for the settlement of accounts payable was RMB5,375,919.77 (31 December 2022: RMB1,449,810.18). 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 2023, the carrying value of the accounts payable settled with them totaled RMB5,375,919.77 (31 December 2022: RMB1,449,810.18).

Transferred financial assets that have been wholly derecognized but continue to be involved

On 31 December 2023, the carrying value of the BAs endorsed by the Group to suppliers for the settlement of accounts payable was RMB13,508,608.93 (31 December 2022: RMB23,495,743.47). On 31 December 2023, 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 2023, 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.

X. Disclosure of Fair Values**1. Assets and liabilities measured at fair value**

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2023D

	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	682,619,158.57	6,283.88	-	682,625,442.45
Receivables financing	-	9,365,344.07	-	9,365,344.07
Other non-current financial assets	31,420,551.63	-	429,857,708.04	461,278,259.67
Other non-current assets	-	10,248,630.14	-	10,248,630.14
	714,039,710.20	19,620,258.09	429,857,708.04	1,163,517,676.33

Input applied in the measurement of fair value				Total
Quoted prices	Significant	Significant		

	in active markets (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial liabilities held for trading	-	-	115,900,827.21	115,900,827.21
Other non-current liabilities	-	-	22,418,854.80	22,418,854.80
	<u>-</u>	<u>-</u>	<u>138,319,682.01</u>	<u>138,319,682.01</u>

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
Continuous measurement of fair value	<u>28,708,356.60</u>	<u>99,633,064.36</u>	<u>206,108,182.37</u>	<u>334,449,603.33</u>
	<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>

X. Disclosure of Fair Values (cont'd)

	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>-</u>	<u>1,298,626.48</u>	<u>192,120,221.65</u>	<u>193,418,848.13</u>

2. Level 1 fair value measurement

The fair value of the listed equity instrument investment is determined based on the market quotation.

X. Disclosure of Fair Values (Cont'd)**3. Level 2 fair value measurement**

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 fair value of receivable financing is determined by the discounted future cash flow method, the fair value is similar to their carrying 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 2023, the result of the self-default risk assessment of long- and short-term borrowings was not significant.

4. Level 3 fair value measurement

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. For the fair value of investments in unlisted equity instruments, the Group estimates the potential impact of using other reasonable and possible assumptions as inputs to the valuation model.

The fair value of equity resale rights in other non-current liabilities is assessed using a binary tree model.

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	27,743,545.96	Option pricing model	Volatility	32.95%-45.34%
Other non-current financial assets	155,340,603.88	Comparison approach	Liquidity discount	20.00%
Financial liabilities held for trading	115,900,827.21	Discounted cash flow method	Weighted average cost	10.30%
Other non-current liabilities	22,418,854.80	Discounted cash flow method	Weighted average cost	14.30%

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Notes to the Financial Statements (Cont'd)

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X. Disclosure of Fair Values (Cont'd)

5. Reconciliation in fair value measurement

Reconciliation of continuous fair value measurements categorized within Level 3 of the fair value hierarchy:

2023

	Opening balance	Transfer to Level 3	Total current gains and losses			Purchase	Closing balance	Change in unrealized gains and losses for the period of assets held at end of period through profit or loss
			Through profit or loss	Through comprehensive income	other			
Other non-current financial assets	206,108,182.37	99,633,064.36	66,334,382.51	857,856.70	56,924,222.10	429,857,708.04	66,334,382.51	

	Opening balance	Transfer to Level 3	Transfers to financial liabilities held for trading	Total current gains and losses			Settlement	Closing balance	Change in unrealized gains and losses for the period of liabilities held at end of period through profit or loss
				Through profit or loss	Through comprehensive income	other			
Financial liabilities held for trading	57,022,555.58	-	115,900,827.21	1,263,227.49	-	(58,285,783.07)	115,900,827.21	-	
Other non-current liabilities	135,097,666.07	1,298,626.48	(115,900,827.21)	759,283.68	1,164,105.78	-	22,418,854.80	759,283.68	
	192,120,221.65	1,298,626.48	-	2,022,511.17	1,164,105.78	(58,285,783.07)	138,319,682.01	759,283.68	

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Notes to the Financial Statements (Cont'd)

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2022

	Opening balance	Transfer out of Level 3	Total current gains and losses			Purchase	Settlement balance	Closing balance	Change in unrealized gains and losses for the period of assets held at end of period through profit or loss
			Through profit or loss	Through comprehensive income	Through other				
Financial assets held for trading	12,936,500.63	-	(8,292,000.00)	-	-	(4,644,500.63)	-	-	
Other non-current financial assets	156,882,743.97	(94,496,262.63)	45,117,740.43	378,960.60	98,225,000.00	-	206,108,182.37	45,117,740.43	
	<u>169,819,244.60</u>	<u>(94,496,262.63)</u>	<u>36,825,740.43</u>	<u>378,960.60</u>	<u>98,225,000.00</u>	<u>(4,644,500.63)</u>	<u>206,108,182.37</u>	<u>45,117,740.43</u>	

	Opening balance	Total current gains and losses			Purchase	Settlement	Closing balance	Change in unrealized gains and losses for the period of liabilities held at end of period through profit or loss
		Through profit or loss	Through comprehensive income	Through other				
Financial liabilities held for trading	110,746,939.04	(164,544.82)	-	-	(53,559,838.64)	57,022,555.58	(164,544.82)	
Other non-current liabilities	136,178,304.44	(4,118,251.52)	437,613.15	2,600,000.00	-	135,097,666.07	(4,118,251.52)	
	<u>246,925,243.48</u>	<u>(4,282,796.34)</u>	<u>437,613.15</u>	<u>2,600,000.00</u>	<u>(53,559,838.64)</u>	<u>192,120,221.65</u>	<u>(4,282,796.34)</u>	

X. 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:

2023

	Gains and losses relating to financial assets	Gains and losses relating to non-financial assets
Total gains and losses through profit or loss	66,334,382.51	-
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	66,334,382.51	-

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	-

X. 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:

2023

	Gains and losses relating to financial liabilities	Gains and losses relating to non-financial liabilities
Total gains and losses through profit or loss	2,022,511.17	-
Change in unrealized gains and losses for the period of assets held at end of period through profit or loss	759,283.68	-

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)	-

6. Transfers between levels of fair value measurementFair value hierarchy transition

In 2023, the Group used Level 3 valuation techniques to value some other non-current financial assets for which observable inputs could not be reliably obtained, and transferred their fair values from Level 2 to Level 3 disclosures, The conversion amounts were RMB99,633,064.36 (in 2022, the fair value measurement of some other non-current financial assets was transferred from Level 3 to Level 2, and the conversion amount was RMB94,496,262.63)

XI. Relationships and Transactions with Related Parties**1. Controlling Shareholder**

	Relationship with the Company	Interest in the
Tang Zhuolin (individual)	One of the Company's controlling shareholders and actual controllers	21.82
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
Tang Zhuolin	Chairman
Qiu Yezhi	Director and General Manager
Xie Weiwei	Director and Deputy General Manager
Chen Huiyi	Chairman of the Supervisory Committee
Zhao Xiuhe	Employee Supervisor
He Baohua	Supervisor
Li Ketian	Independent Director
Liu Da	Independent Director
Tu Haichuan	Independent Director
Feng Jia	Director and Board Secretary
Shao Yongfeng	Chief Financial Officer and Vice President

5. Major transactions between the Group and related parties**(1) Salary of key management**

	2023	2022
Salary of key management	<u>13,157,851.82</u>	<u>12,448,768.93</u>

XII. Share-based Payments

On 27 March 2020, the Company convened the Board of Directors, where the Proposal on Granting Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant restricted shares to 42 qualified senior managers and core technicians, and agreed to have the right to purchase shares at RMB1 within the exercise validity period when the corresponding performance assessment objectives are met within the lifting period. The maximum period shall not exceed 60 months from the date of completion of registration of the first grant of some restricted shares to the date when all restricted shares granted to the incentive objects are lifted or repurchased and cancelled.

On 29 December 2020, the Company convened the Board of Directors, where the Proposal on Granting Reserved Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant restricted shares to 18 qualified senior managers and core technicians, and agreed to have the right to purchase shares at RMB1 within the exercise validity period when the corresponding performance assessment objectives are met within the lifting period. The maximum period shall not exceed 60 months from the date of completion of registration of the first grant of some restricted shares to the date when all restricted shares granted to the incentive objects are lifted or repurchased and cancelled.

On 21 March 2022, the Company convened the Board of Directors, where the Proposal on Granting Restricted Shares to Awardees was approved, and the Board of Directors agreed to grant restricted shares to 7 qualified senior managers and core technicians, and agreed to have the right to purchase shares at RMB1 within the exercise validity period when the corresponding performance assessment objectives are met within the lifting period. The maximum period shall not exceed 60 months from the date of completion of registration of the first grant of some restricted shares to the date when all restricted shares granted to the incentive objects are lifted or repurchased and cancelled.

The equity instruments granted are as follows:

	Granted in the period		Exercised in the period		Unlocked in the period		Expired in the period	
	Num ber	Amo unt	Num ber	Amo unt	Number	Amount	Number	Amount
Marketing managem ent	-	-	-	-	2,670,000.00	2,670,000.00	120,000.00	120,000.00
R&D	-	-	-	-	21,062,000.00	21,062,000.00	128,000.00	128,000.00
Production &Operat ion	-	-	-	-	1,680,000.00	1,680,000.00	-	-
	-	-	-	-	250,000.00	250,000.00	240,000.00	240,000.00
Total	-	-	-	-	25,662,000.00	25,662,000.00	488,000.00	488,000.00

XII. Share-based Payments (Cont'd)

Equity-settled share-based payments are as follows:

2023

Determination method of fair value of equity instruments at grant date	Based on the share price on the grant date minus the grant price, it is RMB3.74 (RMB4.74 minus RMB1)
Important parameters of fair value of equity instruments at grant date	Share price at grant date Grant Price
Basis for determining the number of vested equity instruments	Make the best estimate of the number of vested employees based on the latest information such as turnover rate and substandard rate
Reasons for significant difference between current year's estimate and prior year's estimate	None
Accumulated amount of equity-settled share-based payment included in capital reserve	92,193,033.60

Share-based payment expenses incurred during the year are as follows:

	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Marketing	4,009,092.14	-
management	14,812,302.40	-
R&D	3,017,408.05	-
Production&Operation	312,240.63	-
Total	<u>22,151,043.22</u>	<u>-</u>

XIII. 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.

XIV. 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.

XV. Other Significant Matters**1. Segment reporting****Operating segment**

For management purposes, the Group is divided into business units based on products and services. The Group has the following three reporting segments:

2023

Item	Domestic entities	Overseas entities	Offset	Total
Operating revenue	1,844,474,037.62	3,175,318,828.12	(274,055,543.91)	4,745,737,321.83
Cost of sales	1,222,108,902.33	2,364,285,010.11	(226,865,366.43)	3,359,528,546.01
Total assets	5,747,082,095.93	3,273,503,656.86	(1,482,363,182.77)	7,538,222,570.02
Total liabilities	1,392,010,817.81	2,244,942,800.45	(832,939,017.58)	2,804,014,600.68

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

XVI. Notes to Major Items in the Company Financial Statements**1. Account Receivable**

The aging of accounts receivable is analyzed as follows:

	2023	2022
Within 1 year	190,721,565.80	212,140,018.11
1-2 years	454,811.38	39,011,159.02
2-3 years	357,849.03	1,456,776.00
3-4 years	456,982.47	1,688,672.44
4-5 years	-	-
Over 5 years	2,477,303.19	3,004,100.00
	<u>194,468,511.87</u>	<u>257,300,725.57</u>
Less: allowances for doubtful accounts receivable	<u>4,106,865.59</u>	<u>4,454,823.68</u>
	<u>190,361,646.28</u>	<u>252,845,901.89</u>

2023

	Gross amount		Allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	2,477,303.19	1.27	2,477,303.19	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>191,991,208.68</u>	<u>98.73</u>	<u>1,629,562.40</u>	<u>0.85</u>	<u>190,361,646.28</u>
	<u>194,468,511.87</u>	<u>100.00</u>	<u>4,106,865.59</u>		<u>190,361,646.28</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**1. Account Receivable (cont'd)**

2022

	Gross amount		Allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established individually	3,004,100.00	1.17	3,004,100.00	100.00	-
Accounts receivable for which allowances are established by group with similar credit risk characteristics	254,296,625.57	98.83	1,450,723.68	0.57	252,845,901.89
	<u>257,300,725.57</u>	<u>100.00</u>	<u>4,454,823.68</u>		<u>252,845,901.89</u>

As at 31 December 2023, accounts receivable for which allowances are established individually are as follows:

	2023			Reason for allowance	2022	
	Gross amount	Allowance	ECL (%)		Gross amount	Allowance
Customer 1	939,000.00	939,000.00	100.00	Customer's inability to settle the amount due	939,000.00	939,000.00
Customer 2	641,600.00	641,600.00	100.00	Customer's inability to settle the amount due	641,600.00	641,600.00
Customer 3	608,800.00	608,800.00	100.00	Customer's inability to settle the amount due	608,800.00	608,800.00
Customer 4	-	-	-		516,000.00	516,000.00
Customer 5	283,000.00	283,000.00	100.00	Customer's inability to settle the amount due	283,000.00	283,000.00
Customer 6	4,903.19	4,903.19	100.00	Customer's inability to settle the amount due	15,700.00	15,700.00
	<u>2,477,303.19</u>	<u>2,477,303.19</u>			<u>3,004,100.00</u>	<u>3,004,100.00</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)

1. Account Receivable (cont'd)

As at 31 December 2023, accounts receivable for provision for bad debts according to the combination of credit risk characteristics:

	Gross amount	Allowance	ECL(%)
Within 1 year	190,721,565.80	959,922.98	0.50
1-2 years	454,811.38	25,924.25	5.70
2-3 years	357,849.03	186,725.62	52.18
3-4 years	456,982.47	456,989.55	100.00
	<u>191,991,208.68</u>	<u>1,629,562.40</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	Closing balance
2023	4,454,823.68	178,838.72	526,796.81	-	4,106,865.59

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**1. Accounts receivable (cont'd)**

As at 31 December 2023, the top five accounts receivable and contract assets were as follows:

	Closing balance of accounts receivable	Closing balance of contract assets	Total closing balance of accounts receivable and contract assets	As a % of the closing balance of total accounts receivable and contract assets	Total closing balance of provision for bad debts of accounts receivable and provision for impairment of contract assets
Dongfang Precision (Netherland)	97,801,222.50	-	97,801,222.50	44.88	-
Dongfang Precision (HK)	56,041,392.75	-	56,041,392.75	25.72	-
Fosber Aisa	8,608,032.39	-	8,608,032.39	3.95	-
Customer 12	8,591,315.10	2,493,074.99	11,084,390.09	5.09	106,410.14
Customer 13	5,400,000.00	-	5,400,000.00	2.48	51,840.00
	<u>176,441,962.74</u>	<u>2,493,074.99</u>	<u>178,935,037.73</u>	<u>82.12</u>	<u>158,250.14</u>

2. Other receivables

	2023	2022
Dividends receivable	272,564,800.00	17,840,000.00
Other receivables	<u>382,260,293.49</u>	<u>577,361,759.62</u>
	<u>654,825,093.49</u>	<u>595,201,759.62</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)

2. Other receivables (cont'd)

Other receivables

The aging of other receivables is analyzed as follows:

	2023	2022
Within 1 year	288,812,991.16	139,336,039.54
1-2 years	68,762,598.71	437,233,397.22
2-3 years	24,699,392.06	117,761.18
3-4 years	117,761.18	24,092.04
4-5 years	4,400.00	217,983.00
Over 5 years	<u>1,018,174.92</u>	<u>1,587,511.18</u>
Less: allowances for doubtful other receivables	<u>1,155,024.54</u>	<u>1,155,024.54</u>
	<u>382,260,293.49</u>	<u>577,361,759.62</u>

Other receivables are classified by nature as follows:

	2023	2022
Internal transactions with related parties	378,012,519.05	562,762,515.20
Prepaid service charges	1,211,065.51	2,772,188.53
Security deposits	976,244.53	2,089,429.81
Employee loans and petty cash	1,451,110.72	1,806,931.45
Performance compensation	500,000.00	500,000.00
Others	<u>1,264,378.22</u>	<u>8,585,719.17</u>
	<u>383,415,318.03</u>	<u>578,516,784.16</u>

2023

	<u>Gross amount</u>		<u>Allowance</u>		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>383,415,318.03</u>	<u>100.00</u>	<u>1,155,024.54</u>	0.30	<u>382,260,293.49</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)

2. Other receivables (cont'd)

Other receivables (cont'd)

2022

	<u>Gross amount</u>		<u>Allowance</u>		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable for which allowances are established by group with similar credit risk characteristics	<u>578,516,784.16</u>	<u>100.00</u>	<u>1,155,024.54</u>	0.20	<u>577,361,759.62</u>

Movements in allowances for doubtful other receivables that are established based on the 12-month ECL and the lifetime ECL are as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Financial assets with credit impairment (lifetime ECL)	
Opening and closing balance	<u>655,024.54</u>	<u>500,000.00</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
2023	<u>1,155,024.54</u>	-	-	<u>1,155,024.54</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**2. Other receivables (cont'd)**Other receivables (cont'd)

As at 31 December 2023, top 5 of other receivables are as follows:

	2023	As a % of total other receivables	Nature	Age	Closing balance of allowance
Hainan Yineng	196,311,336.74	51.20	Current account	Within 1 year	-
Tiruñā Aisa	113,768,955.41	29.67	Current account	Within 1 year; 1-2 years; 2-3years	-
Dongfang Digicom (Guangdong)	43,948,943.99	11.46	Current account	Within 1 year; 1-2 years; 2-3years	-
Dongfang Digicom	11,429,035.99	2.98	Current account	Within 1 year; 1-2 years; 2-3years	-
Dongfang Precision (Netherland)	<u>6,682,462.38</u>	<u>1.74</u>	Current account	Within 1 year; 1-2 years; 3-4years	-
	<u><u>372,140,734.51</u></u>	<u><u>97.05</u></u>			<u><u>-</u></u>

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XVI. Notes to Major Items in the Company Financial Statements (Cont'd)

3. Long-term equity investments

	Opening balance	Opening impairment allowance	Change in the period			Closing balance	Closing impairment allowance
			Additional investment	Reduction in investment	Change in other equity		
Subsidiaries							
Dong Fang Precision (HK) Limited	1,856,010.00	-	-	-	-	1,856,010.00	-
Dongfang Precision (Netherland)	967,767.81	-	-	-	634,626.49	1,602,394.30	-
Guangdong Fosber Intelligent Equipment Co., Ltd.	55,275,470.44	-	58,285,783.07	-	1,229,509.77	114,790,763.28	-
Suzhou Shunyi Investment Co., Ltd.	337,141,253.48	(45,303,485.99)	-	-	2,961,590.28	340,102,843.76	(45,303,485.99)
Tiruña (Guangdong) Intelligent Equipment Manufacturing Co., Ltd.	21,903,462.34	-	-	-	-	21,903,462.34	-
Dongfang Digicom Data Technology Co., Ltd.	5,419,727.91	-	-	-	(700,809.17)	4,718,918.74	-
Dongfang Digicom Data Technology (Guangdong) Co., Ltd.	470,213.33	-	-	-	393,227.64	863,440.97	-
Hainan Yineng Investment Co., Ltd.	101,572,033.67	-	-	-	549,542.16	102,121,575.83	-
EDF	1,197,730.34	-	-	-	634,626.49	1,197,730.34	-

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XVI. Notes to Major Items in the Company Financial Statements (Cont'd)

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

	Opening balance	Opening impairment allowance	Change in the period			Closing balance	Closing impairment allowance
			Additional investment	Reduction in investment	Change in other equity		
Subsidiaries							
Tianjin Hangchuang	20,000,000.00	-	-	-	-	20,000,000.00	-
Shenzhen Wonder Printing System Co.,Ltd	173,800,000.00	-	-	-	-	173,800,000.00	-
Yineng International Holdings Co., Ltd	-	-	28,643,514.64	-	-	29,278,141.13	-
	<u>719,603,669.32</u>	<u>(45,303,485.99)</u>	<u>86,929,297.71</u>	<u>-</u>	<u>5,702,313.66</u>	<u>812,235,280.69</u>	<u>(45,303,485.99)</u>
Associates/joint ventures							
Guangdong Jaten Robot & Automation Co., Ltd.	86,533,484.12	-	-	943,242.05	-	87,476,726.17	-
Nanjing Profeta Intelligent Technology Co., Ltd.	-	-	23,075,777.90	(1,696,611.12)	190,905.47	21,570,072.25	-
	<u>806,137,153.44</u>	<u>(45,303,485.99)</u>	<u>110,005,075.61</u>	<u>(753,369.07)</u>	<u>5,893,219.13</u>	<u>921,282,079.11</u>	<u>(45,303,485.99)</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**3. Long-term equity investments (cont'd)**

Provision for impairment of long-term equity investments:

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Suzhou Shunyi Investment Co., Ltd.	(45,303,485.99)	-	-	(45,303,485.99)
	<u>(45,303,485.99)</u>	<u>-</u>	<u>-</u>	<u>(45,303,485.99)</u>

4. Operating revenue and costs

	2023		2022	
	Revenue	Costs	Revenue	Costs
Principal operations	449,768,458.48	261,527,056.85	451,368,550.29	269,503,960.08
Other operations	<u>50,812,763.86</u>	<u>4,488,287.82</u>	<u>69,673,546.95</u>	<u>3,323,764.83</u>
	<u>500,581,222.34</u>	<u>266,015,344.67</u>	<u>521,042,097.24</u>	<u>272,827,724.91</u>

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Notes to the Financial Statements (Cont'd)

2023

Expressed in Renminbi Yuan

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)

4. Operating revenue and costs (cont'd)

Breakdown of operating revenue arising from contracts with customers is as follows:

2023

Reporting segments

Principal product type

Goods	449,117,581.31
Services	28,406,255.64
Interest income	15,725,104.30
Others	3,155,631.27
	<u>496,404,572.52</u>

Principal operating segment

Mainland China	167,729,877.24
Other regions	328,674,695.28
	<u>496,404,572.52</u>

By revenue recognition time

Revenue recognition at a point of time	452,273,212.58
Revenue recognition for a period of time	44,131,359.94
	<u>496,404,572.52</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**4. Operating revenue and costs (cont'd)**

Breakdown of operating revenue arising from contracts with customers is as follows: (cont'd)

2022

Reporting segments

Principal product type

Goods	450,366,148.27
Services	26,023,502.28
Interest income	38,612,370.94
Others	3,955,930.63
	<u>518,957,952.12</u>

Principal operating segment

Mainland China	152,236,401.33
Other regions	366,721,550.79
	<u>518,957,952.12</u>

By revenue recognition time

Revenue recognition at a point of time	454,322,078.90
Revenue recognition for a period of time	64,635,873.22
	<u>518,957,952.12</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**4. Operating revenue and costs (cont'd)**

Breakdown of operating cost arising from contracts with customers is as follows:

Reporting segments

Principal product type

Goods

Services

260,173,669.46

Reporting segments

3,320,346.69

Others

2,521,328.52

266,015,344.67

Principal operating segment

Mainland China

95,892,780.14

Other regions

170,122,564.53

266,015,344.67

By revenue recognition time

Revenue recognition at a point of time

262,694,997.98

Revenue recognition for a period of time

3,320,346.69

266,015,344.67

Revenue recognized in the period included in the book value of contractual liabilities at the beginning of year is as follows:

	2023	2022
Advances on sales	<u>20,199,887.60</u>	<u>18,352,946.11</u>

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**4. Operating revenue and costs (cont'd)**

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:

	2023	2022
Within 1 year	<u>53,704,255.92</u>	<u>29,803,024.37</u>

5. Investment income

	2023	2022
Income from long-term equity investments measured at equity method	(753,369.07)	3,143,695.45
Income from financial assets held for trading	5,100,439.51	3,827,951.76
Dividends under cost method	<u>316,721,550.00</u>	<u>17,840,000.00</u>
	<u>321,068,620.44</u>	<u>24,811,647.21</u>

XVI. 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

	Nature of transaction	2023	2022
Fosber Group	Purchases of goods	3,013.68	-
EDF	Purchases of goods	7,358,768.72	2,868,721.41

Sales of goods and services to related parties

	Nature of transaction	2023	2022
Dongfang (HK)	Precision Sales of goods	51,378,876.10	171,028,352.25
Dongfang (Netherland)	Precision Sales of goods	55,117,411.88	56,133,478.23
Fosber Asia	Sales of goods	11,744,151.97	4,950,006.92
EDF	Sales of goods	4,174,831.00	12,834,213.72
Tiru ña Asia	Sales of goods	62,986.48	-
Dongfang (Guangdong)	Digicom Sales of goods	96,163.09	-
Yineng Investment	Rendering of services	19,589,859.20	18,273,836.24
Fosber Asia	Rendering of leasing	4,176,649.82	2,064,483.40
Fosber Asia	Rendering of services	2,595,446.00	1,628,341.84
Tiru ña Asia	Rendering of services	37,952.50	153,842.22
Dongfang (Guangdong)	Digicom Rendering of services	313,102.90	246,417.10

(2) Interest income of related parties

	Nature of transaction	2023	2022
Yineng Investment	Interest income	9,675,891.05	34,878,049.06
Tiru ña Asia	Interest income	3,685,092.68	2,686,891.68
Dongfang Digicom	Interest income	475,600.57	494,726.27
Dongfang (Guangdong)	Digicom Interest income	1,888,520.00	1,247,087.29

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**6. Major transactions between the Company and related parties (cont'd)****(3) Guarantees for related parties**

Provision of guarantees for related parties

	Amount of guarantee	Start date	End date	Having expired or not
Dongfang Precision (Netherland)	270,400,578.91	2023/6/15	2024/6/15	No

(4) Lending to and borrowing from related parties

Lending to related parties

2023

	Borrowing amount	Start date	End date
Dongfang Digicom (Guangdong)	17,000,000.00	2023/1/13-2023/10/19	2028/1/12-2028/10/18
Yineng Investment	3,000,000.00	2023/8/18-2023/12/15	2028/8/17-2028/12/14
Yineng Investment	60,000,000.00	2023/4/23-2023/11/23	2023/4/23-2023/11/24
Yineng Investment	35,000,000.00	2023/6/6	2024/1/2
Dongfang Digicom	4,500,000.00	2023/1/6-2023/12/15	2028/1/5-2028/12/14
Tiru ña Asia	56,810,508.70	2023/2/17-2023/11/24	2025/2/16-2025/11/23
Yineng International	25,000,000.00	2023/12/1	2023/12/4

2022

	Borrowing amount	Start date	End date
Dongfang Digicom (Guangdong)	19,000,000.00	2022/1/14-2022/12/19	2027/1/13-2027/12/18
Yineng Investment	50,000,000.00	2022/11/24	2022/11/24
Dongfang Digicom (Guangdong)	6,594,298.45	2022/3/22	2027/3/22
Yineng Investment	3,000,000.00	2022/5/13-2022/10/14	2027/5/12-2027/10/13
Tiru ña Asia	35,007,925.89	2022/1/23-2022/12/19	2024/1/22-2024/12/18

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**7. Balances of amounts due from related parties**

(1) Accounts receivable

	Related parties	2023		2022	
		Gross amount	Allowance	Gross amount	Allowance
Accounts receivable					
	Dongfang Precision (HK)	57,130,520.69	-	125,873,821.40	-
	Dongfang Precision (Netherland)	97,801,222.50	-	86,838,377.31	-
	EDF	1,202,127.69	-	11,999,515.22	-
	Fosber Asia	8,608,032.39	-	2,033,754.02	-
	Tiru ña Asia	660,000.00	-	941,966.99	-
	Dongfang Digicom (Guangdong)	6,342.69	-	-	-
Other Receivables					
	Yineng Investment	196,311,336.74	-	466,903,350.55	-
	Tiru ña Asia	113,768,955.41	-	53,013,045.29	-
	Dongfang Digicom (Guangdong)	43,948,943.99	-	25,031,945.37	-
	Dongfang Digicom	11,429,035.99	-	6,424,864.39	-
	Shunyi Investment	1,698,000.00	-	1,698,000.00	-
	Fosber Asia	3,530,740.08	-	1,280,118.38	-
	Dongfang Precision (Netherland)	6,682,462.38	-	6,608,152.98	-
	Yining International	1,000.00	-	1,000.00	-

XVI. Notes to Major Items in the Company Financial Statements (Cont'd)**7. Balances of amounts due from related parties (cont'd)****(2) Accounts payable**

	Related parties	2023	2022
Accounts payable			
EDF		1,035,581.06	177,681.12
Dongfang Precision (Netherland)		51,212.19	51,212.19
Dongfang Precision (HK)		6,155.19	6,155.19
Tiru ña Asia		3,898.92	205,124.43
Dongfang Digicom (Guangdong)		1,386,775.94	1,130,000.00
Fosber Group		3,284.00	1,899.00
Fosber Asia		322,665.96	-
Other payables			
Dongfang Precision (Netherland)		650,069.71	331,099.71
Yineng Investment		-	68,000,000.00
Fosber Asia		1,015,465.78	1,015,465.78
Tiru ña Asia		15,332.33	171,706.39
EDF		56,189.26	56,189.26

Except the borrowings receivable from related parties, all payables to related parties are non-interest bearing, unsecured, and have no fixed repayment period.

XVII. Supplementary information**1. Schedule of exceptional gains and losses**

2023

Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	694,491.43
Government grants through profit or loss (Except for government grants that are closely related to normal business, comply with national policies and regulations, enjoy according to the recognition criteria and have a sustained impact on profit and loss)	15,747,293.82
Profit or loss from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and profit or loss from disposal of financial assets and financial liabilities, except for effective hedging business related to normal business operations	60,354,587.25
Reversal of impairment provision for receivables subject to separate impairment test	516,000.00
Non-operating income and expenses other than the above	(10,155,229.58)
Subtotal of non-recurring gain or loss	67,157,142.92
Income tax effects	3,743,887.17
Non-controlling interests effects (net of tax)	(2,400,099.25)
	68,500,930.84

2. Return on equity (ROE) and earnings per share (EPS)

	Weighted average ROE (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	10.14	0.36	0.36
Net profit attributable to ordinary shareholders of the Company before exceptional gains and losses	8.53	0.30	0.30