SAURER.

2019

Annual report

Letter from the Chairman and CEO

Pan Xueping
Chairman

Sheng Yiping
CEO

2019 was a challenging year in many ways. In geopolitical terms, the past 12 months were marked by uncertainty around the world: trade tensions between the United States and China, inconclusive Brexit negotiations and ongoing instability in the Middle East are a few of the factors destabilising global markets.

ITMA Barcelona
Despite this background, it was also the year of great innovations for Saurer, which we proudly presented at the ITMA exhibition in Barcelona (Spain). These included our new carding machine Autocard and draw frame Autodraw, which were well received by customers at the show. This was also the case for the Group's first air-spinning machine Autoairo, with its unique machine concept receiving much praise. The Company also launched its own range of laboratory equipment, Autolab. Another exciting development included a sensor that measures tension and monitors yarn twist for our twisting machines, a world first. Additionally, ITMA visitors had the opportunity to explore the mill management system Senses. This program connects all machines in the textile plant, including those of third parties, and allows customers to harness the power of data to optimise production.

All of these products were presented under our reinvigorated brand, highlighting the inspiring connection between our customers, partners and employees: together, we power creation.

Financials 2019
Saurer achieved revenues for the full year 2019 of RMB 8.58 billion, a year-on-year (YoY) decline of 7 % (2018: RMB 9.22 billion). Global uncertainty, combined with the usual anticipation of the innovations presented at ITMA, dampened the demand for machines and services for most of 2019, although a slight recovery was seen in the second half-year. Net profit attributable to shareholders amounted to RMB 609 million, –24.9 % compared with last year (2018: RMB 810 million). The Technologies Segment saw a sharp downturn in its market: –29.3 % YoY, while the Spinning Segment, which accounts for 85 % of revenues, displayed relative stability. Sales revenue in Asia (including China and India) grew by 4.6 %. Notably, the Group's biggest market, China, rose by approximately 17 %.

Innovation and customer focus are key
We are steadfast with our outside-in strategy: focusing on customers' needs and offering innovative, fit-for-purpose solutions. Feedback received from customers during and after the ITMA indicates that we are on the right track. We have a complete and powerful basket of solutions to meet the demands of customers. In addition, with our increased focus on digitalisation and automation, we are leading the world's textile companies into the future.

Acknowledgements
On behalf of the Board of Directors and the Group Management, we would like to thank our employees for their immense commitment during the course of a year characterised by highs and lows. We are grateful to have built long and meaningful relationships with our customers, suppliers and business partners; the bonds are growing stronger every year. Lastly, we acknowledge the essential role that you, our shareholders, play – thank you for putting your trust in us.

Wattwil/Shanghai, 30 June 2020

Pan Xueping
Chairman

Sheng Yiping
CEO

ITMA exhibition in Barcelona

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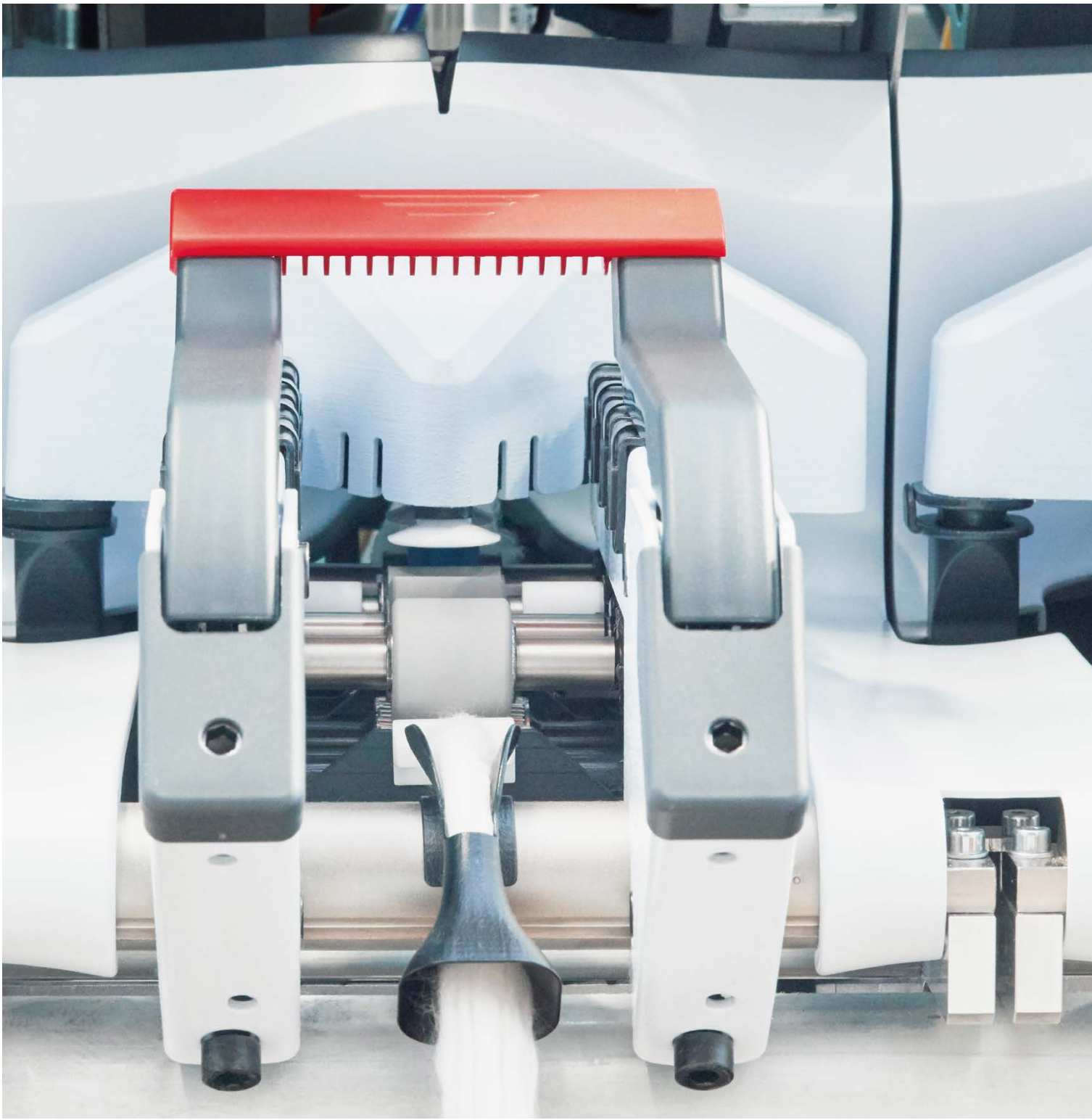

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"I set out to build the machines of highest precision for our customers."

Li Jinjiang
Senior general assembly operator
Pre-spinning
Urumqi, China

When assembling an Autocard, there is no tolerance for error. The machine must be constructed with the highest precision, because only an immaculate fibre preparation allows you to create a high-quality yarn further down the production line. This is why carding is known as the heart of the spinning mill. Our Autocard is capable of delivering exceptional quality and superior productivity at the same time. The newest Autocard has the same footprint as its predecessor, but a larger carding area of 4m².

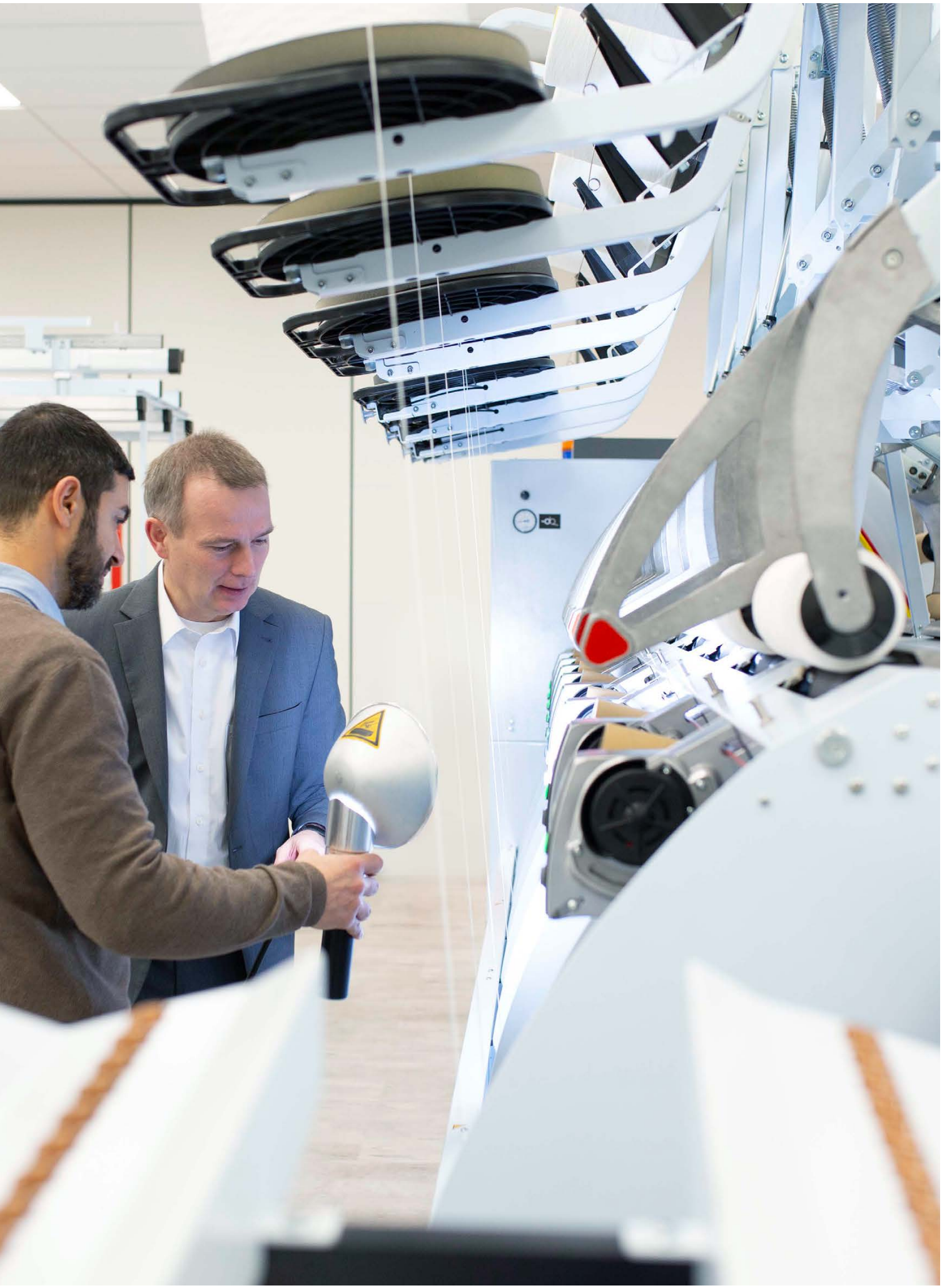
More about
our Autocard

"We always evaluate technological developments from the customer's perspective."

Jürgen Schnitzler
Head of Research and Development Twisting
Krefeld, Germany

Our inherent pioneering spirit drives us to develop new products and constantly improve existing ones. For us, technology is a means to an end: it's about creating added value for our customers. Our slim-balloon technology, for example, addresses one of our customers' biggest pain points with its low energy consumption. I am very proud that even in an established technology such as twisting, we still manage to patent several new developments every year.

More about our twisting solutions

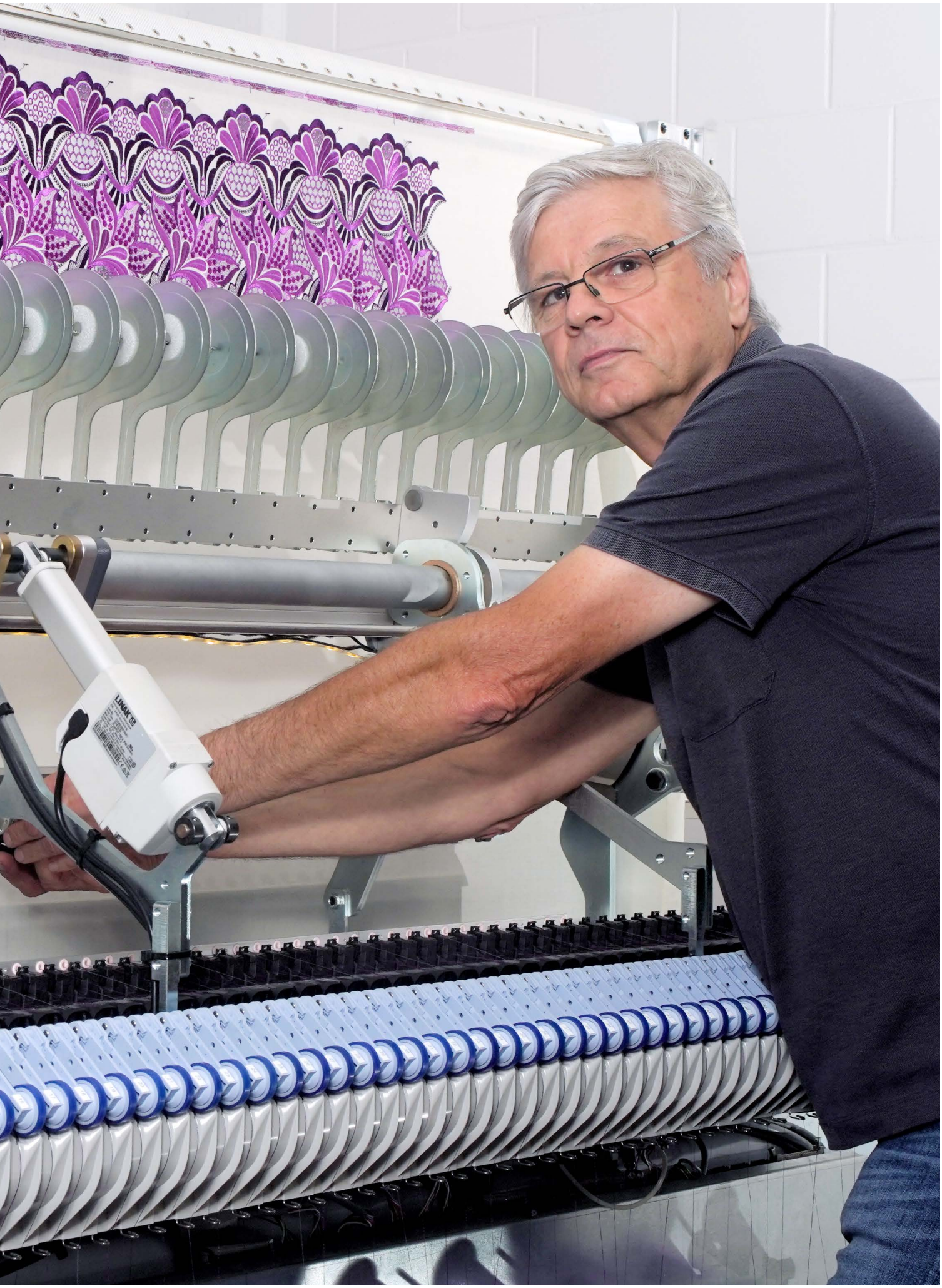


"My mission is to reduce our customers' ramp-up costs by getting new developments market-ready."

Kurt Bösch
Head of Training Centre Embroidery
Arbon, Switzerland

Our industry is developing ever more rapidly, and Saurer's strength in innovation plays a big part. Currently we're testing our new automated feed-through for the Epoca 7, which can embroider fabric lengths of up to 120 metres continuously – without cutting! This system is almost ready for its market launch. Being part of the development of innovations like this is what drives me every day – for over 40 years now.

More about Embroidery


LINAK


SAURER

"Nothing leaves the factory until it's been tested thoroughly."

Michael Herrmann
Quality assurance specialist
Twisting
Krefeld, Germany

We have the very highest quality standards. All components undergo rigorous testing before series production is approved. We put particular emphasis on machine parts that come into contact with the yarn and thus have a direct influence on the yarn quality. These components are subjected to intensive, long-term tests to ensure their durability. This is especially important in the production of high-quality tire cord, since the automotive industry places the highest safety requirements on its suppliers.

More about our CableCorder

"The new digital business line demonstrates Saurer's strength."

Theresa Heckmann
Marketing and Communications
Business Line Digital
Übach-Palenberg, Germany

As a provider of systems, our focus is on the optimal integration of hardware and software. Our Senses mill management system is a perfect example. Senses brings the machines to a new level of intelligence, creating added value for our customers in terms of quality and productivity. With Senses, the customer always has access to production, quality, and performance data – in real time, from everywhere. And since flexibility is important to us, Senses is also compatible with machinery from other manufacturers.

More about Senses

"It's fascinating that fibres can be used to make such a wide variety of products with the help of our machines."

Miriam Kehrwieder
Textile technologist
Ring spinning
Übach-Palenberg, Germany

We are always looking to expand the uses of our ring-spinning machines, by testing various machine settings for the customer and then analysing the results in our laboratory. We do this for existing machines and materials as well as for new acquisitions and new materials. Our expert knowledge helps customers get the most out of their machines. We're also observing trends and using this knowledge to optimise the machines. With these measures, we ensure that the functionality of our machines is keeping pace with changing customer needs.

More about ring spinning and fancy yarns

Important notes

1. **The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of Saurer Intelligent Technology Co. Ltd ("the Company"), hereby confirm that the content set out in this Annual Report is true, accurate and complete, and free from any false representations, misleading statements or material omissions, and are individually and collectively responsible for the content therein.**

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

3. **PwC Mainland China (special general partnership) presented a qualified Auditor's Report for the Company. The BoD and Supervisory Board of the Company have made special statements regarding the related issue.**
   PricewaterhouseCoopers (special general partnership) audited the Company's 2019 financial report and issued a qualified opinion. The Board of Directors, Supervisory Board and Independent Directors of the Company made an announcement regarding the matters. For more details, please refer to the announcements disclosed on 30 June 2020, including: "Board of Directors' Opinion on the Qualified Opinion of the Annual Audit Report 2019 of Saurer Intelligent Technology Co. Ltd", "Board of Directors' Opinion on the Adverse Opinion of the Internal Control Report of Saurer Intelligent Technology Co. Ltd", "Supervisors' Opinion on the Qualified Opinion of Annual Audit Report 2019 of Saurer Intelligent Technology Co. Ltd", "Supervisors' Opinion on the Adverse Opinion of the Internal Control Report of Saurer Intelligent Technology Co. Ltd".

4. **Pan Xueping, Chairman of the Board of Directors, and Lu Yimin, Chief Financial Officer and accountant in charge, confirm the truthfulness, accuracy and completeness of the financial statements in this Annual Report.**

5. **Proposed profit distribution and capital reserve plan for the reporting period, as reviewed by the Board of Directors.**
   According to the Articles of Association and the relevant laws and regulations, and considering factors such as shareholders' returns and the Company's business development, the Board of Directors reviewed and approved the profit distribution plan for 2019 as follows:

   Given the downward pressure on the economy from the Covid-19 pandemic, Saurer's long-term plan and short-term business operations, as well as the major investment plans or major cash expenditures during the next 12 months, Saurer is not planning to distribute profit or increase equity. This step is intended to enhance the Company's financial stability and anti-risk capacity, to ensure the Company's capital needs for future production and operation, and to safeguard the long-term interests of all stakeholders.

   Article 8 of the Regulations on The Repurchase of Shares of Listed Companies on the Shanghai Stock Exchange mentioned that: "If a listed company repurchases shares through call auction, the repurchased shares can be equal to cash dividends and are included in the calculation of cash dividends in proportion". The total amount used to repurchase Saurer shares in 2019 was RMB 108.9 million, accounting for 17.9 % of the distributable profit realised in 2019. The amount is higher than 10 % of the realised distributable profits in 2019.

In 2017–2019, the Company's cumulative profit distribution in cash for three consecutive years amounts to RMB 557.4 million, representing 80.5 % of annual distributable profits for three consecutive years. This meets the requirement for cash dividends recorded in Saurer's Articles of Association: "Except for exceptional circumstances, if the Company's profit and cumulative undistributed profit are positive and the Company's long-term development is secured, the profits distributed in cash in a single year shall not be less than 10 % of the distributable profit for the year, and the profits distributed in cash over three years shall not be less than 30 % of the annual distributable profits realised in those three years."

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

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

1. Definitions

1 Definitions

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

Definitions of regularly used terms		
Saurer Intelligent, the Company, this Company and the Listed Company	Refers to	Saurer Intelligent Technology Co. Ltd
Saurer Group, Saurer Intelligent Group	Refers to	Saurer Intelligent Technology Co. Ltd and all its subsidiaries
Jinsheng Industrial	Refers to	Jiangsu Jinsheng Industry Co. Ltd
State-owned company	Refers to	Urumqi State-owned Assets Operation (Group) Co. Ltd
CDBC	Refers to	China Development Bank Capital Co. Ltd
Jinbuer	Refers to	Changzhou Jinbuer Investment Partnership (limited partnership), formerly known as Changzhou Kimble Investment Partnership (limited partnership)
Jiangsu Huatai	Refers to	Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)
Hehe Investment	Refers to	Changzhou Hehe Investment Partnership (limited partnership)
Shenzhen Longding	Refers to	Shenzhen Longding Shuming Equity Investment Partnership (limited partnership)
China Advanced Manufacturing Fund	Refers to	China Advanced Manufacturing Industry Investment Fund (limited partnership)
Huashan Investment	Refers to	Huashan Investment Co. Ltd
Shanghai Yongjun	Refers to	Shanghai Yongjun Equity Investment Partnership (limited partnership)
Ningbo Yukang	Refers to	Ningbo Yukang Equity Investment Centre (limited partnership)
Tibet Jiaze	Refers to	Tibet Jiaze Venture Investment
Hezhong Investment	Refers to	Changzhou Hezhong Investment Partnership (limited partnership)
Shanghai Jinye	Refers to	Shanghai Jinye Venture Capital Investment Partnership (limited partnership), formerly known as Shanghai Jinye Equity Investment Partnership (limited partnership)
Shanghai Hongcheng	Refers to	Shanghai Hongcheng Venture Capital Investment Partnership (limited liability), formerly known as Shanghai Hongcheng Equity Investment Partnership (limited liability)
Beijing Zhongtai	Refers to	Beijing Zhongtai Financial Investment Co. Ltd
Nanjing Daofeng	Refers to	Nanjing Daofeng Investment Management Centre (general partnership)
Litai Company	Refers to	Xinjiang Litai Silk Road Investment Co. Ltd
Litai Xingshi	Refers to	Litai Xingshi (Taicang) Holding Co. Ltd
Saurer Intelligent Machinery	Refers to	Saurer Intelligent Machinery Co. Ltd
Saurer Germany	Refers to	Saurer Spinning Solutions GmbH & Co. KG
Saurer Technologies	Refers to	Saurer Technologies GmbH & Co. KG
Saurer Switzerland	Refers to	SAURER AG
Saurer Switzerland Technology	Refers to	Saurer Intelligent Technology AG
Saurer Jiangsu	Refers to	Saurer (Jiangsu) Textile Machinery Co. Ltd
Saurer Changzhou	Refers to	Saurer (Changzhou) Textile Machinery Co. Ltd
Saurer Shanghai	Refers to	Saurer (Shanghai) Textile Machinery Technology Co. Ltd
Saurer Xinjiang	Refers to	Saurer Xinjiang Intelligent Machinery Co. Ltd
SSE	Refers to	Shanghai Stock Exchange
$E^3 + I$	Refers to	Energy, Economics, Ergonomics, Intelligence
PwC	Refers to	PwC China (special general partnership)
CSRC	Refers to	China Securities Regulatory Commission
AGM/EGM	Refers to	Annual General Meeting/Extraordinary General Meeting of Shareholders

2. Company profile and financial summary

1 Company information

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

2 Contact person and contact information

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

3 Basic profile

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

4 Information disclosure and place of collection

Designated newspapers for disclosure of the Company's information	Securities Times, Securities Daily and Shanghai Securities News
Website designated by the CSRC for publishing the Annual Report	http://www.sse.com.cn/
Place of collection of Annual Report	Office of the Board of Directors
Company website	www.saurer.com
Email	dlu-china-ir@saurer.com

5 Information on the Company's shares

Shares of the Company

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

6 Other relevant information

Accounting firm (Mainland China)	Name	PwC Mainland China (special general partnership)
	Office address	202 Hubin Road, Corporate Avenue 2nd Bldg, PwC Centre 11th Floor, Huangpu District, Shanghai
	Signing accountants	Sun Ying, Zhang Weibin
Sponsor performing continuous supervision duties in the reporting period	Name	ZTF Securities Co. Ltd, formerly known as Haiji Securities Co. Ltd
	Office address	China Chuneng Building 50th floor, Nanshan Area, Shenzhen
	Authorised sponsor representatives	Chang Jiang, Chen Huawei
	Continuous supervision period	28 July 2017 – 31 December 2020

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

(1) Major accounting data

Major accounting data	2019	2018	Change YoY (%)	2017
Revenue	8 575 309	9 220 759	–7.0	8 713 412
Net profit attributable to shareholders of the Listed Company	608 934	810 294	–24.9	658 327
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	649 356	767 381	–15.4	649 046
Net cash flow from operating activities	–252 733	–1 042 763	–75.8	676 157

	Year-end 2019	Year-end 2018	Change YoY (%)	Year-end 2017
Net assets attributable to shareholders of the Listed Company	4 942 804	4 653 156	6.2	2 207 034
Total assets	13 203 971	14 415 706	–8.4	14 531 772

Unit: thousand RMB

(2) Major financial indicators

Major financial indicators	2019	2018	Change YoY (%)	2017
Basic earnings per share (yuan/share)	0.3218	0.4275	–24.7	0.4556
Diluted earnings per share (yuan/share)	0.3218	0.4275	–24.7	0.4556
Basic earnings per share after deducting non-recurring gains and losses (yuan/share)	0.3432	0.4049	–15.2	0.4492
Weighted average return on equity (%)	12.69	30.58	–17.89 pts	23.67
Weighted average return on equity after deducting non-recurring gains and losses (%)	13.53	28.96	–15.43 pts	23.34

Unit: thousand RMB

8 Major financial data for each quarter in 2019

	Q1 (Jan.–Mar.)	Q2 (Apr.–Jun.)	Q3 (Jul.–Sep.)	Q4 (Oct.–Dec.)
Revenue	1 697 591	2 118 068	2 008 199	2 751 451
Net profit attributable to shareholders of the Listed Company	138 152	139 790	89 176	241 816
Net profit attributable to shareholders of the Listed Company less non-recurring gains and losses	115 032	181 145	93 519	259 660
Net cash flow from operating activities	−830 342	−273 847	−810 991	1 662 447

Unit: thousand RMB

9 Items and amounts of non-recurring gains and losses

Non-recurring gains and losses	2019	Note (if applicable)	2018	2017
Income and losses arising from disposal of assets	138	Gains and losses generated from disposals of fixed assets	148	−1 318
Government subsidies calculated in current gains and losses, except those that are closely related to normal operating activities and in compliance with national policies, which are based on a certain standard quota or amount	27 519	Including RMB 25 million special fund for corporate development	46 305	2 511
Capital occupancy fees charged to non-financial enterprises, recorded in income statement in the current period	11 325	Interest income generated from temporary supplier loans provided to third-party companies	5 353	23 775
Expected employee severance expenses and other costs resulting from shutdowns of operations outside China	−115 480	Employee severance payments arising from from consolidation of business outside China	0	−8 539
Other net non-operating income and expenditure other than the above	1 031		−640	−21 068
Other items that meet the definition of non-recurring gains and losses	0		0	12 082
Amounts attributable to minority shareholders	9 685		0	−92
Income tax effects	25 360		−8 253	1 930
	−40 422		42 913	9 281

Unit: thousand RMB

10 Items using fair value measurement

Item	Beginning balance	Ending balance	Change in 2019	Amount affecting balance in 2019
Financial assets at fair value with changes factored into current gains and losses	1 104 966	6 310	−1 098 656	253
Financial liabilities at fair value with changes factored into current gains and losses of current period	5 416	10 478	5 062	0
Financing receivables	113 322	7 025	−106 297	0
	1 223 704	23 813	−1 199 891	253

Unit: thousand RMB

3. Business overview

1 Main business, operating model and core competencies

Saurer is a global leader in high-end textile equipment and solutions with over 160 years of history. Its business focuses mainly on the R&D, production and sales of intelligent textile equipment and their key components. The Company has a history of creating innovation: its strategic partnerships with other textile machinery companies enable it to deliver a suite of solutions. Through market insight, innovation and partnership, Saurer has become one of the few suppliers in the staple fibre processing industry that offers blowing machines, cotton carding machines, roving frames, ring-spinning, fully automated rotor-spinning as well as air-spinning machines, winding machines, cabling, twisting and two-for-one twisting machines. The Company has production sites and sales organisations in 12 countries and regions, including China, Germany, Switzerland and India, and its customers are spread across 130 countries. All its key products have significant competitive advantages and are in leading positions in the global textile market.

(1) Main business

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

(a) Spinning Solutions

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

(b) Technologies

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

(2) Business model

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

(a) R&D model

Saurer has a specialised product R&D department that undertakes both standard and customised projects and has set up R&D centres in China, Germany and Switzerland. Saurer's R&D follows a specific workflow, adhering to its new "E^3 + I" concept, which focuses on improving product performance in terms of Energy, Economy, and Ergonomics, plus Intelligence. First, product management together with the sales and after-sales service departments gather and sort information on customer needs. Product management then defines the product requirements according to the customer's needs. Interdisciplinary development teams, led by professional project managers, are responsible for setting up product development projects. A prototype for the new product is created, taking into account technical requirements and E^3 + I parameters as well as the required customer features. Once the technology has taken shape, the product enters several production and market testing stages. The entire product development process is a closed-loop, iterative process aimed at continuous improvement.

(b) Production and procurement model

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

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

(c) Assembly model

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

(d) Sales

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

(3) State of the industry
In 2019, the textile industry in China – the world's largest textile market – came under increasing profitability pressure, due to the weakening global economy and continuing trade frictions resulting in investment restraint. There is also ongoing pressure on most sections of the global supply chains.

2 Significant changes in major assets

During the reporting period, the Company's fixed asset balance increased by RMB 410 million, due to the transfer of RMB 280 million of construction in progress into fixed assets, reflecting the completion and operational start of Saurer Xinjiang's smart factory.

At the end of the reporting period, the Company held assets outside China of RMB 5.44 billion, which account for 41.2 % of total assets (at RMB 13.2 billion).

3 Core competencies

As a company steeped in tradition, Saurer has always been a pioneer in the textile machinery industry. Passion for its products lies at the heart of the Company's history of innovation. With more than 1500 registered patents and over 1000 patents pending as of 31 December 2019, and currently almost 500 R&D employees worldwide, Saurer's R&D teams are a driving force for development in the textile industry. Today, Saurer is one of the few suppliers in the staple fibre processing industry able to deliver a suite of solutions, covering the spinning process from bale to yarn.

(1) Competing with the unique value of E^3 + I
Saurer's R&D departments use their resources and capabilities to design solutions that are compatible with customers' requirements for energy savings, economical production and ergonomics (E^3, or Triple Added Value). With digitalisation progressing in all industries, the Saurer response is to add intelligence. This is embodied in the Company's E^3 + I concept.

(2) Competing through technological innovation
At the ITMA (International Textile Machinery Association) exhibition in June 2019, Saurer launched a series of industry-leading products, including:

The fully automated Autoairo air-spinning machine: the newly launched Autoairo can carry out twenty-four piecing operations simultaneously. Compared with other machines on the market, the piecing capacity of the Autoairo is twice as high. The Autoairo requires 40 % less space than other air-spinning machines for the same yarn quantity. The higher productivity per square metre of production area decreases investment and subsequent costs. The launch of the newly developed air-spinning machine brings Saurer new profit growth potential.

The new Autocard has been added to the flexible pre-spinning portfolio, which offers the right solutions for the preparation of all kinds of fibres for the subsequent processes. The right combination of blow room, carding and draw frame ensures excellent fibre utilisation and sliver quality for high efficiency and high-quality yarn in spinning.

AutoBD, the new semi-automatic rotor-spinning machine, can be fitted with the intelligent automation solutions of the Autocoro, if desired, to get a fully automated rotor-spinning machine. The AutoBD offers new possibilities to penetrate the mid-price market segment.

The third generation of the fully automatic rotor-spinning machine Autocoro with its revolutionary single spindle technology is equipped with an intelligent light concept and 50 % higher piecing capacity compared with the previous generation. With several additional performance advantages, and its unprecedented productivity, the Autocoro is the leader in its market segment.

The automatic winding machine Autoconer can be equipped with the new MultiLink, which enables to link up to four ring-spinning machines, thus saving up to 20 % energy cost.

The ZI 72XL compact ring-spinning machine, with up to 2 016 spinning positions, offers more flexibility to customers from all markets: the ZI 72XL is a highly efficient ring-spinning machine which can be tailored to meet specific customer needs for their applications. The new Impact FX pro technology provides customers with two different compact-spinning systems, supporting the competitiveness or our customers' products.

Twisting and cabling machines: Saurer's glass fibre ring-twisting machine enjoys a high reputation in the industry. In the advent of the 5G era, the use of glass fibre will increase substantially. The machine can meet the diversified requirements of our customers with the dedication to improve manufacture efficiency and create higher value.

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

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

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

Saurer's competitiveness is strengthened further by its global reach in all major markets. Because a short response time is a key factor for success, Saurer has production sites as well as sales and service organisations in 12 countries, including Brazil, China, Germany, India, Mexico, Switzerland, Turkey and the US. It provides excellent service to its customers in over 130 countries worldwide.

4. Discussion and analysis of operations

1 Overview of operations

In 2019, global economic growth continued to slow and GDP growth rates around the world maintained their downward trend. With tightening financial conditions overseas and financial adjustment domestically, China's GDP growth rate stood at 6.1 %, its lowest level since 1990. The global textile machinery industry continues to run at a sluggish pace, with textile machinery manufacturing countries/regions all undergoing an adjustment phase as global demand for textile machinery decreased.

The textile industry in China came under increasing profitability pressure in 2019, with continuing pressure on most sections of supply chains. The cumulative business revenues of 35 000 textile companies above a certain size were RMB 4 943.4 billion, a decrease of 1.5 % YoY, which is 4.4 percentage points lower than last year. Profit for this group amounted to RMB 225.1 billion, a decrease of 11.6 % YoY, which is 19.6 percentage points lower than last year (source: China Textile Industry Association & Industrial Economic Research Institute). According to the Financial Report of 2019 Textile Machinery issued by China Textile Machinery Association, the textile companies which are above a certain size achieved a revenue of RMB 81.9 billion in 2019, a decrease of 7 % over the same period of last year. The total profit is RMB 5.9 billion, a decrease of 3.6 % over the same period last year.

In 2019, Saurer's operating revenue decreased 7 % YoY to RMB 8.58 billion, due to the global economic situation, recurrent trade friction and investment uncertainties. Net profit attributed to equity holders of the Company was RMB 609 million, a decrease of 24.9 % YoY.

China saw a 16.9 % increase in revenue, but the country's financial downturn and geopolitical uncertainty affected revenues in the important textile markets of Turkey (down 67.4 %) and India (down 32.7 %). However, Saurer's business strategy of focusing on emerging markets secured fruitful results: revenues in Brazil (34.4 %), Vietnam (39.8 %) and Pakistan (66.8 %) grew substantially. Vietnam in particular has recorded three consecutive years of increases.

According to "The Audit Report on the Differences between the Actual Net Profit and Committed Net Profit of Saurer Intelligent Machinery" (PwC Special Audit No. 1651 [2020]), Saurer's net profit attributable to the owners of the parent company less non-recurring gains and losses was RMB 2.54 billion, which exceeds the committed net profit of RMB 2.35 billion by 7.8 %. Saurer has successfully achieved its target for the three-year period 2017–2019.

A highlight of 2019 was Saurer's participation in the ITMA exhibition in June in Barcelona (Spain). The Company hosted over 3 500 visitors from more than 1 500 companies and launched a series of cutting-edge products, such as the Autoairo – Saurer's new fully automated air-spinning machine, to mention just one. Saurer signed new contracts for over EUR 200 million, which greatly boosted sales in the second half of 2019 and into 2020. The successful showing in Barcelona has motivated the Company to continue its focus on optimising its organisation and processes, and on improving its customer experience as it prepares the next generation of innovative products. These are set for launch at the 2023 ITMA in Milan (Italy).

2019 was also a very special year for Saurer in terms of product anniversaries: the Autocoro fully automatic rotor-spinning machine celebrated its 40th year; the BD semi-automatic rotor-spinning machine turned 50; the automatic winding machine Autoconer had its 60th anniversary; the ring-spinning machine turned 70; and Saurer Embroidery celebrated its 150th anniversary.

(1) Spinning Solutions Segment
During the reporting period, the Spinning Solutions Segment achieved revenues of RMB 7.3 billion, a decrease of 1.6 % YoY.

Saurer has implemented a "KAM" (key account management) concept in sales to focus on maintaining a close relationship to its customers. In 2019, Saurer successfully won new strategic customers and signed major contracts with them, laying a solid foundation for long-term cooperation. Through effective use of resources, scientific integration and efficient inter-departmental cooperation, Saurer delivered its first Autoairo fully automatic air-spinning machine to customers in Turkey before the end of 2019, only six months after the product launch at the 2019 ITMA.

The Saurer factory in Xinjiang province, where construction started in 2016, is established as a world-leading production site for intelligent textile machinery. After delivery of the first machines from the new site in 2018, the factory entered full production in the second half of 2019. This increased production capacity and reduced production costs, while further increasing gross margins. In the beginning of 2019, Saurer established a collaboration with the local technical university. Through the Saurer Scholarship programme, Saurer Study Class and Saurer Apprenticeship project, young talents were attracted to the new smart factory.

(2) Saurer Technologies Segment
During the reporting period, the Technologies Segment achieved revenues of RMB 1.32 billion, representing a decrease of 29.3 % YoY.

As a system provider covering the full value chain, Saurer took the next step into digitalisation with Senses, the digital mill management system. The Senses data platform bundles and analyses production, quality and performance data across textile factories, even across machines of different suppliers. Considering the increasing complexity of textile operations, higher transparency is one key factor for operational success. Senses enables the customer to utilise raw materials and allocate time, personnel, energy and funds more efficiently, making it possible to manage factories through intelligence and digitalisation.

Looking ahead, the pressures of global financial uncertainty, increasing costs and fiercer competition will persist. The unexpected Covid-19 pandemic affected the Chinese textile industry heavily; however, the mitigation of the pandemic and the release of supportive governmental policies should result in less operating pressure for the affected companies. Demand for automation and digitalisation in textile processes in order to reduce labour input per 10 000 spindles remains unaffected. Saurer will continue its strategy with its focus on the customer first, leading with innovation and operational excellence – along with the confidence to seize newly arising opportunities and become the first choice provider for customers looking for intelligent solutions within the textile industry.

2 Results of main operations during the reporting period

During the reporting period, the Company achieved revenue of RMB 8.58 billion, which represents a decrease of 7% YoY. Net profit attributable to the shareholders of the Listed Company reached RMB 610 million, representing a decrease of 24.9% YoY. Net cash flow from operating activities was RMB −253 million. As of 31 December 2019, the total assets of the Company amounted to RMB 13.2 billion, and net assets attributable to the shareholders of the Listed Company were RMB 4.94 billion.

(1) Analysis of main business

(a) Changes in income and cash flow

Item	2019	2018	Change YoY (%)
Revenue	8575309	9220759	−7.0
Operating expenses	6024662	6571207	−8.3
Cost of sales	498664	568699	−12.3
Administrative expenses	379477	382922	−0.9
R&D expenses	460291	475204	−3.1
Financial expenses	168920	139160	21.4
Net cash flow from operating activities	−252733	−1042763	N/A
Net cash flow from investing activities	1386317	2304714	−39.8
Net cash flow from financing activities	−1994832	−484060	N/A

Unit: thousand RMB

(b) Revenue and expenses

During the reporting period, the Company achieved revenue of RMB 8.58 billion, a decrease of 7% YoY. The Technologies Segment was a significant contributor to this decrease. Operating expenses were RMB 6.02 billion, a decrease of 8.3% YoY, mainly due to the increased cost of operations resulting from business expansion. Product structure optimisation and cost reduction measures increased the gross margin by 1% YoY.

(i) Operating activities by industry, segment and region

Primary business by industry

Industry	Revenue	Operating expenses	Gross margin (%)	Change in revenue YoY (%)	Change in operating expenses YoY (%)	Change in gross margin YoY (%)
Textile machinery	8575309	6024662	29.7	−7.0	−8.3	+1.0 pts

Unit: thousand RMB

Primary business by segment

Segment	Revenue	Operating expenses	Gross margin (%)	Change in revenue YoY (%)	Change in operating expenses YoY (%)	Change in gross margin YoY (%)
Spinning Solutions Segment	7302970	5101985	30.1	−1.6	−1.3	+0.2 pts
Technologies Segment	1327066	922430	30.5	−29.3	−34.2	+5.2 pts

Unit: thousand RMB
Note: the revenue and operating costs by segment include internal revenue and expenses.

Primary business by region

Revenue by region	2019	2018	Change YoY (%)
China	4779806	4087878	16.9
India	623526	926397	−32.7
Turkey	287182	880848	−67.4
Asia (excl. China/India)	1766661	1840587	−4.0
Americas	599292	746377	−19.7
Europe/Africa/others (excl. Turkey)	518843	738671	−29.8
	8575309	9220759	−7.0

Unit: thousand RMB

Notes on operating activities by industry, segment and region

The rate of investment in the textile industry has slowed due to factors such as fiercer international competition and continuing trade frictions between the US and China. Faced with complex global economic conditions, many downstream companies are scaling down investments and maintaining a wait-and-see attitude. Equipment procurements were delayed. A global lack of confidence in the textile industry led to the slight year-on-year decline of revenue in 2019.

Turkey experienced a temporary market weakness in 2019, mainly due to the substantial fluctuations in the exchange rate of its domestic currency. This led to the suspension of a large number of spinning investment projects. The situation should improve in 2020. As the political and monetary situation in Turkey stabilises, the Company has received some orders from Turkish customers. The decline in revenue in the Indian market is mainly due to local political and economic uncertainties, which have persisted since the second half of 2018. The decline in revenue in the US is a consequence of the US-China trade frictions.

The ITMA exhibition was held in Barcelona (Spain) in June 2019, where Saurer launched a number of innovative products with major technical breakthroughs. Saurer noticed that some downstream customers' investment plans in 2019 were delayed due to the expected launch of new products. Despite the generally difficult environment in the textile industry, the trend of transferring production to Western China, Central Asia, Southeast Asia and other regions is becoming clearer in the downstream industry. As the world's leading solutions and service provider for intelligent spinning and yarn processing equipment, Saurer has strong competitive advantages in these emerging markets.

(ii) Production and sales analysis

Production and sales of ring-spinning machines increased due to the implementation and development of the Key Account Management approach in 2019. At the same time, production and sales of rotor-spinning, twisting and embroidery machines dropped due to the impact from macroeconomic and industry conditions.

(iii) Cost analysis

Industry	Cost breakdown	2019	% of total costs in 2019	2018	% of total costs in 2018	Change YoY (%)
Textile machinery	Raw material costs	4 540 892	75.4	4 979 415	75.8	−8.8
	Other	1 483 770	24.6	1 591 792	24.2	−6.8
		6 024 662	100.0	6 571 207	100.0	−8.3

Unit: thousand RMB
Note: lower sales volume in the reporting period led to reduced raw material costs.

(iv) Major customers and suppliers

Sales to the top five customers amounted to RMB 3.56 billion, accounting for 41.5 % of total annual sales, including sales to related parties amounting to RMB 1.98 billion, which represent 23.1 % of total annual sales.

Purchases from the top five suppliers amounted to RMB 502.78 million, accounting for 8 % of total annual purchases. As in the previous year, there were no purchases from related parties.

(c) Expenses

Item	2019	2018	Change YoY (%)
Cost of sales	498 664	568 699	−12.3
Administration expense	379 477	382 922	−0.9
R&D expenses	460 291	475 204	−3.1
Financial expenses	168 920	139 160	21.4
Tax and surcharges	29 471	19 911	48.0

Unit: thousand RMB

The increase in tax and surcharges is mainly due to the expanding business of Chinese subsidiaries.

(d) Expenditures on R&D

Expenditures on R&D	460 291
Capitalisation of R&D expenditures	114 312
Total R&D expenditures	574 603
Total R&D expenditures as % of revenue	6.7
Number of R&D employees	501
R&D employees as % of total employees	10.1
Capitalisation of R&D expenditures (%)	23.1

Unit: thousand RMB

Saurer places great importance on investment in product R&D as well as the enhancement of comprehensive R&D capacity. Years of investment in the research and development of intelligent textile equipment were demonstrated with the launch of the Autoairo air-spinning machine at the ITMA in Barcelona, which opened up a new market for Saurer. In the future, Saurer will continue to invest in R&D to further enhance its core competencies.

(e) Cash flow

Item	2019	2018	Change YoY (%)
Net cash flow from operating activities	−252 733	−1 042 763	N/A
Net cash flow from investing activities	1 386 317	2 304 714	−39.8 %
Net cash flow from financing activities	−1 994 832	−484 060	N/A

Unit: thousand RMB

Cash flow generated from operating activities in the reporting period improved by RMB 790 million over the previous year, primarily for the following reasons:

- operating payables in 2019 decreased by RMB 30 million (2018: decrease by RMB 780 million), an increase of RMB 750 million YoY.
- inventory in 2019 increased by RMB 50 million (2018: increased by RMB 230 million), an increase of RMB 280 million YoY.
- net profit in 2019 was RMB 790 million (2018: RMB 860 million), a decrease of RMB 70 million YoY.

Cash flow generated from investing activities in the reporting period decreased by RMB 920 million over the previous year, primarily for the following reasons:

- cash flow was affected by the net cash change from the acquisition and redemption of financial products. Net cash inflow from other investment-related activities in 2019 was RMB 1.1 billion (2018: net cash inflow of RMB 3.4 billion), a decrease of RMB 2.3 billion YoY.
- net cash inflows from repayments of suppliers' loans to third parties in 2019 amounted to RMB 200 million (2018: net cash outflow of RMB 80 million), an increase of RMB 280 million YoY.
- net cash inflow resulting from cash received from and cash paid for restricted cash and deposits in 2019 was RMB 440 million (2018: net cash outflow of RMB 470 million), an increase of RMB 910 million YoY.
- cash outflow from acquisition of fixed assets and intangible assets as well as other long-term assets in 2019 was RMB 400 million (2018: RMB 680 million), a change of RMB 280 million YoY.

Cash flow from financing activities in the reporting period decreased by RMB 1.51 billion over the previous year, primarily for the following reasons:

- in 2018 cash inflow generated from investment in minority shares by subsidiaries was RMB 3 billion, the cash flow decreased by RMB 4.2 billion from the equity payment for minority shareholders. No such matter occurred in 2019, thus the cash flow from financing activities changed by RMB 1.2 billion.
- net cash outflow due to repayment of and receipts from bank borrowings in 2019 was RMB 1.39 billion (2018: net cash inflow of RMB 1.06 billion), a change of RMB 2.45 billion YoY.
- cash outflow from payment of other financing-related activities was RMB 200 million (2018: RMB 60 million), a change of RMB 140 million YoY.

(2) Gains and losses from non-operating business

Item	2019	2018	Change YoY (%)	Note
Tax and surcharges	29 471	19 911	48.0	Mainly due to the YoY sales increase in China subsidiary.
Asset impairment loss	19 966	53 193	-62.5	Mainly due to inventory impairment loss caused by the reclassification of bad debts provision of accounts receivables into the "credit impairment loss", as well as the decrease in inventory impairment loss.
Credit impairment loss	21 168	–	100.0	Mainly due to the reclassification of impairment loss.
Other gains	13 435	1 017	1 221.0	Mainly due to government subsidies related to the operation in subsidiaries in China and India.
Investment gains	11 578	88 249	−86.9	Mainly due to lower interest rates on financial products.
Gains on changes in fair value	–	390	−100.0	Mainly due to changes in the fair value of financial assets (e.g. currency forward contract) in the current period.
Non-operating income	28 826	46 560	−38.1	Mainly due to fewer government subsidies.
Non-operating expenses	115 756	895	12 833.6	Mainly due to restructuring expenses related to employee resettlement and rent compensation from the close of factory.
Income tax expense	120 748	288 882	−58.2	Mainly due to the profit increase of subsidiaries in low-tax areas.
Minority interest income	181 229	46 756	287.6	Mainly due to fewer shares held by minority shareholders and the controlling company.

Unit: thousand RMB

(3) Assets and liabilities

(a) Assets and liabilities

Item	31 December 2019	As % of total assets	31 December 2018	As % of total assets	Change YoY (%)	Note
Cash and cash equivalents	2 402 917	18.2	3 720 401	25.8	−35.4	Mainly due to fund change from long-term debt repayment.
Trading financial assets	6 310	0	–	0	100.0	Mainly due to financial instrument standard change which reclassifies financial asset into derivative financial asset. After the reclassification, the derivative financial asset change is mainly from currency balance increase in Germany.
Profit and loss of the financial assets that is measured at fair value	–	0	4 966	0	−100.0	Mainly due to the effects of financial instrument guideline change to reclassify into trading financial asset.
Other accounts receivables	29 621	0.2	255 962	1.8	−88.4	Mainly due to third-party debt repayment.
Other current assets	207 711	1.6	1 301 055	9.0	−84.0	Mainly due to the redemption of financial products and the increase of income tax advance payment.
Long-term receivables	463 231	3.5	42 951	0.3	978.5	Mainly due to increased credit terms given to selected customers.
Fixed assets	1 308 481	9.9	903 000	6.3	44.9	Mainly due to Xinjiang plant's conversion into fixed asset.
R&D expenditures	181 951	1.4	90 417	0.6	101.2	Mainly due to continued investment in R&D in Germany and Switzerland.
Deferred income tax assets	110 530	0.8	50 457	0.4	119.1	Mainly due to the deferred income tax balance increase from the deductible losses recognised by some subsidiaries.
Other non-current assets	228 784	1.7	427 584	3.0	−46.5	Mainly due to advances' conversion into fixed asset.
Short-term borrowing	2 241 300	17.0	1 499 334	10.4	49.5	Mainly due to the increase of short-term liquidity loan.
Profit and loss of the financial liability that is measured at fair value	–	0	5 416	0	−100.0	Mainly due to financial instrument standard change which reclassifies financial asset into derivative financial asset. After the reclassification, the derivative financial asset change mainly results from currency balance increase in Germany.
Advances from customers	260 616	2.0	586 799	4.1	−55.6	Mainly due to the fact that machines with advances from customers were delivered in 2019.
Long-term borrowings	450 000	3.4	2 552 138	17.7	−82.4	Mainly due to the early repayment of CDBC long-term borrowing.
Provisions	16 040	0.1	10 338	0.1	55.2	Mainly due to the increase of provisions for quality guarantees.
Deferred revenue	4 760	0	29 586	0.2	−83.9	Mainly due to the transfer into Xinjiang plant.
Deferred income tax liabilities	125 804	1.0	183 558	1.3	−31.5	Mainly due to the deferred income tax liability decrease, caused by the decrease of temporary differences in the taxable income.
Other comprehensive income	3 831	0	−48 440	−0.3	N/A	Mainly due to fluctuations of foreign exchange rates.

Unit: thousand RMB

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

Item	Carrying value at year-end	Reason for restriction
Cash and cash equivalents	429 346	For letters of guarantee and letters of credit issued
Notes receivables	2 224	For letters of guarantee
Other non-current assets	15 000	For long-term borrowing guarantee

Unit: thousand RMB

(4) Investments

(a) External equity investments
Please refer to "Major equity investments" and "Major non-equity investments".

(i) Major equity investments
There were no major equity investments in 2019.

(ii) Major non-equity investments
In 2019, the Company's fixed asset balance increased by RMB 410 million. The completion of construction and start of operations at the Xinjiang smart factory led to the item "construction in progress" being transferred into fixed assets with a value of RMB 280 million.

(iii) Financial assets at fair value

Item	Initial balance	Ending balance	Change during the reporting period	Impact on current profit
Financial assets at fair value with changes factored into current gains/losses	1 104 966	6 310	−1 098 656	253

During the reporting period, the Company's subsidiary Saurer Intelligent Machinery Co. Ltd completed the capital increase. The industrial and commercial registration status was updated. The above-mentioned matters have been examined and approved by the Board of Directors and the third EGM of shareholders in 2018 (see ad hoc announcements 2018–052, 2018–056 and 2019–005).

(iv) Major controlling subsidiaries and shareholding companies

- Saurer Germany
  As of the end of 2019, Saurer Intelligent Machinery owned 80.65 % of its equities. Its registered capital is EUR 40 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery and components. As of the end of 2019, its total assets were EUR 565.1 million, and its net assets were EUR 171.9 million. Revenue was EUR 547.2 million. Operating profit was EUR 18.7 million. Net profit was EUR 8.4 million.

- Saurer Technologies
  As of the end of 2019, Saurer Intelligent Machinery owned 80.65 % of its equities. Its registered capital is EUR 10 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery and components. As of the end of 2019, its total assets were EUR 99.7 million, and its net assets were EUR 41.1 million. Revenue was EUR 128.6 million. Operating profit was EUR 4.07 million. Net profit was EUR 4.5 million.

- Saurer Switzerland
  As of the end of 2019, Saurer Intelligent Machinery owned 80.65 % of its equities. Its registered capital is CHF 1 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2019, its total assets were CHF 218 million, and its net assets were CHF 92.8 million. Revenue was CHF 14.1 million. Operating loss was CHF 20.3 million. Net loss was CHF 19.8 million.

- Saurer Switzerland Technology
  As of the end of 2019, Saurer Intelligent Machinery owned 80.65 % of its equities. Its registered capital is CHF 1 million. It is mainly engaged in the management, manufacture of textile machine, R&D, sale and servicing of textile machinery. As of the end of 2019, its total assets were CHF 219.7 million, and its net assets were CHF 104.4 million. Revenue was CHF 52.6 million. Operating profit was CHF 30.8 million.

- Saurer Jiangsu
  As of the end of 2019, Saurer Intelligent Machinery owned 80.65 % of its equities. Its registered capital is USD 50 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2019, its total assets were RMB 4.15 billion, and its net assets were RMB 1.60 billion. Revenue was RMB 2.66 billion. Operating profit was RMB 459.8 million. Net profit was RMB 404.3 million.

- Saurer Changzhou
  As of the end of 2019, Saurer Intelligent Machinery owned 80.65 % of its equities. Its registered capital is RMB 270 million. It is mainly engaged in the manufacture, sale and servicing of textile machinery. As of the end of 2019, its total assets were RMB 3.12 billion, and its net assets were RMB 646.5 million. Revenue was RMB 1.59 billion. Operating profit was RMB 339.8 million. Net profit was RMB 314.2 million.

3 The Company's future development

(1) Competitive landscape and outlook

With the Covid-19 pandemic in late 2019 and early 2020, the entire textile machinery industry is facing multiple difficulties including interruptions in logistics and the supply chain as well as declining demand. There is an increased risk of order default and low cash flow. As the pandemic continues worldwide, the global textile machinery industry outlook is poor for 2020.

(2) Strategy

(a) Adapt and integrate industrial production
To enhance operational efficiency, the Company's main business activities in Europe will focus on product R&D and the manufacture of key components, as well as assembly of certain high-end products. In procurement, the Company will exploit the strength of the local Chinese market and proceed with plans to integrate the supply chain as a basis for ensuring product quality.

(b) Continue to expand the business
The Company plans to strengthen its R&D efforts, using its pioneer spirit to develop innovative and cutting-edge technologies, and its worldwide customer base to expand its business into other uncovered sectors in the textile industry. The new Autoairo is one example of opening new markets for the Company. The area of glass filament yarns is an opportunity to grow beyond textile. Global demand for LCD screens, smartphones and electric vehicles is on the rise, contributing to the stable position of the glass filament industry globally.

(c) Innovation based on the E^3 + I concept
Saurer enjoys the highest level of R&D and technical innovation in the area of smart textile solutions, with 500 R&D experts around the world and over 1 500 registered patents. The Company aims not only to enhance ergonomic applications and to make operations more efficient, but also to reduce the energy consumption of its solutions and to provide the best working environment for operators. The Company will strengthen its focus on finding solutions that reduce waste and consumption of resources and increase machine intelligence to improve quality and productivity. The Company aims to become more dynamic through cooperation with Industry 4.0 experts and specialists in other relevant areas or through active M&A, enhancing its development capabilities and bringing its operations and offerings in line with trends in automation, digitalisation and "smart" development.

(d) Improve sales of components and increase service revenue

Saurer's sales of components and services is focused mainly on customers who already use its machinery and equipment, but some components have broader appeal. The steady growth in sales of the Company's traditional products has boosted its inventory of intelligent equipment. Since sales of components and services, with their relatively high margins, are recession-proof and enhance customer loyalty, increasing market share in this sector is an important part of the Company's future development strategy.

(3) Operating plan

(a) Customer focus (market-in approach)

The Company will continue to increase its focus on customers and provide them with both functional and profitable products and responsive services. The Company will offer more (online) training and related courses to customers and their employees. While helping customers to understand and utilise its products better, the Company aims to enrich its understanding of customers' production processes and support customers in improving their operations.

(b) Innovative product development

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

(c) Stable growth of market share

The Company will actively expand and develop new markets through an accurate grasp of changes in market development, effectively and efficiently adjusting sales strategies while stabilising existing markets. Saurer's Xinjiang smart factory started full production in the second half of 2019, lowering costs and supporting the Company in further expanding into emerging markets along the "One Belt, One Road" route.

(d) Systematic and effective cost control

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

(e) Corporate social responsibility

The Company will actively practice its corporate social responsibility in several ways. It will continue to promote the concept of E^3 + I value for its products, improving product performance indicators in terms of energy savings, economic benefits, ergonomics and intelligence. With respect to social issues, the Company will actively take up and implement the Chinese government's strategic policy on poverty alleviation. The Company also offers numerous employee benefits such as vocational training or further education to enhance personal skills, and actively cares for employees' health and safety.

(4) Potential risks

(a) Economic risks

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

(b) Risks to competitive advantage

The pace of product updates and technology upgrades in the textile industry is accelerating constantly. If Saurer cannot maintain its capability to innovate, improve its level of technology, protect IP (intellectual property) rights, acquire excellent talent, expand its share of high-quality customers, increase the scale of its business and improve its risk resilience, accurately grasp industrial trends and adjust its corporate strategies in a timely manner by making the most of its own advantages, the Company will not be able to maintain its competitive edge, which would adversely affect its business.

(c) International business risks

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

(d) Production safety risks

Saurer's main products include intelligent textile equipment and key components. The production processes involve complex procedures that are dangerous to some extent. Although Saurer has formulated a relatively comprehensive set of guidelines and protocols, including rules and operational directives on manufacturing safety, to promote industrial safety, it is impossible to preclude personal injury or even death due to operational error or accidents in the course of production activities. Such events can result in suspension of business and also in the Company being subject to penalties that affect daily operations and safety.

(e) Foreign exchange fluctuation risks

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

5. Significant events

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

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

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

(b) Implementation of cash dividend policies
During 2019, the Company implemented the interim dividend distribution plan for 2018 in accordance with a resolution passed at the Annual General Meeting (AGM) in 2018. Based on the total number of shares at 1 895 412 995, cash dividends amounting to RMB 1.293 (before tax) were distributed to all shareholders for every 10 shares from undistributed profits. A total of RMB 245 076 900 (before tax) was distributed. There were no other forms of profit distribution, and no capital reserve converted into share capital.

The Company's profit distribution plan for 2018 was in compliance with the Articles of Association and the relevant laws and regulations such as the Guideline 3 for Supervision of Listed Companies – Cash Dividends of Listed Companies issued by the China Securities Regulatory Commission and the Guidelines for Cash Dividends of Listed Companies on the Shanghai Stock Exchange. After review and approval by the Board of Directors, the Independent Directors expressed their opinions and gave their approval. After review and implementation by the AGM, the relevant decision-making and implementation procedures were legal and effective.

(c) Profit distribution plan for 2019
Considering the downward economic pressure resulting from the Covid-19 outbreak, Saurer's long-term plan and short-term business operations, as well as the major investment plans or major cash expenditures in the next 12 months, Saurer is not planning to distribute profit or increase equity. This decision is intended to enhance the Company's financial stability and anti-risk capacity, and to ensure the Company's capital needs for future production and operation, thus safeguarding the long-term interests of all shareholders.

According to Article 8 of the Regulations on The Repurchase of Shares of Listed Companies on the Shanghai Stock Exchange, "if a listed company repurchases shares through auction call, the repurchased shares can be equal to cash dividends and are included in the calculation of cash dividends in proportion". The cumulative repurchase amount of Saurer in 2019 was RMB 108.93 million, accounting for 17.9 % of the distributable profit realised in 2019.

In 2017–2019, the Company's cumulative profit distribution in cash for three consecutive years is RMB 557.38 million, representing 80.4 % of annual distributable profit for three consecutive years.

(2) Plan or proposed plan for distribution of profit to common shareholders or capital reserve over the last three years (including the reporting period)

Dividend year	Stock dividend per 10 shares	Cash dividend per 10 shares (yuan, before tax)	Capital reserve transferred into share capital per 10 shares	Amount of cash dividend (before tax)	Net profit attributable to shareholders of the Listed Company in the consolidated financial statements for the year of dividend distribution	Percentage of net profit attributable to the shareholders of the Listed Company in the consolidated financial statements (%)
2019	0	0	0	0	608 934	0
2018	0	1.293	0	245 077	810 294	30.24
2017	0	2.829	0	203 376	658 327	30.89

Unit: thousand RMB

(3) Share repurchase calculated into cash dividend

	Cash dividend	Percentage (%)
2019	108 931	17.9

Unit: thousand RMB

(4) Explanation for not distributing cash dividend to common shareholders during the reporting period

When the Company achieves a profit and the parental company's profit for common shareholding distribution is positive, but the Company does not distribute a cash dividend to common shareholders, it is obligated to disclose a detailed reason and the plan for undistributed profit.

Considering the downward economic pressure resulting from the Covid-19 outbreak, Saurer's long-term plan and short-term business operations, as well as the major investment plans or major cash expenditures in the next 12 months, Saurer is not planning to distribute profit or increase equity. This decision is intended to enhance the Company's financial stability and anti-risk capacity, and to ensure the Company's capital needs for future production and operation, thus safeguarding the long-term interests of all shareholders.

The retained undistributed profits will be used to supplement the working capital required for daily production and operation, and to ensure Saurer's normal operation and stable development. In the future, Saurer will place great importance on investor returns through cash dividends while considering various factors related to profit distribution, proactively implementing the profit distribution plan and sharing development results with all investors.

2 Fulfilment of commitments

(1) Commitments of the actual controller, shareholders, affiliates, purchaser and related parties of the Company in the reporting period or renewal period

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

Commitment date and period	Fulfilment period	Was the commitment fulfilled in a timely manner?	If not fulfilled in a timely manner, state the specific reasons for non-fulfilment	If not fulfilled in a timely manner, state the next applicable plan
Within 36 months after completion of restructuring	Yes	Yes		
Within 36 months after completion of issuance	Yes	Yes		
Within 36 months after completion of restructuring	Yes	Yes		
Within 24 or 36 months after completion of issuance	Yes	Yes		

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

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

Commitment background	Commitment type	Committer	Commitments
Commitment relating to the restructuring of significant assets	Other	Jinsheng Group, Pan Xueping	1. After completion of the transactions, the Committer will not interfere in the operational and management activities of the Company, nor seize the interests of the Company, by exceeding its powers. 2. The Committer is aware of the legal consequences that may arise from said commitments, and the Company will bear the joint and several liabilities for violation of said commitments.
	Other	Hezhong Investment and its partners, Hehe Investment and its partners, Jinbuer and its partners, Ningbo Yukang and its partners, Shenzhen Longding and its partners	1. The Committer, as the partner of Hezhong Investment/Hehe Investment/Jinbuer/Ningbo Yukang/Shenzhen Longding (including the limited partner and general partner), is committed to ensuring that within the lock-up period of the shares of Hezhong Investment/Hehe Investment/Jinbuer/Ningbo Yukang/Shenzhen Longding, it will not transfer any assets of the partners held by the Committer. 2. Hezhong Investment/Hehe Investment/Jinbuer/Ningbo Yukang/Shenzhen Longding and their general partners are further committed to ensuring that within the lock-up period of the shares of the partners, it will not handle the formalities for transfer of properties for the partners. 3. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities, and indemnify the Listed Company or investors for any and all losses caused thereby as according to the law.
	Guarantee and compensation of value of assets purchased	Jinsheng Group, Hezhong Investment, Hehe Investment and Jinbuer	The Committer is committed to ensuring that, in the year when the restructuring is completed and for two entire accounting years thereafter, i.e. 2017, 2018 and 2019, the net profits attributable to the owners of the parent company as realised by Saurer Intelligent Machinery (according to the consolidated statements, net of the non-recurring profits and losses, similarly hereinafter) shall not be less than RMB 583 million, RMB 766 million and RMB 1 003 million, respectively, and the total shall not be less than RMB 2 352 million.
	Guarantee and compensation of value of assets purchased	Pan Xueping	Pan Xueping, as the controlling shareholder of Jinsheng Group, is unconditionally and irrevocably committed to bearing the unlimited joint and several guarantee liabilities to Jinsheng Group for the results compensation obligations under the results compensation agreement.
Other commitments	Settlement of industrial competition	Jinsheng Group, Pan Xueping	1. As at the date of issuance of this commitment letter, the Committer has not invested in any company, enterprise or other operating entities that are identical or similar to Saurer Intelligent Machinery; and the Committer and the Committer's Controlled Other Enterprises will not operate for themselves or on behalf of others any business that is identical or similar to that of Saurer Intelligent Machinery, and there is no industrial competition against Saurer Intelligent Machinery. 2. After completion of the restructuring, during the period when the Committer acts as the controlling shareholder/actual controller of the Listed Company, it will not engage in any business that is competitive with that of the Listed Company currently or in the future in any form. 3. After completion of the restructuring, during the period when the Committer acts as the controlling shareholder/actual controller of the Listed Company, if the Committer's Controlled Other Enterprises plan to engage in any business that is competitive with that of the Listed Company, the Committer will exercise its veto power in order to ensure that they are not engaged in any direct or indirect competition against the Listed Company. If there is any commercial opportunity that is related to the scope of business of the Listed Company, the Committer will first assign or introduce it to the Listed Company. 4. After completion of the restructuring, during the period when the Committer acts as the controlling shareholder/actual controller of the Listed Company, if the Listed Company changes its scope of business, thereby causing any competition against the Committer and the Committer's Controlled Other Enterprises, the Committer will (and will ensure that the Committer's Controlled Other Enterprises will) take the following measures to eliminate the competition: stop operating the business that is competitive with that of the Listed Company; transfer the competitive business to the Listed Company; or transfer the competitive business to any unrelated third parties. 5. The Committer will not provide any confidential information relating to the business of the Listed Company to any third parties, or assist any third parties in engaging in any business competing with that of the Listed Company, by using its control or influences over the Listed Company. 6. If the Committer is in breach of the said commitments, it shall bear the corresponding legal liabilities and indemnify the Listed Company or investors for any and all losses caused thereby as according to the law.
	Restricted sale of shares	Jinsheng Group, Hehe Investment, Hezhong Investment	On 3 September 2019 and 5 September 2019, Saurer issued the "Announcement on the Repurchase of the Company's Shares through Call Auction" (Announcement 2019–046) and the "Additional Announcement on Share Repurchase Plan through Call Auction" (Announcement 2019–048). Jinsheng Group, Hehe Investment and Hezhong Investment commit to not reduce their shareholdings during the share repurchase period.
	Restricted sale of shares	Clement Woon, Sheng Yiping	Clement Woon and Sheng Yiping commit to not reduce their shareholdings during the share repurchase period.

Commitment date and period	Fulfilment period	Was the commitment fulfilled in a timely manner?	If not fulfilled in a timely manner, state the specific reasons for non-fulfilment	If not fulfilled in a timely manner, state the next applicable plan
Long term	No	Yes		
Within 36 months after completion of issuance	Yes	Yes		
2017, 2018, 2019	Yes	Yes		
2017, 2018, 2019	Yes	Yes		
Long term	No	Yes		
During the share repurchase period	Yes	Yes		
During the share repurchase period	Yes	Yes		

(2) Earnings forecast

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

The Special Audit Report on the Differences between Actual Net Profit and Committed Net Profit of Saurer Intelligent Machinery (PwC Special Audit No. 1651 [2020]) shows that the net profit attributable to the owners of the parent company less non-recurring gains and losses was RMB 2 540 million, which exceeds the committed net profit of RMB 2 352 million, resulting in a completion rate of 107.8 %.

(3) Completion of performance guarantee and its impact on impairment of goodwill

During the reporting period, the Company exceeded its performance commitments, with a completion rate of 107.8 %. The Company uses the model of the present value of expected future cash flows to provide an impairment test to goodwill every year, and no sign of impairment was found in 2019.

(4) Explanation of the changes in the Company's accounting policies, the reasons behind the changes and their impact

In 2017, China's Ministry of Finance revised and issued Accounting Standards No. 22 (Recognition and Measurement of Financial Instruments), No. 23 (Transfer of Financial Assets), No. 24 (Arbitrage Accounting) and No. 37 (Financial Instruments). The Ministry also required that companies listed in Mainland China implement the relevant accounting standards for new financial instruments from 1 January 2019. On 15 June 2018, the Chinese Ministry of Finance issued a Notice on the Revision of the Format for the Publication of General Business Financial Statements for the Year 2018 (No. 15 of 2018), revising the format of financial statements. In accordance with the above-mentioned changes, Saurer will make corresponding changes to its accounting policy reported in the financial statements. The above-mentioned changes in the form of financial statements and the changes in the accounting policy of new financial instruments will be implemented in accordance with the start date prescribed by the Chinese Ministry of Finance. The accounting policy of the New Financial Instruments Standard was announced on 1 January 2019. For more details, please see Saurer's Announcement on Accounting Policy Changes (2019–021) issued on 26 April 2019. The implementation of the revised accounting policy will continue to objectively and fairly reflect the Company's financial position and operating results, without requiring the retroactive adjustment of previous years' reporting.

(5) Saurer's comment on the Qualified Opinion issued by PwC

For details, please refer to the Board of Directors' Opinions on the Qualified Opinion for the Audit Report 2019 of Saurer Intelligent Technology Co. Ltd issued on 30 June 2020.

3 Employment and dismissal of accounting firm

	Current employment
Name of domestic accounting firm	PwC Mainland China (special general partnership)
Remuneration of domestic accounting firm	512
Auditing years of domestic accounting firm	3 years

	Name	Remuneration
Internal control auditing & accounting firm	PricewaterhouseCoopers Zhong Tian CPAs Firm (special ordinary partnership)	220

Unit: 10 thousand RMB

4 Litigation and arbitration disclosed in ad hoc announcements without resolution during the reporting period

Shandong Ruyi Technology Group Co. Ltd, Xinjiang Kashgar Qilu Textile and Garment Co. Ltd, Xinjiang Ruyi Textile and Garment Co. Ltd and Shule Ruyi Technology Textile Co. Ltd (collectively referred to as Shandong Ruyi) and the Company's subsidiary Saurer Shanghai and Saurer Intelligent Machinery have a sale and purchase contract dispute. Shandong Ruyi filed a lawsuit with the Intermediate People's Court of Jining City, Shandong Province and froze some of the financial funds of Saurer Intelligent Machinery totalling RMB 44 287 940.55 as well as 27 994 299 shares of Saurer Intelligent held by Jinsheng Industrial. During the reporting period, Shandong Ruyi withdrew its lawsuit.

For details, please refer to the four announcements by Saurer on: Subsidiary Litigation and Frozen Bank Accounts (2019–014), Subsidiary Litigation Progress (2019–032), Subsidiary Litigation Progress (2019–055) and Litigation Results (2019–057).

5 Statement on the integrity of the Company and its controlling shareholders and actual controller during the reporting period

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

6 Significant related-party transactions

(1) Issues not disclosed in ad hoc announcements

Related parties	Affiliation	Type of related-party transaction	Content of related-party transaction	Pricing principles of related-party transaction	Price of related-party transaction	Contract amount of related-party transaction	Same kinds of transactions (%)	Mode of settlement of related-party transaction	Market price	Reason for larger difference between the transaction price and the market reference price
Xinjiang Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Mark-up of costs	–	736 414	8.59	According to the agreement	–	–
Kuitun Litai Silk Road Investment Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Mark-up of costs	–	174 683	2.04	According to the agreement	–	–
LT Textile International Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Mark-up of costs	–	108 309	1.26	According to the agreement	–	–
Alear Litai Silk Road Textile Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Mark-up of costs	–	332 585	3.88	According to the agreement	–	–
Maigaiti Litai Textile Co. Ltd	Shareholder's subsidiary	Sale of goods	Sale of machinery and equipment	Mark-up of costs	–	626 791	7.31	According to the agreement	–	–
				–	–	1 978 782	23.08	–	–	–

Unit: thousand RMB
Notes on related-party transactions: the Company makes disclosures in accordance with the provisions of the Trading Rules of the Shanghai Stock Exchange for stock listings.

7 Significant contracts and their implementation

(1) Guarantees

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

Guarantor	Relationship between the guarantor and the Listed Company	Guarantee	Amount of guarantee	Signing date of guarantee	Guarantee start date	Guarantee end date	Type of guarantee	Completion of guarantee	Overdue guarantee	Overdue amount of guarantee	Counter-guarantee	Related-party guarantee	Relationship
None													

Total amount of guarantee incurred in the reporting period (excluding guarantees to subsidiaries)	0
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees to subsidiaries)	0

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

Total amount of guarantees provided to subsidiaries in the reporting period	660 722 493
Total balance of guarantees provided to subsidiaries at the end of the reporting period (B)	2 805 125 651

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

Total amount of guarantees provided (A + B)	2 805 125 651
Percentage of total amount of guarantee against net assets of the Company (%)	56.39
Including:	
Amount of guarantee provided for shareholders, actual controllers and related parties (C)	0
Direct or indirect debt guarantees provided for guaranteed parties whose asset/liability ratio exceeds 70 % (D)	704 348 000
Amount of total guarantee exceeding 50 % of net assets (E)	0
Total amount of guarantee of C + D + E	704 348 000
Instructions on possible joint and several clearance liabilities for undue guarantees	None
Instructions on guarantees	For details, please refer to ad hoc announcements 2019–003, 2019–007, 2019–019, 2019–033 and 2019–051

Unit: RMB

(2) Cash asset management entrusted to others

(a) Entrusted wealth management

(i) Overview of entrusted wealth management

Type	Source of funds	Amount entrusted	Outstanding balance	Unrecovered amount overdue
Wealth management bank products	Own funds	110 000	0	0

Unit: 10 thousand RMB

(ii) Individual entrusted wealth management

Trustee	Entrusted wealth management product	Entrusted wealth management amount	Starting date of entrusted wealth management	Ending date of entrusted wealth management	Source of funds	Funds investment direction	Determination of remuneration	Annualised rate of return	Expected return (if any)	Actual return or loss	Actual recovery	Have statutory procedures been completed?	Is any entrusted wealth management planned in the future?	Accrual of impairment provision (if any)
Agricultural Bank of China	Principal guaranteed floating earning	110 000	29.12.2018	02.01.2019	Own funds	Ben Li Feng Bu Bu Gao Open RMB wealth management product	Calculated per day	2.0 %	–	25.3	Recovery of principal and interest	Yes	No	–

Unit: 10 thousand RMB

8 Active corporate social responsibility

(1) Corporate social responsibility

During the reporting period, the Company was actively engaged in multiple corporate social responsibility activities in many regions and countries.

(a) Focus on protection of the rights and interests of employees and building a corporate culture

Saurer is a people-oriented company and acts to protect the rights and interests of its employees by building constructive labour relations. The Company organises a range of professional training and teambuilding activities, and has established an atmosphere supporting the growth and development of talents. Around 60 employees of the Company working at the factory located in Übach-Palenberg in Germany are active in a programme that promotes equality in the workplace. The Company has also set up a leadership development programme to prepare and train qualified managers for leadership roles.

(b) Focus on environmental protection

The Company's R&D is guided by the E^3 + I concept. This approach improves product performance indicators for energy saving, economic efficiency and ergonomics, plus intelligence. This in turn lowers energy consumption, reduces raw material costs and makes production more efficient by lowering demand for labour. The Company also advocates the paperless office and renders active assistance to local governments in Turkey in recycling and reusing of resources.

(c) Developing social sponsoring activities and practicing corporate social responsibility

The Company's social sponsoring activities in 2019 included a RMB 5 million donation to Charity Association of Jintan District, Changzhou City, Jiangsu Province for epidemic prevention and public health control in the city and at district level. In addition, the Saurer Xinjiang factory participated in a local government scheme to increase employment among ethnic minorities, hiring 95 ethnic minority employees in its new plant.

(2) Environmental information

(a) Companies not on the list of major pollutant-discharging entities

The Company and its major subsidiaries are not listed as major pollutant-discharging entities by China's environmental protection department. The Company is engaged mainly in R&D and the production and sale of intelligent textile equipment and key components and is not among industries that are responsible for heavy pollution. The major pollutants discharged by the Company include wastewater, waste gas, some waste residue and a certain amount of noise generated by the production processes. The Company strictly adheres to laws and regulations related to environmental protection, and several of its locations are certified according to the ISO 50001 energy management standard. The Company's product development is guided by the E^3 + I concept, which aims to reduce total energy consumption by providing customers with products with lower energy consumption, lower resource costs and higher production efficiency.

6. Changes in common shares and shareholders

1 Changes in common share capital

(1) Table of changes in common share capital

	Before change		Change (+ –)					After change	
	Quantity	Percentage (%)	Newly issued shares	Stock bonus	Reserve fund transferred to shares	Other	Subtotal	Quantity	Percentage (%)
Restricted shares	1 219 627 217	64.35				–448 541 319	–448 541 319	771 085 898	40.68
– State-owned shares									
– State-owned legal person shareholding	99 675 850	5.26				–83 063 209	–83 063 209	16 612 641	0.87
– Other domestic shareholdings	1 119 951 367	59.09				–365 478 110	–365 478 110	754 473 257	39.81
– Held by domestic non-state-owned legal person	1 045 194 479	55.14				–290 721 222	–290 721 222	754 473 257	39.81
– Held by domestic natural person	74 756 888	3.95				–74 756 888	–74 756 888	0	0
– Foreign shareholding									
– Held by foreign legal person									
– Held by foreign natural person									
Unrestricted shares	675 785 778	35.65				448 541 319	448 541 319	1 124 327 097	59.32
– RMB common stock	675 785 778	35.65				448 541 319	448 541 319	1 124 327 097	59.32
– Foreign capital stocks listed in China									
– Foreign capital stocks listed outside China									
– Other									
Total number of common shares	1 895 412 995	100.00				0	0	1 895 412 995	100.00

Unit: share

(a) Explanation of changes in common share capital

On 31 July 2017 Saurer received the approval from CSRC regarding major asset restructuring of Xinjiang Urban Construction (Group) Co. Ltd and Jiangsu Jinyu Industrial Co. Ltd's assets purchase through the issuance of shares (License No. 1397, 2017). On 4 September 2017 the registration of new shares for asset purchase was completed with 1 219 627 217 newly issued shares. On 5 September 2019 the 448 541 319 restricted shares involved in the asset replacement were listed for circulation. For more details, please refer to announcement 2019–044.

(b) Changes in restricted share capital

Shareholder name	Restricted shares at beginning of 2019	The number of shares that are released from trading restriction in 2019	New restricted shares in 2019	Restricted shares at year-end	Reason for trading restriction	Release of trading restriction
Jiangsu Jinsheng Industry Co. Ltd	721 247 974	0	0	721 247 974	Asset purchase via share issuance	07.09.20
China Development Bank Capital Co. Ltd	83 063 209	83 063 209	0	0	Asset purchase via share issuance	05.09.19
China Development Bank Capital Co. Ltd	16 612 641	0	0	16 612 641	Asset purchase via share issuance	07.09.20
Zhao Hongxiu	74 756 888	74 756 888	0	0	Asset purchase via share issuance	05.09.19
Changzhou Jinbuer Investment Partnership (limited partnership)	66 450 567	66 450 567	0	0	Asset purchase via share issuance	05.09.19
Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)	49 688 858	49 688 858	0	0	Asset purchase via share issuance	05.09.19
Changzhou Hehe Investment Partnership (limited partnership)	38 513 087	38 513 087	0	0	Asset purchase via share issuance	05.09.19
Shenzhen Longding Shuming Equity Investment Partnership (limited partnership)	34 886 547	34 886 547	0	0	Asset purchase via share issuance	05.09.19
China Advanced Manufacturing Industry Investment Fund (limited partnership)	33 225 283	0	0	33 225 283	Asset purchase via share issuance	07.09.20
Huashan Investment Co. Ltd	16 612 641	16 612 641	0	0	Asset purchase via share issuance	05.09.19
Shanghai Yongjun Equity Investment Partnership (limited partnership)	16 612 641	16 612 641	0	0	Asset purchase via share issuance	05.09.19
Ningbo Yukang Equity Investment Centre (limited partnership)	16 612 641	16 612 641	0	0	Asset purchase via share issuance	05.09.19
Tibet Jiaze Venture Investment	16 612 641	16 612 641	0	0	Asset purchase via share issuance	05.09.19
Changzhou Hezhong Investment Partnership (limited partnership)	11 324 837	11 324 837	0	0	Asset purchase via share issuance	05.09.19
Shanghai Jinye Equity Investment Partnership (limited partnership)	8 306 320	8 306 320	0	0	Asset purchase via share issuance	05.09.19
Shanghai Hongcheng Equity Investment Partnership (limited liability)	8 306 320	8 306 320	0	0	Asset purchase via share issuance	05.09.19
Beijing Zhongtai Financial Investment Co. Ltd	6 645 056	6 645 056	0	0	Asset purchase via share issuance	05.09.19
Nanjing Daofeng Investment Management Centre (general partnership)	149 066	149 066	0	0	Asset purchase via share issuance	05.09.19
	1 219 627 217	448 541 319	0	771 085 898		

Unit: share

2 Shareholders and actual controllers

(1) Total shareholders

Total number of common shareholders at the end of the reporting period (persons)	67 826
Total number of common shareholders at the end of the last trading month before the disclosure date of the Annual Report (persons)	65 478
Total number of preferred shareholders with restored voting rights at the end of the reporting period (persons)	0
Total number of preferred shareholders with restored voting rights at the end of the last trading month before the disclosure date of the Annual Report (persons)	0

(2) Top 10 shareholders and top 10 tradable shareholders (or holders of shares not subject to conditional sales) by the end of the reporting period

(a) Top 10 shareholders

Name of shareholder	Increase or decrease during the period	Shares at the end of the reporting period	Ratio (%)	Shares subject to conditional sales	Pledged or frozen		Nature of shareholder
					Share status	Quantity	
Jiangsu Jinsheng Industry Co. Ltd	0	889 759 677	46.94	721 247 974	Pledged Frozen	728 130 878 50 486 166	Domestic non-state-owned legal person
China Development Bank Capital Co. Ltd	−18 950 000	80 725 850	4.26	16 612 641	None	0	State-owned legal person
Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)	0	49 688 858	2.62	0	None	0	Other
Changzhou Hehe Investment Partnership (limited partnership)	0	38 513 087	2.03	0	Pledged	38 510 000	Other
CITIC Construction Investment Securities Co. Ltd (special securities account to exercise over-allotment option)	37 737 200	37 737 200	1.99	0	None	0	Other
China Advanced Manufacturing Industry Investment Fund (limited partnership)	0	33 225 283	1.75	33 225 283	None	0	Other
Urumqi State-owned Assets Operation (Group) Co. Ltd	0	30 072 467	1.59	0	None	0	State-owned legal person
Changzhou Jinbuer Investment Partnership (limited partnership)	−37 900 000	28 550 567	1.51	0	None	0	Other
Shenzhen Dewei Capital Investment Management Co. Ltd – Dewei Capital Sheng'an Private Equity Investment Fund No 1	24 500 000	24 500 000	1.29	0	None	0	Other
Wang Jinfeng	20 700 000	20 700 000	1.09	0	None	0	Domestic natural person

Unit: share

(b) Top 10 holders of shares not subject to conditional sales

Name of shareholder	Number of shares not subject to conditional sales	Type and number of shares	
		Type	Quantity
Jiangsu Jinsheng Industry Co. Ltd	168 511 703	RMB common shares	168 511 703
China Development Bank Capital Co. Ltd	64 113 209	RMB common shares	64 113 209
Jiangsu Huatai Strategic Emerging Industry Investment Fund (limited partnership)	49 688 858	RMB common shares	49 688 858
Changzhou Hehe Investment Partnership (limited partnership)	38 513 087	RMB common shares	38 513 087
CITIC Construction Investment Securities Co. Ltd (special securities account to exercise over-allotment option)	37 737 200	RMB common shares	37 737 200
Urumqi State-owned Assets Operation (Group) Co. Ltd	30 072 467	RMB common shares	30 072 467
Changzhou Jinbuer Investment Partnership (limited partnership)	28 550 567	RMB common shares	28 550 567
Shenzhen Dewei Capital Investment Management Co. Ltd – Dewei Capital Sheng'an Private Equity Investment Fund No 1	24 500 000	RMB common shares	24 500 000
Wang Jinfeng	20 700 000	RMB common shares	20 700 000
Zhao Hongxiu	18 002 788	RMB common shares	18 002 788
Description of the above-mentioned shareholders' connected relationship or concerted action	Among the top ten shareholders with restrictions on sales, it is unknown whether there is an associated relationship among the shareholders, and it is also unknown whether they are parties acting in concert.		

(3) Top 10 holders of shares subject to conditional sales, and the conditions for sale

No.	Name of holder of shares subject to conditional sales	Number of shares held	Condition for listing and trading of shares subject to conditional sales		Conditions of sale
			Tradable time	Newly added tradable shares	
1	Jiangsu Jinsheng Industry Co. Ltd	721 247 974	07.09.2020		Asset purchase via share issuance
2	China Development Bank Capital Co. Ltd	16 612 641	07.09.2020		Asset purchase via share issuance
3	China Advanced Manufacturing Industry Investment Fund (limited partnership)	33 225 283	07.09.2020		Asset purchase via share issuance

Unit: share

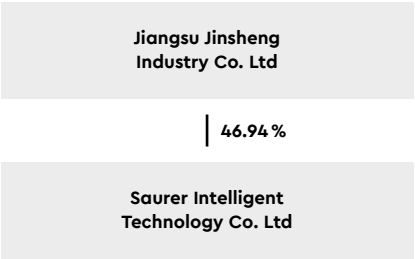
3 Controlling shareholder and actual controller

(1) Controlling shareholder > 30 %

(a) Legal person

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

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

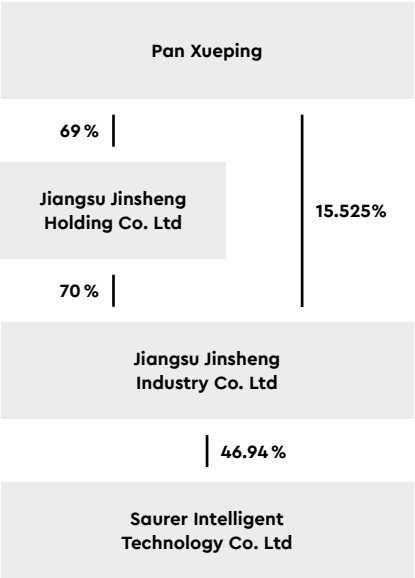


(2) Actual controller

(a) Natural person

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

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



7. Directors, Supervisors, Senior Executives and Employees

1 Shareholding changes and remuneration

(1) Shareholding changes and remuneration of Directors, Supervisors and Senior Executives in service or leaving the Company during the reporting period

Name	Position (note)	Gender	Age	Start of Tenure	End of Tenure	Shares held at beginning of the year	Shares held at end of the year	Share change in the year	Reason for change	Remuneration from related parties
Pan Xueping	Chairman	Male	56	11.09.17	10.09.20	0	0	0	–	Yes
Stefan Kross	Vice Chairman	Male	64	20.04.18	10.09.20	0	0	0	–	No
	Director			11.09.17	10.09.20					No
Carsten Voigtländer	Vice Chairman	Male	57	25.04.19	10.09.20	0	0	0	–	No
	Director			16.01.19	10.09.20					No
Clement Woon	Director	Male	60	11.09.17	10.09.20	0	25 000	25 000	–	No
	CEO			11.09.17	31.03.20					No
Ding Yuan	Director	Male	49	21.05.18	10.09.20	0	0	0	–	No
Arthur Yeung	Director	Male	50	21.05.18	10.09.20	0	0	0	–	No
Jesse Guan	Director	Male	49	21.05.18	10.09.20	0	0	0	–	No
	Chief Operating Officer			11.09.17	–					No
Guido Spix	Independent Director	Male	56	21.05.18	10.09.20	0	0	0	–	No
Dominique Turpin	Independent Director	Male	62	21.05.18	10.09.20	0	0	0	–	No
Chen Jieping	Independent Director	Male	66	11.09.17	10.09.20	0	0	0	–	No
Xie Manlin	Independent Director	Male	56	11.09.17	10.09.20	0	0	0	–	No
Zhang Yueping	Chairman of the Board of Supervisors	Male	49	11.09.17	10.09.20	0	0	0	–	Yes
Jin Hao	Supervisor	Male	44	11.09.17	10.09.20	0	0	0	–	Yes
Liang Taifu	Supervisor	Male	38	21.05.18	10.09.20	0	0	0	–	Yes
Sheng Yiping	Supervisor	Male	43	21.05.18	10.09.20	163 400	163 400	0	–	No
Pei Guoqing	Supervisor	Male	52	11.09.17	10.09.20	0	0	0	–	No
Zeng Zhengping	Secretary to Board of Directors	Male	57	11.09.17	–	0	0	0	–	No
Lu Yimin	Chief Financial Officer	Female	46	29.11.17	–	0	0	0	–	No
Cheng Rong	Chief Human Resources Officer	Female	51	29.04.19	–	0	0	0	–	No
Peter Moser	Former Chief Human Resources Officer	Male	58	11.09.17	29.04.19	0	0	0	–	No

Unit: share

Name	Main work experience
Pan Xueping	Chairman of the Board of Directors, and Chairman and CEO of Jiangsu Jinsheng Industry Co. Ltd. Mr Pan also serves as Vice President of the China Textile Machinery Association, China Textile Engineering Society, China Textile Enterprise Association and the Changzhou General Chamber of Commerce. Before founding Jiangsu Jinsheng Industry Co. Ltd, Mr Pan worked as General Manager of Steel Manufacturing Co. Ltd (affiliated with Pacific Group's Shanghai Textile Machinery Plant), Director and Secretary of the Party Committee of Jiangsu Jintan Machinery Factory and Jintan Huajin Machinery Factory, and CEO of the pre-spinning division of the Saurer Group.
Stefan Kross	Vice Chairman. Mr Kross was previously COO of Volkmann GmbH & Co. KG, member of the Board of W. Schlafhorst AG & Co., CTO of Saurer Textile Solutions for Saurer GmbH & Co. KG, CEO of Oerlikon Barmag, CEO of Oerlikon Manmade Fibres.
Carsten Voigtländer	Vice Chairman. Mr Voigtländer was previously CEO of Vaillant Group (Germany), CEO of Oerlikon Textile, CTO of Neumag GmbH, and has a PhD from the Technical University of Braunschweig, Germany.
Clement Woon	Director and CEO. Mr Woon previously worked at Oerlikon (Switzerland), SATS Ltd (Singapore) and Hexagon Metrology AB (Sweden). He formerly served as CEO of the Oerlikon textile machinery business, President and CEO of SATS Ltd and President of the geodetic surveying business of Leica Geosystems AG.
Ding Yuan	Director. Mr Ding is also Vice President and Dean, Cathay Capital Chair Professor of Accounting at China Europe International Business School (CEIBS). He is an Independent Non-executive Director and Chairman of the Audit Committee of Red Star Macalline Group Co. Ltd; Independent Non-executive Director, Chairman of the Audit Committee, member of the Nomination Committee and the Strategy Committee of Landsea Real Estate Group; Independent Non-executive Director, Chairman of the Remuneration Committee, and member of the Nomination Committee and Audit Committee of Man Wah Holdings Ltd; and Director of Jaccar Holdings. Mr Ding was previously a tenured faculty member of HEC School of Management, Paris (France); Independent Director and Chairman of the Audit Committee of Anhui Gujing Distillery; Independent Director and Chairman of the Audit Committee of TCL Group; and Director and Chairman of the Audit Committee of Mag Industries Corp.
Arthur Yeung	Director. Senior management consultant at Tencent Group; Dean of Qingteng University for executive education and President of Y-Triangle Organisation Learning Oasis. Mr Yeung is an Assistant Professor of management at China Europe International Business School (CEIBS) and an Independent non-executive Director of SITC International Holdings Ltd and Country Garden Holdings Ltd. He previously served as Chief HRO of Acer Group, and as a senior consultant for companies including Alibaba, Mary Kay, ING Insurance, and TCL-Thomson.
Jesse Guan	Director. COO of Saurer. Mr Guan has worked in international companies including Ingersoll Rand, TI Automotive and P&G. He served as Managing Director of Ingersoll-Rand Fuxing Holdings Ltd, Director of Asia Pacific operations for Ingersoll Rand Industrial Technologies and Ingersoll Rand Security Technologies, and Vice President of TI Automotive's China business.
Guido Spix	Independent Director. Mr Spix is Managing Director and Group CTO/COO of Multivac SE & Co. KG. He previously held positions including design engineer, mechanical design engineer, and Vice President of R&D in Trützschler GmbH & Co. KG, Volkmann GmbH & Co. KG, and Oerlikon Textile GmbH.
Dominique Turpin	Independent Director. Professor at Lausanne International Management Development Institute (IMD), part-time member of the Advisory Committee of Waseda Business School (Japan); International Academy of Sport Science and Technology, ECAL and EHL (all Lausanne, Switzerland); and editorial consultant for Singapore Management Review.
Chen Jieping	Independent Director. Mr Chen is Professor of accounting at China Europe International Business School (CEIBS), was Deputy Dean of CEIBS from 2009 to 2016, and served as Dean of the EMBA programme. Before joining CEIBS, he was a tenured faculty member and head of the Accounting Department at the City University of Hong Kong. Mr Chen is an Independent Non-executive Director of Shenzhen Worldunion Properties Consultancy Inc, Jinmao (China) Hotel Investment Management Ltd; HJ Capital (International) Holdings Co. Ltd; and Shanghai La Chapelle Apparel Co. Ltd.
Xie Manlin	Independent Director. Mr Xie is Director of the Jiangsu Xie Manlin Law Firm and serves as legal adviser to the Jiangsu Provincial People's Government and Nanjing Municipal People's Government. He is supervisor of the Nanjing Bar Association and an Independent Director of Jiangsu NandaSoft Technology Co. Ltd and Nanjing Putian Telecommunications Co. Ltd. Mr Xie was previously a lawyer at Nanjing Secondary Law Firm and Nanjing Jinling Law Firm, and an Independent Director of the Bank of Nanjing Co. Ltd.
Zhang Yueping	Chairman of the Supervisory Board. Mr Zhang is also the Co-CEO and President of Jiangsu Jinsheng Industry Co. Ltd. Mr Zhang previously worked as Deputy General Manager and Executive Deputy General Manager of Jiangsu Jinsheng Industry Co. Ltd, Executive Deputy General Manager of Saurer (Jintan), and Technical Director and Executive Deputy Director of Jintan Textile Machinery Factory. Mr Zhang has extensive experience in both R&D and management. Before joining Jinsheng Industrial, he worked for the Jintan Diesel Engine plant under Changchai Group's Changzhou Diesel Engine Group and was in charge of the design of processes and special process equipment, factory technical upgrading and technical management.
Jin Hao	Supervisor. Vice President and Chief Legal Officer of Jiangsu Jinsheng Industry Co. Ltd. Mr Jin has worked as a lawyer in a number of Chinese and international law firms.
Liang Taifu	Supervisor. Vice President of Jiangsu Jinsheng Industry Co. Ltd in charge of securities affairs. Mr Liang was previously Deputy General Manager, Director, and Sponsor Representative of the investment banking department of China Merchants Securities.
Sheng Yiping	Employee Supervisor of the Company and Director of the Saurer pre-spinning product line. Mr Sheng has spent his career working in Saurer (Changzhou) Textile Machinery Co. Ltd, starting as an engineer in the assembly workshop and product design; project manager; Secretary of the General Manager; Executive Deputy General Manager; and now General Manager.
Pei Guoqing	Supervisor. Mr Pei is Deputy General Manager of Saurer (Changzhou) Textile Machinery Co. Ltd. He previously worked at Jiangsu Jintan Textile Machinery plant and Jinsheng Industrial.
Zeng Zhengping	Secretary to the Board of Directors. Mr Zeng was previously CFO of ZF (China) Investment Co. Ltd.
Lu Yimin	CFO of Saurer. Ms Lu previously worked at Jiangsu Jinsheng Industry Co. Ltd, where she served as Vice President of the Company and CFO of the Overseas Segment. She also worked for PricewaterhouseCoopers (PwC) China and PwC US holding the titles of M&A Consulting Director, Senior Manager and Manager.
Cheng Rong	Chief Human Resources Officer. Ms Cheng joined Jiangsu Jinsheng Industry Co. Ltd as a Vice President. She was previously Asia Pacific Human Resources Director of the Safety and Security sector at Ingersoll Rand and served as a member of Ingersoll Rand's global compensation and benefit committee.

2 Employment of Directors, Supervisors and Senior Executives in service or leaving the Company during the reporting period

(1) Posts in the shareholding company

Name	Name of shareholding company	Position held	Start of tenure	End of tenure
Pan Xueping	Jiangsu Jinsheng Industry Co. Ltd	Chairman and Chief Executive Officer	12. 2000	–
Zhang Yueping	Jiangsu Jinsheng Industry Co. Ltd	Director and Deputy General Manager	12. 2000	–
Jin Hao	Jiangsu Jinsheng Industry Co. Ltd	Supervisor, Vice President, Chief Legal Officer	03. 2013	–
Liang Taifu	Jiangsu Jinsheng Industry Co. Ltd	Vice President	10. 2015	–
Pei Guoqing	Jiangsu Jinsheng Industry Co. Ltd	Supervisor	12. 2000	–
Cheng Rong	Jiangsu Jinsheng Industry Co. Ltd	Vice President	04. 2012	28. 04. 2019

(2) Posts in other entities

Name	Name of other entities	Position held	Start of tenure	End of tenure
Pan Xueping	Jiangsu Jinsheng Holding Co. Ltd	Chairman	11. 2017	–
Pan Xueping	Maigaiti Litai Silk Road Textile Co. Ltd	Executive Director and General Manager	08. 2018	–
Pan Xueping	Jiangsu Changjin Investment Co. Ltd	Executive Director	10. 2009	–
Pan Xueping	Jiangsu Jinsheng Asset Management Co. Ltd	Executive Director	10. 2015	–
Pan Xueping	Kuitun Litai Silk Road Investment Co. Ltd	Chairman	05. 2015	–
Pan Xueping	Shanghai Shenglun Enterprise Management Co. Ltd	Executive Director	02. 2018	–
Pan Xueping	Taicang Litai Textile Factory Co. Ltd	Chairman	06. 2008	–
Pan Xueping	Alaer Litai Silk Road Investment Co. Ltd	Chairman	05. 2018	–
Pan Xueping	Xinjiang Litai Silk Road Investment Co. Ltd	Chairman	04. 2015	–
Pan Xueping	Litai Xingshi (Taicang) Holding Co. Ltd	Chairman	03. 2015	–
Pan Xueping	Litai Silk Road Holding Co. Ltd	Chairman	03. 2015	–
Pan Xueping	KOEPFER (Changzhou) Transmission Technology Co. Ltd	Chairman	11. 2013	–
Pan Xueping	Changzhou Litai Textile Co. Ltd	Executive Director	08. 2019	–
Pan Xueping	EMAG (China) Machinery Co. Ltd	Executive Director	11. 2010	–
Pan Xueping	Xinjiang Jinsheng Enterprise Management Co. Ltd	Executive Director	04. 2017	–
Pan Xueping	Heberlein Ceramic Materials Co. Ltd	Executive Director	01. 2015	–
Pan Xueping	Jiangsu Jintan Zhonghe Investment Co. Ltd	Deputy Chairman	01. 2015	–
Zhang Yueping	Jiangsu Jinsheng Holding Co. Ltd	Director	11. 2017	–
Zhang Yueping	Taicang Litai Textile Technology Co. Ltd	Executive Director	05. 2014	–
Zhang Yueping	Jiangsu Weier Biotechnology Co. Ltd	Chairman	09. 2010	–
Zhang Yueping	Jiangsu Jinsheng International Trading Co. Ltd	Executive Director	06. 2017	–
Zhang Yueping	Maigaiti Litai Silk Road Textile Co. Ltd	Supervisor	08. 2018	–
Zhang Yueping	Kuitun Litai Silk Road Investment Co. Ltd	Director	05. 2015	–
Zhang Yueping	Taicang Litai Textile Factory Co. Ltd	Deputy Chairman	06. 2008	–
Zhang Yueping	Jiangsu Jintan Zhonghe Investment Co. Ltd	Chairman of the Board of Supervisors	01. 2015	–
Zhang Yueping	Alaer Litai Silk Road Investment Co. Ltd	Director	05. 2018	–
Zhang Yueping	Xinjiang Litai Silk Road Investment Co. Ltd	Director	04. 2015	–
Zhang Yueping	Litai Xingshi (Taicang) Holding Co. Ltd	Director	03. 2015	–
Zhang Yueping	Litai Silk Road Holding Co. Ltd	Director	03. 2015	–
Zhang Yueping	KOEPFER (Changzhou) Transmission Technology Co. Ltd	Director	11. 2013	–
Zhang Yueping	Changzhou Litai Textile Co. Ltd	General Manager	08. 2019	–
Zhang Yueping	EMAG (China) Machinery Co. Ltd	Director	11. 2010	–
Zhang Yueping	Xinjiang Jinsheng Enterprise Management Co. Ltd	General Manager	04. 2017	–
Jin Hao	Jiangsu Changjin Investment Co. Ltd	Supervisor	01. 2009	–

Name	Name of other entities	Position held	Start of tenure	End of tenure
Jin Hao	Jiangsu Jinsheng Asset Management Co. Ltd	Supervisor	10. 2015	–
Jin Hao	Kuitun Litai Silk Road Investment Co. Ltd	Supervisor	05. 2015	–
Jin Hao	Alaer Litai Silk Road Investment Co. Ltd	Supervisor	05. 2018	–
Jin Hao	Xinjiang Litai Silk Road Investment Co. Ltd	Supervisor	04. 2015	–
Jin Hao	Litai Xingshi (Taicang) Holding Co. Ltd	Supervisor	03. 2015	–
Jin Hao	Litai Silk Road Holding Co. Ltd	Supervisor	03. 2015	–
Jin Hao	Changzhou Litai Textile Co. Ltd	Supervisor	08. 2019	–
Jin Hao	Xinjiang Jinsheng Enterprise Management Co. Ltd	Supervisor	04. 2017	–
Jin Hao	Jiangsu Jinsheng International Trading Co. Ltd	Supervisor	06. 2017	–
Jin Hao	Heberlein Ceramic Materials Co. Ltd	Supervisor	01. 2015	–
Ding Yuan	Man Wah Holdings Limited	Independent Non-executive Director	–	–
Ding Yuan	Jaccar Holdings	Director	–	–
Ding Yuan	Landsea Group	Independent Non-executive Director	07. 2013	–
Ding Yuan	China Europe International Business School (CEIBS)	Vice President and Dean	09. 2006	–
Ding Yuan	Adisseo Co. Ltd	Independent Non-executive Director	10. 2018	–
Arthur Yeung	Country Garden Holdings Limited	Independent Non-executive Director	04. 2014	–
Arthur Yeung	SITC International Holdings Co. Ltd	Independent Non-executive Director	09. 2010	–
Arthur Yeung	Tencent Group	Senior Management Consultant	–	–
Arthur Yeung	China Europe International Business School (CEIBS)	Visiting Professor	–	–
Guido Spix	Multivac Inc.	President, CTO, COO	–	–
Dominique Turpin	Waseda Business School	Member of the Advisory Committee	–	–
Dominique Turpin	IMD International Institute for Management Development	Member of the Advisory Committee	–	–
Dominique Turpin	ECAL University of Art and Design	Member of the Advisory Committee	–	–
Dominique Turpin	Singapore Management Review	Editorial Consultant	–	–
Dominique Turpin	DAA Capital Partners	Chairman	01. 2019	–
Chen Jieping	Shanghai La Chapelle Apparel Co. Ltd	Independent Non-executive Director	05. 2017	05. 2020
Chen Jieping	Shenzhen Worldunion Properties Consultancy Incorporated	Independent Non-executive Director	09. 2016	09. 2019
Chen Jieping	HJ Capital (International) Holdings Company Limited	Independent Non-executive Director	07. 2014	07. 2020
Chen Jieping	Jinmao (China) Hotel Investments and Management Co. Ltd	Independent Non-executive Director	03. 2014	03. 2020
Xie Manlin	Jiangsu Xie Manlin Law Firm	Director	12. 1994	–
Xie Manlin	Nanjing Putian Telecommunications Co. Ltd	Independent Non-executive Director	08. 2017	08. 2020
Xie Manlin	Jiangsu NandaSoft Technology Co. Ltd	Independent Non-executive Director	06. 2011	12. 2020
Xie Manlin	Xinyuan Fund Management Co. Ltd	Director	11. 2019	–

3 Remuneration of Directors, Supervisors and Senior Executives

Decision-making procedure	The annual payable remuneration of Directors, Supervisors and Senior Executives is proposed by the Remuneration and Nomination Committee and submitted to the Board of Directors for approval. The remuneration of Directors, Supervisors and Senior Executives shall also be examined and approved by the AGM if it is within the AGM's approval scope.
Basis	Members of the 9th Board of Directors receive a Director's allowance from the Company. However, if a Non-independent Director holds a position in the Company, he will receive remuneration according to his post and will not be granted an additional allowance. Members of the 9th Board of Supervisors receive a Supervisor's allowance from the Company. However, if a Supervisor holds a position in the Company, he will receive remuneration according to his post and will not be granted an additional allowance. Senior Executives of the Company receive remuneration according to the related personnel regulations for their posts, and the remuneration is composed of the base salary plus performance bonus.
Total remuneration actually received by the Directors, Supervisors and Senior Executives by the end of reporting period	RMB 43 299 000 (before tax)

4 Change in Directors, Superiors and Senior Executives

Name	Position	Change	Reason for change
Cheng Rong	Chief Human Resource Officer	Employment	New appointment
Peter Moser	Chief Human Resource Officer	Demission	Resignation
Carsten Voigtländer	Vice Chairman, Director	Election	Election

5 Profile of employees of the parent company and main subsidiaries

(1) Employees

Number of employees in service in parent company	19
Number of employees in service in main subsidiaries	4 940
Total number of employees in service	4 959
Number of retired employees to be covered by parent company and main subsidiaries	2

(a) Professional composition

Category of professional composition	Number of professionals
Production personnel	2 241
Procurement personnel	155
Warehousing and logistics personnel	423
Quality personnel	224
Customer service personnel	611
Sales personnel	386
R&D personnel	501
Management and administrative personnel	375
Apprentice	43
	4 959

(b) Educational background

Highest qualification received	Number of people
Master's degree or above	440
Bachelor's degree	994
Qualifications below university level	3 525
	4 959

(2) Compensation policy

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

(3) Training scheme

(a) Saurer has a training system to help employees acquire new knowledge and skills and grow their careers. In addition to regular multichannel employee communication, the Company has also established training and succession plans based on the identification of key talents and has put career development processes in place.

(b) The Company's employee training system includes onboard training and job skill training. Newly recruited employees grow and develop as they are given instructions and training by experienced staff, such as on-the-job training, technical skills training, and appraisals and evaluation. The Company also makes arrangements for employees to participate in a wide range of industrial management training opportunities, and technical exchange meetings are held regularly to encourage employees to expand their contacts in the industry while enhancing their business skills. These events raise employees' awareness of the needs of both the industry and the Company.

(4) Labour outsourcing

Total working hours of outsourced labour force	1 190 640
Total remuneration paid for outsourced labour force	RMB 108 000 000

8. Corporate governance report

1 Corporate governance

(1) Corporate governance

During the reporting period, the Company continuously improved its corporate governance structure and standardised its operations in strict accordance with the requirements of the Company Law, the Securities Law, Governance Guidelines for Listed Companies, the Shanghai Stock Exchange Listing Rules and the relevant regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, taking into account the actual situation of the Company. The AGM, the Board of Directors, the Board of Supervisors, the special committees of the Board of Directors and the management of the Company have been performing their respective duties in accordance with the law to effectively safeguard the interests of investors and the Company. The Company's corporate governance complies with the requirements of the Governance Guidelines for Listed Companies and other relevant provisions.

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

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

(c) Directors and the Board of Directors
During the reporting period the number of members and composition of the Board of Directors complied with all the relevant laws and regulations as well as the requirements of the Articles of Association. The Board of Directors carried out its work in strict accordance with all the relevant laws and regulations, the Articles of Association, the Rules of Procedure of the Board, the Work System for Independent Directors and the Implementation Details for the Special Committees of the Board of Directors. All Directors performed their duties in good faith and diligence and received related training. Independent Directors performed their duties independently to safeguard the overall interests of the Company and shareholders, and issued independent opinions on important and significant issues. The Strategy, Audit and Remuneration and Nomination Committees under the Board of Directors fulfilled their remits, providing adequate protection for the decision-making of the Board and thus reducing risks.

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

(e) Information disclosure management and investor relations management
During the reporting period, the Company disclosed all information that might have had a significant impact on the production, operation and share price of the Company in a true, accurate, complete, timely and fair manner. This was done in strict accordance with the relevant laws and regulations, such as the Company Law and Securities Law, the Administrative Measures for the Disclosure of Information by Listed Companies and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. Disclosures included the provisions regarding company regulations, such as the Articles of Association, the Information Disclosure Management System, the Information Disclosure Delay and Exemption Business Management System and Investor Relations Management. These disclosures were made to ensure full company transparency and also to warrant that all shareholders of the Company have equal access to company information. The Company attaches great importance to the management of investor relations and has strengthened its communication with investors through various channels such as the investor hotline, email, the Shanghai Stock Exchange's e-interaction platform and investor meetings or road shows. The Company values the opinions and suggestions of investors and safeguards the legitimate rights and interests of all investors.

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

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

Session	Date	Reference website	Disclosure date
First EGM in 2019	16.01.19	Website of Shanghai Stock Exchange (www.sse.com.cn), ad hoc 2019-001	17.01.19
Second EGM in 2019	12.04.19	Website of Shanghai Stock Exchange (www.sse.com.cn), ad hoc 2019-013	13.04.19
AGM for 2018	28.05.19	Website of Shanghai Stock Exchange (www.sse.com.cn), ad hoc 2019-029	29.05.19
Third EGM in 2019	18.09.19	Website of Shanghai Stock Exchange (www.sse.com.cn), ad hoc 2019-052	19.09.19

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

3 Board matters

(1) Directors' attendance at board meetings and shareholders' meetings

		Attendance at board meetings						Attendance at shareholders' meetings
Director name	Independent Director	Required number of board meetings for the year	Attendance in person	Attendance by correspondence	Represented by proxy	Absences	Two successive absences	Attendances
Pan Xueping	No	7	7	5	0	0	No	3
Stefan Kross	No	7	7	5	0	0	No	0
Carsten Voigtländer	No	7	7	5	0	0	No	0
Clement Woon	No	7	7	5	0	0	No	0
Ding Yuan	No	7	7	5	0	0	No	0
Arthur Yeung	No	7	7	5	0	0	No	0
Ye Guan	No	7	7	5	0	0	No	1
Guido Spix	Yes	7	7	5	0	0	No	0
Dominique Turpin	Yes	7	7	5	0	0	No	0
Chen Jieping	Yes	7	7	5	0	0	No	1
Xie Manlin	Yes	7	7	5	0	0	No	1

Number of board meetings held in 2019	7
Including: number of on-site meetings	2
Number of meetings by correspondence	5
Number of on-site meetings combined with other methods of correspondence	0

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

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

5 Disclosure of internal control self-assessment report

In accordance with "The Basic Standard for Enterprise Internal Control" and other related internal control regulations, the Board of Directors assessed the effectiveness of the Company's internal controls in 2019. For details, please refer to the "Saurer Intelligent Technology 2019 Internal Control Evaluation Report" disclosed by the Company through the Shanghai Stock Exchange, the Securities Times, Securities Daily and Shanghai Securities News on 11 April 2020.

6 Audit report for the Company's internal control

The Company engaged PricewaterhouseCoopers (PwC) to conduct an audit on the effectiveness of the Company's internal control on financial reporting and issued the Saurer Intelligent 2019 Internal Control Audit Report. The details can be found in the Company's Internal Control Audit Report 2019 of Saurer Intelligent (PwC Zhong Tian, Special Audit No. 1649 [2020]), disclosed on 30 June 2020 on the Shanghai Stock Exchange, Securities Times, Securities Daily and Shanghai Securities News.

9. Financial statements and auditor's report

for the year ended 31 December 2019

Important notes

English translation of the financial statements
The English translation is for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail. The English names of certain Chinese companies represent the English translation. They are used for identification purposes only as no English names have been registered.

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

Auditor's report

To the Shareholders of Saurer Intelligent Technology Co. Ltd

Qualified opinion

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

- the consolidated and company balance sheets as at 31 December 2019;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our qualified opinion
In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Saurer Intelligent Group as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Chinese Accounting Standards for Business Enterprises ("CASs").

Basis for qualified opinion
In 2019, Saurer Intelligent Technology Co. Ltd and its subsidiaries (hereinafter "Saurer Intelligent Group") had fund transactions amounting to RMB 2 592 million with Saurer Intelligent Group's related party Xinjiang Litai Silk Road Investment Co. Ltd and its related parties (hereinafter "Litai Company"). As described in the following note (1) and note (2), Saurer Intelligent Group refunded and re-received payments for machines sales amounting to RMB 2 212 million to and from Litai Company. As described in the following note (3), Saurer Intelligent Group received payments amounting to RMB 380 million from Litai Company and then refunded to Litai Company. Details of these fund transactions are as follows:

(1) Litai Company planned to make partial payment of machines with earmarked project financing from shareholders and earmarked project financing from banks. Due to the uncertainty associated with obtaining the earmarked project financing, Litai Company made payments to Saurer Intelligent Group with its own funds in advance, and requested Saurer Intelligent Group to refund the advance payments when the earmarked project financing was confirmed, and then Litai Company made payments with the earmarked project financing to Saurer Intelligent Group. In 2019, Saurer Intelligent Group agreed to refund RMB 936.7 million to Xinjiang Litai Silk Road Investment Co. Ltd and RMB 34 million to Kuitun Litai Silk Road Investment Co. Ltd. Within 1–1.5 months after the refund, Saurer Intelligent Group received the earmarked project financing amounting to RMB 460.2 million from Xinjiang Litai Silk Road Investment Co. Ltd and earmarked project financing amounting to RMB 510.5 million from Kuitun Litai Silk Road Investment Co. Ltd. In 2018, the cash inflow and outflow of such transactions amounted to RMB 483.6 million respectively.

(2) Litai Company purchased machines from the overseas (non-Chinese) subsidiaries of Saurer Intelligent Group, which were required to be paid in foreign currencies. Due to the uncertainty associated with obtaining foreign currency payment quota, Litai Company made payment to Chinese subsidiaries of Saurer Intelligent Group with its own funds in advance, and requested Saurer Intelligent Group to refund the advance payments after completing the foreign exchange application procedures, and then paid the exchanged foreign currencies to Saurer Intelligent Group's subsidiaries outside China. In 2019, Saurer Intelligent Group agreed to refund RMB 1 239.8 million to Xinjiang Litai Silk Road Investment Co. Ltd, and RMB 1.5 million to Kuitun Litai Silk Road Investment Co. Ltd. Within 1–6 months after the refund, Saurer Intelligent Group received RMB 942.5 million from Xinjiang Litai Silk Road Investment Co. Ltd, RMB 226.6 million from Kuitun Litai Silk Road Investment Co. Ltd and RMB 72.2 million from Maigaiti Litai Silk Road Textile Co. Ltd. In 2018, the cash inflow and outflow of such transactions amounted to RMB 1 254.5 million respectively.

(3) In 2019, as explained by management, Litai Company agreed to make payments to Saurer (Shanghai) Textile Machinery Technology Co. Ltd, and Saurer (Shanghai) Textile Machinery Technology Co. Ltd then made goods payments in foreign currencies to the non-Chinese subsidiaries of Saurer Intelligent Group in order to support those subsidiaries' temporary needs for funds to repay loans and working capital. The domestic subsidiaries of Saurer Intelligent Group repaid the equivalent RMB sum to Litai Company later. In 2019, Saurer Intelligent Group received such payments from Xinjiang Litai Silk Road Investment Co. Ltd and Kuitun Litai Silk Road Investment Co. Ltd amounting to RMB 300 million and RMB 80 million respectively. Within 7 days after the receipt, Saurer Intelligent Group's domestic subsidiaries repaid RMB 380 million to Xinjiang Litai Silk Road Investment Co. Ltd. There was no such transaction in 2018.

Management disclosed the net value of above mentioned cash inflow and outflow in "Cash received from sales of goods or rendering of services" in the consolidated cash flow statement.

From 1 January 2020 to the signing date of our auditor's report, Saurer Intelligent Group refunded RMB 2 618.9 million to Litai Company due to reasons described in note (1) and note (2), and as of the signing date of our auditor's report, relevant repayments amounting to RMB 2 618.9 million from Litai Company have been received.

Considering Saurer Intelligent Group's accounts receivables resulted from the sales to Litai Company have no fixed credit term in practice, payments from Litai Company were in bulk and not able to be matched with each specific sales order, the refund and repayment transactions are without written arrangements between Saurer Intelligent Group and Litai Company, and documents of relevant payments and receipts failed to provide evidences and demonstrate the linkage between those financing transactions described in note (1), (2) and (3), thus we did not obtain sufficient and appropriate audit evidence to support whether the financing transactions amounting to RMB 2 592 million between Saurer Intelligent Group and Litai Company were related to operating activities, and we were also unable to perform other necessary alternative procedures. Therefore, we are not able to determine whether the financing transactions above were operating cash flow, and we are unable to confirm whether it is necessary to make adjustments to items in the consolidated cash flow statements, including "Cash received relating to other operating activities", "Cash paid relating to other operating activities", "Cash received relating to other investing activities", "Cash paid relating to other investing activities", "Cash received from other financing activities" and "Cash paid relating to other financing activities".

In addition, Saurer Intelligent Group did not disclose the transaction type and transaction details such as transaction amount and further information on the above financing transactions which does not comply with the requirements of CAS No. 31 — cash flow statements, CAS No. 36 — related party disclosures and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by China Securities Regulatory Commission (CSRC), and it would lead to a significant influence on users' understanding of the financial statements.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the content included in the basis for qualified opinion, key audit matters identified in our audit are summarised as follows:

- impairment of goodwill and intangible assets with indefinite useful lives;
- related party sales;
- significant sales to new third-party customers.

Key audit matter	How our audit addressed the key audit matter
(A) Impairment of goodwill and intangible assets with indefinite useful lives Refer to note 2 (45) (b) (ii), note 4 (27) and note 4 (28) to the consolidated financial statements The goodwill and intangible assets with indefinite useful lives (trademarks) of Saurer Intelligent Machinery Co. Ltd were recognised for the acquisition of natural fibre spinning business and component business from OC Oerlikon in 2013. As at 31 December 2019, the carrying amounts of goodwill and trademarks amounted to RMB 625 million and RMB 892 million, respectively. Their carrying amounts represented 4.7 % and 6.8 % of total assets, and 9.9 % and 14.1 % of net assets of Saurer Intelligent Group, respectively. In carrying out the impairment assessment of goodwill and trademarks, Saurer Intelligent Group uses the discounted cash flow method ("DCF") to determine the recoverable amounts of goodwill and trademarks. Management assessed whether the recoverable amounts of the cash generating unit ("CGU") is lower than its carrying amount. Key assumptions adopted and judgments exercised in the preparation of the DCF mainly included sales growth rates, brand commission rate, gross margin rates and discount rates. We placed our audit emphasis on this matter because of the significance of the carrying amounts of goodwill and trademarks and the significant judgments and assumptions involved in determining the recoverable amounts of the CGUs.	In testing the impairment of goodwill and trademarks, we performed the procedures as set out below: - understood, evaluated and tested internal process and key controls implemented by the management of Saurer Intelligent Group for the impairment testing of goodwill and trademarks; - evaluated the reasonableness of financial budget prepared by management by comparing the actual financial performance of the current year with the budget used in last year's impairment test; - evaluated whether the methodology adopted by management to determine CGU is appropriate; - obtained the DCF model from the management, understood and evaluated whether the methodology adopted by management is appropriate; - obtained key assumptions adopted and judgments exercised in preparation of the DCF model, including sales growth rate, brand commission rate, gross margin and discount rates. In respect of the financial budget used in the model, we compared it with the actual financial performance of the current year, as well as benchmarking it against industry practice and data; in respect of the sales growth rate, we compared them to the historical sales growth rate and industry data. In respect of the predicted gross margin, we compared it with past gross margin rates and took the market trends into account. In respect of the brand commission rate and the discount rates, we estimated the range independently and compared with the discounting rate applied in the DCF model. In addition, we performed a sensitivity analysis to evaluate the reasonableness of the key assumptions and parameters adopted by the management; and - tested the mathematical accuracy of underlying DCF calculations. Based on the audit procedures performed above, we found the key assumptions adopted and estimates made by the management in determining the recoverable amounts of goodwill and trademarks to be supportable based on the evidence we gathered.

Key audit matter	How our audit addressed the key audit matter
(B) Related party transactions Refer to note 2 (40) and note 8 (5) (a) to the consolidated financial statements In 2019, the total sales of Saurer Intelligent Group to its related parties, Litai Xingshi (Taicang) Holding Co. Ltd and its subsidiaries (collectively known as "Litai Xingshi") amounted to RMB 1.98 billion, accounting for 23.1% of Saurer Intelligent Group's total sales of the year. Litai Xingshi purchased machines from Saurer Intelligent Group for its own production and operations. We placed our audit emphasis on this matter because of the significance of the related party sales amount to Litai Xingshi, and comparing to third-party sales, related party transactions (including transaction pricing) are an audit focus area.	In auditing Saurer Intelligent Group's sales to Litai Xingshi, we performed the procedures as set out below: – understood, evaluated and tested the processes of related party transactions and key management internal controls; – reviewed the sales contracts and interviewed the management to understand and evaluate the pricing policy of related party transactions and its reasonableness and consistency. We also compared the sales to related party with the sales to third parties; – performed an on-site visit to Litai Xingshi, inspected the machines purchased from Saurer Intelligent Group in 2019 on a sample basis, understood the construction plan and progress of Litai Xingshi's plants, and compared its demand of machines and the installation progress of those machines purchased from Saurer Intelligent Group; – conducted tests on the sales from Saurer Intelligent Group to Litai Xingshi on a sample basis, by tracing to the risk and rewards clauses in the relevant sales contracts and corresponding supporting documents such as customs declaration documents, invoices, and receipt of goods; – tested the revenue recognised before and post year-end to ensure that the relevant sales were recorded in the correct financial period; and – sent confirmations to Litai Xingshi to confirm the amount of sales transactions in 2019 and balances as at 31 December 2019 between Saurer Intelligent Group and Litai Xingshi. Based on the audit procedures performed above, we found Saurer Intelligent Group's revenue recognition for sales to Litai Xingshi is in compliance with its revenue recognition accounting policies.
(C) Significant sales to new third-party customers Refer to note 2 (40), note 2 (45), note 4 (14) and note 7 to the consolidated financial statements In 2019, the total sales of Saurer Intelligent Group to a new third-party customer amounted to RMB 962.4 million, accounting for 11.2% of Saurer Intelligent Group's total sales of the year. The customer purchased machines from Saurer Intelligent Group for its own production and operations. As the construction of this customer's new factory was not completed, Saurer Intelligent Group's related party kept custody of these machines on behalf of this customer. As of 31 December 2019, Saurer Intelligent Group had not received any payment from this new customer. Up to the signing date of this audit report, Saurer Intelligent Group has received RMB 105 million from this customer. In 2019, the total sales of Saurer Intelligent Group to three new third-party customers (collectively referred to as "the Three Customers") amounted to RMB 451.5 million, accounting for 5.3% of Saurer Intelligent Group's total sales of the year. As of 31 December 2019, Saurer Intelligent Group received RMB 26.7 million from the Three Customers. Up to the signing date of this audit report, Saurer Intelligent Group has received RMB 104.7 million from the Three Customers. The third-party customers mentioned above are all new customers and there were no transactions in previous years. The sales mode was not widely used in Saurer Intelligent Group in previous years. Due to the significance of the sales amount and the significant judgments involved in revenue recognition, we placed audit emphasis on this matter.	In auditing Saurer Intelligent Group's significant sales to the new third-party customers, we performed the procedures as set out below: – understood, evaluated and tested Saurer Intelligent Group's relevant internal control processes for customers acceptance and significant judgments; – reviewed the sales framework agreements, sales contracts and interviewed management to understand and evaluate the business rationale and reasonableness; – understood the source of funds for payment from customers, the schedule and status of financing arrangements, reviewed payments from customers up to the signing date of the audit report, traced the payer information to the contract party information of sales contracts, confirmed the source of fund for the payment and whether the purpose is to settle machine procurements by interviewing customers and performing confirmation procedures; – for the sales of machines that Saurer Intelligent Group's related party kept custody of on behalf of a certain customer, interviewed this customer to understand and evaluate the business rationale and reasonableness, reviewed the custody agreement, performed a site visit of the warehouse, counted the machines sold to the customer; – conducted tests on these sales by examining the risk and reward clauses in the sales contracts and corresponding supporting documents such as customs declaration documents, goods delivery notes, receipt of goods, invoices and sending confirmations to carriers; and – sent confirmations to the customers to confirm the amount of sales transactions in 2019 and balances as at 31 December 2019. Based on the above audit procedures performed, Saurer Intelligent Group's significant judgment involved in the revenue recognition of significant sales to new third-party customers is supportable based on the evidence we gathered.

Other information
The management of Saurer Intelligent Group is responsible for the other information. The other information comprises all of the information included in the 2019 annual report of Saurer Intelligent Group 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 or conclusion thereon.

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

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

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

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

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

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

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Saurer Intelligent Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the year 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Signing CPA
Sun Ying
Engagement Partner

Signing CPA
Zhang Weibin

[29 June 2020]

Financial statements

Consolidated and Company balance sheets
as at 31 December 2019

Assets

Current assets	Note	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Cash at bank and on hand	4 (1), 14 (1)	2 402 917	3 720 401	456 902	63
Financial assets held for trading	4 (3)	6 310	–	–	–
Financial assets at fair value through profit or loss	4 (2)	–	4 966	–	–
Notes receivables		–	113 322	–	–
Accounts receivables	4 (5)	4 163 086	3 234 982	–	–
Factoring of accounts receivables	4 (6)	7 025	–	–	–
Advances to suppliers	4 (8)	117 643	132 958	–	–
Other receivables	4 (7), 14 (2)	29 621	255 962	871	871
Inventories	4 (9)	1 696 138	1 762 645	–	–
Other current assets	4 (11)	207 711	1 301 055	57	–
Total current assets		8 630 451	10 526 291	457 830	934
Non-current assets					
Long-term receivables	4 (10)	463 231	42 951	–	–
Long-term equity investments	14 (3)	–	–	10 452 842	10 452 842
Fixed assets	4 (12)	1 308 481	903 000	–	–
Construction in progress	4 (13)	381 898	465 036	–	–
Intangible assets	4 (14)	1 270 810	1 290 712	–	–
Development costs	4 (14)	181 951	90 417	–	–
Goodwill	4 (15)	624 922	615 137	–	–
Long-term prepaid expenses	4 (16)	2 913	4 121	–	–
Deferred tax assets	4 (17)	110 530	50 457	–	–
Other non-current assets	4 (19)	228 784	427 584	–	–
Total non-current assets		4 573 520	3 889 415	10 452 842	10 452 842
Total assets		**13 203 971**	**14 415 706**	**10 910 672**	**10 453 776**

Liabilities and owners' equity

Current liabilities	Note	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Short-term borrowings	4 (20)	2 241 300	1 499 334	741 734	100 000
Financial liabilities held for trading	4 (3)	10 478	–	–	–
Financial liabilities at fair value through profit or loss	4 (2)	–	5 416	–	–
Notes payables	4 (21)	57 000	100 000	–	–
Accounts payables	4 (22)	1 586 229	1 447 131	–	–
Advances from customers	4 (23), 7 (5) (c)	260 616	586 799	–	–
Employee benefits payable	4 (24)	264 419	274 665	585	569
Taxes payable	4 (25)	225 445	291 390	1 618	4 085
Other payables	4 (26)	465 382	377 032	1 202 001	885 023
Current portion of non-current liabilities	4 (27)	760 284	733 820	–	–
Total current liabilities		5 871 153	5 315 587	1 945 938	989 677
Non-current liabilities					
Long-term borrowings	4 (28)	450 000	2 552 138	–	–
Provisions	4 (29)	16 040	10 338	–	–
Long-term employee benefits payable	4 (30)	404 415	336 724	–	–
Deferred tax liabilities	4 (17)	125 804	183 558	–	–
Deferred revenue	4 (31)	4 760	29 586	4 560	4 560
Total non-current liabilities		1 001 019	3 112 344	4 560	4 560
Total liabilities		**6 872 172**	**8 427 931**	**1 950 498**	**994 237**
Owners' equity					
Paid-in capital	4 (32)	1 895 413	1 895 413	1 895 413	1 895 413
Capital surplus	4 (34)	1 579 834	1 579 834	6 857 481	6 857 481
Less: treasury shares	4 (32)	−108 931	–	−108 931	–
Other comprehensive income	4 (33)	3 831	−48 440	1 534	1 534
Special reserve		–	–	1 447	1 447
Surplus reserve	4 (34)	48 742	48 742	205 662	205 662
Retained earnings	4 (36)	1 523 915	1 177 607	107 568	498 002
Total equity attributable to equity holders of the Company		4 942 804	4 653 156	8 960 174	9 459 539
Non-controlling interests		1 388 995	1 334 619	–	–
Total owners' equity		6 331 799	5 987 775	8 960 174	9 459 539
Total liabilities and owners' equity		**13 203 971**	**14 415 706**	**10 910 672**	**10 453 776**

The accompanying notes form an integral part of these financial statements.
Legal representative: Pan Xueping. Principal in charge of accounting: Lu Yimin. Head of accounting department: Lu Yimin

Consolidated and Company income statements

for the year ended 31 December 2019

	Note	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
1. Revenue	**4 (34), 14 (4)**	**8 575 309**	**9 220 759**	**140 045**	**–**
Less: cost of sales	4 (37), 4 (43), 14 (4)	–6 024 662	–6 571 207	–140 045	–
– Taxes and surcharges	4 (38)	–29 471	–19 911	–123	–667
– Selling and distribution expenses	4 (39), 4 (43)	–498 664	–568 699	–23 698	–539
– General and administrative expenses	4 (40), 4 (43)	–379 477	–382 922	–101 983	–91 122
– Research and development expenses	4 (41), 4 (43)	–460 291	–475 204	–	–
– Financial income – net	4 (42)	–168 920	–139 160	–20 316	–22 018
– Including: Interest expense		–93 172	–108 600	–15 828	–21 165
– Interest income		9 097	8 819	77	12
Add: other income	4 (46)	13 435	1 017	–	–
– Investment income	4 (47)	11 578	88 249	–	–
– Including: shares of losses in associates and joint ventures		–	–350	–	–
– Profit arising from changes in fair value		–	390	–	–
– Credit impairment loss	4 (45)	–21 168	–	–	–
– Asset impairment losses	4 (18), 4 (44)	–19 966	–53 193	–	–
– Income from asset disposal	4 (48)	138	148	–	–
2. Operating profit		**997 841**	**1 100 267**	**–146 120**	**–114 346**
Add: non-operating income	4 (49)	28 826	46 560	–	–
Less: non-operating expenses	4 (50)	–115 756	–895	–8	–
3. Profit/(losses) before tax		**910 911**	**1 145 932**	**–146 128**	**–114 346**
Less: income tax expenses	4 (51)	–120 748	–288 882	–	–
4. Net profit/(losses)		**790 163**	**857 050**	**–146 128**	**–114 346**
Classification by business continuity					
– Net income from continuing operations		790 163	857 050	–146 128	–114 346
– Net income from discontinuing operations		–	–	–	–
Classification by attribution of the ownership					
– Attributable to equity holders of the Company		608 934	810 294	–	–
– Non-controlling interests		181 229	46 756	–	–
5. Other comprehensive income, net of tax	**4 (33)**	**64 814**	**74 948**	**–**	**–**
Other comprehensive income attributable to equity holders of the Company, net of tax					
Other comprehensive income items which will not be reclassified to profit or loss					
– Changes in measurement of defined benefit plans assets/liabilities		–60 670	7 402	–	–
Other comprehensive income items which will be reclassified to profit or loss					
– Effective part of cash flow hedges		–46	–820	–	–
– Foreign currency translation difference		112 987	68 366	–	–
Other comprehensive income attributable to non-controlling interests, net of tax		12 543	–	–	–
6. Total comprehensive income		**854 977**	**931 998**	**–146 128**	**–114 346**
Attributable to equity holders of the Company		661 205	885 242	–	–
Attributable to non-controlling interests		193 772	46 756	–	–
7. Earnings per share	**4 (35)**				
Basic earnings per share in yuan		0.3218	0.4275	–	–
Diluted earnings per share in yuan		0.3218	0.4275	–	–

The accompanying notes form an integral part of these financial statements.
Legal representative: Pan Xueping. Principal in charge of accounting: Lu Yimin. Head of accounting department: Lu Yimin

Consolidated and Company cash flow statement

for the year ended 31 December 2019

1. Cash flows from operating activities	Note	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Cash received from sales of goods or rendering of services		6 895 669	7 733 608	–	–
Cash received relating to other operating activities	4 (52) (a)	30 188	18 380	609 077	12
Subtotal of cash inflows		6 925 857	7 751 988	609 077	12
Cash paid for goods and services		−4 286 409	−5 972 799	−164 635	–
Cash paid to and on behalf of employees		−1 713 637	−1 749 624	−3 383	−2 246
Payments of taxes and surcharges		−530 174	−385 963	−1 962	−33 404
Cash paid relating to other operating activities	4 (52) (b)	−648 370	−686 365	−695 206	−24 138
Subtotal of cash outflows		−7 178 590	−8 794 751	−865 186	−59 788
Net cash flows used in operating activities	**4 (53) (a)**	**−252 733**	**−1 042 763**	**−256 109**	**−59 776**
2. Cash flows from investing activities					
Cash received from restricted cash and deposit		848 559	415 715	–	–
Investment profit received		653	–	–	–
Cash received from disposal of fixed assets, intangible assets and other long-term assets		9 875	2 140	–	–
Interest received		28 621	134 327	–	–
Cash received from repayment by third parties		645 320	125 808	–	–
Cash received relating to other investing activities	4 (52) (c)	1 103 662	9 000 000	–	–
Subtotal of cash inflows		2 636 690	9 677 990	–	–
Cash paid to acquire fixed assets, intangible assets and other long-term assets		−399 880	−683 593	–	–
Cash paid for loans to third parties		−442 820	−202 500	–	–
Cash paid for restricted cash and deposit		−407 673	−885 459	–	–
Cash paid relating to other investing activities	4 (52) (d)	–	−5 601 724	−10 010	–
Subtotal of cash outflows		−1 250 373	−7 373 276	−10 010	–
Net cash flows from/used in investing activities		**1 386 317**	**2 304 714**	**−10 010**	**–**

The accompanying notes form an integral part of these financial statements.
Legal representative: Pan Xueping. Principal in charge of accounting: Lu Yimin. Head of accounting department: Lu Yimin

Consolidated and Company cash flow statement

for the year ended 31 December 2019

3. Cash flows from financing activities	Note	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Cash received from capital contributions		–	3 000 000	–	–
Including: cash received from capital contributions by non-controlling shareholders of subsidiaries		–	3 000 000	–	–
Cash received from bank borrowings		2 240 921	1 731 437	791 620	100 000
Cash received from related party borrowings		–	3 000	609 850	85 820
Cash received from other financing activities		64 000	–	–	–
Subtotal of cash inflows		2 304 921	4 734 437	1 401 470	185 820
Cash repayments of bank borrowings		–3 631 913	–672 698	–150 000	–
Cash paid for repayment of related party borrowings		–	–14 917	–151 547	–106 000
Dividend distributed to non-controlling interests of subsidiaries		–470 292	–270 882	–278 044	–20 714
Including: dividends distributed to non-controlling interests of subsidiaries		–135 000	–145 086	–	–
Cash paid to acquire non-controlling interests of subsidiaries in subsidiaries liquidation		–	–4 200 000	–	–
Cash paid for other financing activities	4 (52) (e)	–197 548	–60 000	–108 931	–
Subtotal of cash outflows		–4 299 753	–5 218 497	–688 522	–126 714
Net cash flows used in/from financing activities		**–1 994 832**	**–484 060**	**712 948**	**59 106**
4. Effect of foreign exchange rate changes on cash and cash equivalents		**–350**	**–668**	**–**	**–839**
5. Net decrease/increase in cash and cash equivalents	**4 (53) (d)**	**–861 598**	**777 223**	**446 829**	**–1 509**
Add: cash and cash equivalents at the beginning of the year		2 834 939	2 057 716	63	1 572
6. Cash and cash equivalents at the end of the year	**4 (53) (c)**	**1 973 341**	**2 834 939**	**446 892**	**63**

The accompanying notes form an integral part of these financial statements.
Legal representative: Pan Xueping. Principal in charge of accounting: Lu Yimin. Head of accounting department: Lu Yimin

Consolidated statement of changes in owners' equity

for the year ended 31 December 2019

	Note	Equity attributable to the parent company					Non-controlling interests	Total owners' equity
		Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits		
Balance at 1 January 2018		**1 895 413**	**–**	**–123 388**	**48 742**	**386 267**	**4 298 330**	**6 505 364**
Movements for the year ended 31 December 2018								
Comprehensive income								
Net profit		–	–	–	–	810 294	46 756	857 050
Other comprehensive income	4 (33)	–	–	74 948	–	–	–	74 948
Total comprehensive income		–	–	74 948	–	810 294	46 756	931 998
Capital contribution and withdrawal by owners								
– Capital invested by owners	4 (34)	–	1 579 834	–	–	–	1 334 619	2 914 453
– Capital repaid to non-controlling interests of subsidiaries in subdiaries liquidation	5 (1) (b)	–	–	–	–	–	–4 200 000	–4 200 000
Profit distribution								
– Dividend payment	4 (36)	–	–	–	–	–18 954	–145 086	–164 040
Balance at 31 December 2018		**1 895 413**	**1 579 834**	**–48 440**	**48 742**	**1 177 607**	**1 334 619**	**5 987 775**

	Note	Equity attributable to the parent company						Non–controlling interests	Total owners' equity
		Paid–in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Paid-in capital	Capital surplus
Balance at 31 December 2018		**1 895 413**	**1 579 834**	**–**	**–48 440**	**48 742**	**1 177 607**	**1 334 619**	**5 987 775**
Changes in accounting policies	2 (28)	–	–	–	–	–	–18 320	–4 396	–22 716
Balance at 1 January 2019		**1 895 413**	**1 579 834**	**–**	**–48 440**	**48 742**	**1 159 287**	**1 330 223**	**5 965 059**
Movements for the year ended 31 December 2019									
Comprehensive income									
Net profit		–	–	–	–	–	608 934	181 229	790 163
Other comprehensive income	4 (33)	–	–	–	52 271	–	–	12 543	64 814
Total comprehensive income		–	–	–	52 271	–	608 934	193 772	854 977
Repurchase of treasury shares	4 (32)	–	–	–108 931	–	–	–	–	–108 931
Profit distribution									
– Dividend payment	4 (36)	–	–	–	–	–	–244 306	–135 000	–379 306
Balance at 31 December 2019		**1 895 413**	**1 579 834**	**–108 931**	**3 831**	**48 742**	**1 523 915**	**1 388 995**	**6 331 799**

The accompanying notes form an integral part of these financial statements.
Legal representative: Pan Xueping. Principal in charge of accounting: Lu Yimin. Head of accounting department: Lu Yimin

Company statement of changes in owners' equity

for the year ended 31 December 2019

	Note	Paid-in capital	Capital surplus	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
Balance at 1 January 2018		**1 895 413**	**6 857 481**	**–**	**1 534**	**1 447**	**205 662**	**631 302**	**9 592 839**
Movements for the year ended 31 December 2018									
Total comprehensive income									
Net loss		–	–	–	–	–	–	–114 346	–114 346
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	–114 346	–114 346
Capital contribution and withdrawal by owners									
– Capital contribution by owners		–	–	–	–	–	–	–	–
Profit distribution									
– Dividend payment	4 (36)	–	–	–	–	–	–	–18 954	–18 954
Balance at 31 December 2018		**1 895 413**	**6 857 481**	**–**	**1 534**	**1 447**	**205 662**	**498 002**	**9 459 539**
Balance at 1 January 2019		**1 895 413**	**6 857 481**	**–**	**1 534**	**1 447**	**205 662**	**498 002**	**9 459 539**
Movements for the year ended 31 December 2019									
Total comprehensive income									
Net loss		–	–	–	–	–	–	–146 128	–146 128
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	–146 128	–146 128
Repurchase of treasury shares	4 (32)	–	–	–108 931	–	–	–	–	–108 931
Profit distribution									
– Dividend payment	4 (36)	–	–	–	–	–	–	–244 306	–244 306
Balance at 31 December 2019		**1 895 413**	**6 857 481**	**–108 931**	**1 534**	**1 447**	**205 662**	**107 568**	**8 960 174**

The accompanying notes form an integral part of these financial statements.
Legal representative: Pan Xueping. Principal in charge of accounting: Lu Yimin. Head of accounting department: Lu Yimin

Notes to the financial statements

For the year ended 31 December 2019

1 General information

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

With the approval from The Committee of Economic System Reform of the Xinjiang Uygur Autonomous Region regarding Article 1992 No. 58 "The Approval for 'The Request to Set Up City Construction and Development Company Limited in Urumqi City'", the Company was set up by 6 companies or organisations including Urumqi Water Supply Company, Urumqi Municipal Construction Company, Urumqi Municipal Construction Department, The Office of Water Conservation in Urumqi, Urumqi Municipal Construction and Maintenance Department, and Urumqi Suburbs Road Maintenance Department, with target placement to its other legal persons and internal employees. The Company submitted its registration with Urumqi Administration for Industry and Commerce on 25 Feburary 1993, and obtained the License of the business corporation No. 6500001000005. The registered capital was RMB 7 500 000. After 5 rights issues and 2 capital injections and ownership enlargement, the capital was increased to RMB 100 541 029 on 29 August 2000.

In 2003, with the approval from China Securities Regulatory Commission (CSRC) regarding the "Announcement for Public Offering of Xinjiang Urban Construction Company Limited" (CSRC issued [2003] 75), the Company issued 60 000 000 A-shares with a face value of RMB 1.00/share by fixed pricing to the public in secondary market. The registered total capital increased to RMB 160 541 029.

In 2006, after the resolutions of the second Extraordinary General Meeting (EGM) the Company decided to privately issue shares to specific investors. The plan was approved by CSRC in July 2007 in "The Announcement Regarding The Approval For Private Issuing of Shares by Xinjiang Urban Construction (Group) Company Limited" (CSRC issued [2007] 177). With the private issuing of 43 000 000 common shares, the total share capital increased to RMB 203 541 029.

With the resolutions of the 2007 Annual General Meeting (AGM), the Company issued 2 bonus shares for every 10 shares; and used the capital reserve to transfer 6 shares for every 10 shares. Upon accomplishing of the issuing, total share capital has increased to RMB 366 373 852.

In 2008, after the resolutions of the third EGM, the Company decided to privately issue shares to specific investors. The plan was approved by CSRC in "The Approval for Private Issuing of Shares by Xinjiang Urban Construction (Group) Company Limited" (CSRC issued [2008] 1450). With the private issuing of 84 150 000 common shares, total share capital increased to RMB 450 523 852.

With the resolutions of the 2008 AGM, the Company transferred every 10 shares of the capital surplus into 5 shares of paid-in capital. Total share capital increased to RMB 675 785 778.

With the resolution of the 17th EGM on 28 December 2016 and the first EGM on 23 January 2017, the approval given for the "Proposal on the Company's major asset replacement and issuance of shares to purchase assets and the associated trading scheme", "Draft report on the Company's major asset replacement and issuance of shares to purchase assets and the associated trading scheme" and the "Approval of Jiangsu Jinsheng Industry Co. Ltd being exempted from the offer of increase in shareholdings", the Company has a series of major asset restructurings, with plans as follows:

(1) Major asset replacement

In August 2017, the Company used all the assets and liabilities as at 31 August 2016 (base date of assets evaluation) excluding cash of RMB 185 000 000 (hereinafter "exchange-out assets") in exchange for 95 % of shareholdings held by the 17 shareholders of Saurer Intelligent Machinery Co. Ltd (hereinafter "Saurer Intelligent Machinery") excluding Shanghai Yongyun Huachuang Equity Investment Partnership (hereinafter "Shanghai Yongyun"). In this transaction, the assets disposed were valued at RMB 2 212 400 000, and the assets acquired were valued at RMB 9 737 500 000. The above-mentioned cash of RMB 185 000 000 was distributed as cash dividend to all former shareholders before the Company issued shares and purchased assets.

(2) Undertaking of the asset disposal and transfer of shares
Jiangsu Jinsheng Industry Co. Ltd (hereinafter Jinsheng Industrial) exchanged parts of shares of Saurer Intelligent Machinery for the exchange-out assets of the Company. The exchange-out assets were undertaken by the Company's original holding shareholder Urumqi State-owned Asset Management Company (hereinafter "Guo-zi Company") or the designated third party (hereinafter "Assets Receiver"). As the consideration of the exchange-out assets, Guo-zi Company transferred its 22.11 % stake in the Company to Jinsheng Industrial (149 400 432 common shares).

(3) Issue shares and purchase assets
In August 2017, regarding the difference amounting to RMB 7 525 100 000 arising from major assets exchange mentioned above, Xinjiang Urban Construction issued to 17 shareholders of Saurer Intelligent Machinery excluding Shanghai Yongyun, 1 219 627 217 common shares at a face value of RMB 1.00 and at an issue price of RMB 6.17. The difference between face value and issue price amounting to RMB 6 305 472 712 was recognised as capital reserve. Therefore, the total number of shares increased to RMB 1 895 412 995.

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

With the resolutions of the fifth meeting of the eigth term of the Board on 25 August 2017 and fifth EGM on 11 September 2017, Xinjiang Urban Construction was renamed Saurer Intelligent Technology Co. Ltd.

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

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

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

Upon completion of deals above, Jinsheng Industrial and other shareholders were holding 45.93 % and 54.07 % of the Company's equity respectively.

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

On 1 September 2019 and 18 September 2019, the resolution of share repurchase through centralised bidding was passed by the Company's ninth board meeting and the third interim general meeting of shareholders. The Company was allowed to repurchase by means of centralised bidding shares with its own capital or self-raised funds of no less than RMB 600 000 000 and no more than RMB 1 200 000 000. The shares to be purchased were intended to be used for equity incentive and employee stock ownership plan, and the repurchase period is within 12 months from the date when the share repurchase plan is approved by the general meeting of shareholders. Up to 31 December 2019, the Company repurchased 14 614 325 shares of the Company through centralised bidding, and the total amount paid was RMB 108 931 000. After the repurchase, Jinsheng Industrial and other shareholders were holding 46.94 % and 53.06 % of the Company's equity respectively.

Please refer to note 5 (1) for relevant information on the Company's subsidiaries.

On 31 December 2019, Jinsheng Industrial was the largest shareholder of the Company.

The financial statements were authorised for publication by the Company's Board of Directors on 29 June 2020.

2 Summary of significant accounting policies and accounting estimates

The specific accounting policies and accounting estimates are determined based on the production and management features of the Group, and mainly reflected in impairment of financial assets (note 2 (9) (a) (ii)), inventory valuation method (note 2 (11)), depreciation of fixed assets and amortisation of intangible assets (note 2 (13), (16)), criteria for capitalisation of development expenditure (note 2 (17)), impairment of goodwill and intangible assets with indefinite useful lives (note 2 (18)), the time for revenue recognition (note 2 (22)), etc.

Key judgments applied by the Group in determining significant accounting policies are stated in note 2 (27).

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

The financial statements of the Company for the year ended 31 December 2019 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the consolidated and the Company as at 31 December 2019 and their financial performance, cash flows and other information for the year ended 31 December 2019.

(3) Accounting year

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

(4) Functional currency

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

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. If the party being absorbed is acquired from a third party in prior years by the ultimate controlling party, it is based on the book value of the assets and liabilities (including any goodwill generated from the business combination) in the consolidated financial statement of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

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

(6) Preparation of the consolidated financial statements

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

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

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

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

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

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

(7) Cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into RMB using the approximate exchange rates of the spot exchange rate prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date; exchange differences arising from these translations are recognised in profit or loss for the current period directly, except for the exchange differences arising from specific foreign currency borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

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

(9) Financial instruments

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

(a) Financial assets

(i) Classification and measurement

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

Financial assets are measured at fair value at initial recognition. For the financial assets at fair value through profit or loss, the relevant transaction costs are recognised in the current profit or loss; for other types of financial assets, the relevant transaction costs are recognised in the initial recognisation amount. For the accounts receivables or notes receivables arising from the sales of products or the provision of services without significant financing components, the Group uses the consideration amount expected to be entitled to receive as the initial recognisation amount.

Debt instruments
The debt instruments held by the Group are the instruments which meet the definition of financial liabilities from the perspective of the issuer and are measured in the following three methods:

- Financial assets at amortisation cost
  Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. Those financial assets include cash and cash equivalents, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables. Acquisition debt investment due within one year is classified as other current assets.

- Financial assets at fair value through other comprehensive income (FVOCI)
  FVOCI: assets that are held for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in profit or loss using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss. Such financial assets including receivables financing and other debt investment. Other acquisition debt investment due within one year is classified as other current assets.

- Financial assets at fair value through profit or loss (FVPL)
  FVPL: assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(ii) Impairment
The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost, FVOCI, FVPL and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group considers the reasonable and reliable information about past events, current situation and future economic situation, and takes the risk of default as the weight to calculate the weighted average amount of the difference between the present value of cash flow receivable under the contract and the present value of cash flow expected to be received, and recognises the expected credit loss.

On each balance sheet date, the Group measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument has not increased significantly since the initial recognition, it is in the first stage. The Group measures the loss provision based on the expected credit loss in the next 12 months; the credit risk of the financial instrument has increased significantly since the initial recognition but no credit reduction has occurred. In the second stage, the Group measures the loss provision based on the expected credit loss for the entire lifetime of the instrument; if the financial instrument has been credit-impaired since the initial recognition, it is in the third stage. The expected credit loss measures the loss provision.

For financial instruments with low credit risk as at the balance sheet date, the Group assesses impairment provisions based on expected credit losses throughout its existence, assuming that the credit risk has no significant change since the initial recognisation.

The Group recognises interest income on financial instruments in the first and second phases (lower credit risk) based on their book balances and actual interest rates before deductions for impairment losses. For financial instruments in the third phase (higher credit risk), interest income is recognised based on their book balance less their amortised cost after the provision for impairment has been made and the actual interest rate.

Regarding note receivables, account receivables, and receivables financing arising from daily business activities such as sales of goods and provision of labour services, the Group assesses loss provisions based on expected credit losses throughout its existence, regardless of whether there is a significant financing component.

When the expected credit loss information of financial assets cannot be assessed at a reasonable cost individually, the Group divides the receivables into several categories based on the credit risk characteristics and calculates the expected credit loss respectively. The Group classifies the assets above into the following categories:

Accounts receivables:

Category 1	aging group
Category 2	specific risk group

Other receivables:

Category 3	loans to related parties
Category 4	other receivables other than above categories

Accounts receivables financing:

Bank acceptance	banks with low credit risk

For receivables divided into different categories, notes receivables and accounts receivables financing raised from daily business activities, such as selling goods and providing labour services, the Group uses historical credit loss experience and combines economic expectations; meanwhile, the Group uses its compilation of the comparison table of the overdue days of accounts receivables and the expected credit loss rate for the entire duration to calculate the expected credit loss. In addition, the Group bases on historical credit loss experience, combines forecasts of future economic, and uses the next 12 months of (or the entire duration) default risk exposures to calculate the expected credit loss of note receivables, account receivables financing and other receivables.

The Group calculates the loss allowances accrued or reversed by debt instruments for the current period. For debt instruments classifed to FVOCI, the Group recognises impairment losses(/gaines) in the current P&L and adjusts other comprehensive income.

(iii) Derecognition of financial assets

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

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

(b) Financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit and loss.

The Group's financial liabilities are mainly financial liabilities at amortised cost, including notes payables, accounts payables, other payables and borrowings, etc. These kinds of financial liabilities are initially recognised at the amount of fair value net transaction costs, and the subsequent measurement is conducted by using the effective interest rate method. Those with a maturity of less than one year (including one year) are disclosed as current liabilities; those with a maturity of more than one year but due within one year (including one year) from the balance sheet date are disclosed as non-current liabilities due within one year; the rest are disclosed as non-current liabilities.

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

(c) Determination of fair value of financial instruments
The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation method. The Group adopts the most appropriate valuation method for the instuments that have enough data and other supporting information available and selects assets or liabilities with consistent characteristics to compare transactions. Observable inputs are preferred. In the case that relevant observable inputs cannot be obtained or are not feasible to procure in the situation, unobservable inputs are applied.

(10) Hedging instruments

Hedging instruments are the financial instruments designated by the Group for hedging, whose changes in fair value or cash flow are expected to offset the changes in the fair value or cash flow of the hedged item. The Group's hedging is classified as fair value hedging and cash flow hedging. When hedging instruments meet the following criteria, the Group applies hedge accounting:

(i) the hedging relationship is only composed of qualified hedging instruments and hedged items;

(ii) at the beginning of hedging, the Group formally designates the hedging instruments and hedged items, and prepares written documents on the hedging relationship and the risk management strategy and risk management objectives of the Group engaged in hedging. The document at least specifies the hedging instrument, the hedged item, the nature of the hedged risk and the hedging effectiveness evaluation method (including the cause analysis of the ineffective part of the hedging and the determination method of the hedging ratio);

(iii) the hedging relationship meets the hedging effectiveness requirements.

The Group defines a hedging relationship met the hedging effectiveness requirements if it meets the following conditions at the same time:

(i) there is an economic relationship between the hedged item and the hedging instrument, which causes the value of the hedging instrument and the hedged item to change in the opposite direction due to the same hedged risk;

(ii) the credit risk does not play a dominant role in the value change caused by the economic relationship between the hedged item and the hedging instrument;

(iii) the effect of credit risk is not dominant in the value change caused by the economic relationship between the hedged item and the hedging instrument; and the hedging ratio of the hedging relationship is equal to the ratio between the number of hedged items actually hedged and the actual number of hedging instruments, but it does not reflect the imbalance of the relative weights of the hedged items and hedging instruments.

When the fair value hedging meets the above conditions, the profits or losses generated by the hedging instrument shall be recognised as current profits and losses. When the hedging instrument is to hedge the non-tradable equity instrument investment (or its component) at fair value through other comprehensive income, the profit or loss generated by the hedging instrument shall be recognised as other comprehensive income.

When the cash flow hedging meets the above conditions, the part of the profit or loss generated by the hedging instrument that belongs to the effective hedging shall be recognised in other comprehensive income as cash flow hedging reserve, and the invalid part of the hedging shall be recognised as current profits and losses.

When the hedged item is an expected transaction and the expected transaction causes the Group to recognise a non-financial asset or non-financial liability, or the expected transaction of a non-financial asset or non-financial liability forms a firm commitment applicable to fair value hedge accounting, the Group transfers the amount out of cash flow hedging reserve originally recognised in other comprehensive income and includes it in the asset or liability as initial recognition.

For cash flow hedging that does not belong to the above situation, the Group will transfer the amount out of cash flow hedging reserve originally recognised in other comprehensive income during the same period when the expected cash flow to be hedged affects the profit and loss of the current period.

If the amount of cash flow hedging reserve recognised in other comprehensive income is a loss, and all or part of the loss is expected to be irrecoverable in the future accounting period, when it is estimated that the loss can not be made up, the part that can not be made up is transferred out of other comprehensive income and included in the current profit and loss.

(11) Inventories

(a) Classification

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

(b) Costing of inventories

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

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

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

(d) The Group adopts the perpetual inventory system.

(e) Amortisation method of low value consumables

Turnover materials include low value consumables. Low value consumables are expensed when issued.

(12) Long-term equity investments

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

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

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

(a) Determination of investment cost

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

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an

investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For losses on intra-group transactions amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, joint control or significant influence over investees
Control is the power over the investee so that the Company is entitled to variable return through participating in related activities of the investee and is able to exercise power over the investee to affect the amount of return.

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

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

(d) Impairment of long-term equity investments
The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (note 2 (18)).

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets
Fixed assets comprise buildings, machinery and equipment, other equipment and land ownership.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

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

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

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

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	20 – 60 years	0.0 – 5.0 %	1.58 – 5.0 %
Machinery equipment and other equipment	3 – 20 years	0.0 – 10.0 %	4.5 – 33.33 %
Land ownership (outside China)	Infinite	–	–

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

The Group's land ownership is located in Singapore, Germany, India and the US held by non-Chinese subsidiaries. Such land ownership has an infinite useful life, thus no depreciation is recognised.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (note 2 (18)).

(d) Disposal of fixed assets
A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (note 2 (18)).

(15) Borrowing costs

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

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

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

(16) Intangible assets

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

(a) Land use rights
Land use rights located in PRC are amortised on the straight-line basis over their approved use period of 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Customer relations
Customer relations are amortised on the straight-line basis over their benefit period of 5–10 years.

(c) Patents
Patents are amortised on a straight-line basis over the patent protection period of 5–10 years as stipulated by law.

(d) Trademarks
Trademarks include registered trademarks, etc. Trademarks have infinite useful lives, thus no amortisation recognised.

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

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

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

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

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the development stage of the intangible assets can be measured reliably.

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

(h) Impairment of intangible assets
The carrying amount of an intangible asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (note 2 (18)).

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

(18) Impairment of long-term assets
Fixed assets (excluding land with indefinite useful life), construction in progress, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; land and intangible assets with indefinite useful lives and intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that they may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

Other fixed assets (land ownership) and intangible assets with indefinite useful lives, and intangible assets not ready for their intended use are tested for impairment at least annually, irrespective of whether there is any indication that it may be impaired.

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

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

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

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

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. A defined contribution plan is a pension plan that the Group has no further payment obligations once the fixed contributions have been paid to a separate fund. The amounts based on the defined contribution plan are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

Basic pensions
The Group contributes fixed expenses to the local labour and social security authority or an independent fund, and the social security authority or independent fund bears the responsibility to pay pensions and other retirement benefits to the retired employees. The amounts based on the defined contribution plan are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(c) Termination benefits
The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

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

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

(20) Dividend distribution and treasury shares
Cash dividend is recognised as a liability in the period in which it is approved by the shareholders.

The Company measures the amount of shares purchased, transferred or cancelled by the Company through the account of treasury shares. When the Company purchases the shares of the Company for the purpose of rewarding employees, treasury shares shall be debited according to the actual amount paid, and at the same time, it shall be registered for future reference. The ending debit balance of treasury stock account reflects the amount of shares held by the Company that have not been transferred or cancelled.

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

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

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

Provisions expected to be paid within one year since the balance sheet date are classified as current liabilities.

(22) Revenue recognition

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

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Sales of products

Pursuant to the timing for risk transfer or delivery terms as agreed in the sales contract/agreement, revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Group and the relevant revenue and costs can be measured reliably.

(b) Instalment sales of goods with financing nature

The Group adopts the method of instalment collection for part of its sales. The payments of sales contracts or agreements are collected on a deferral basis with the nature of financing, the Group determines the amount of sales revenue according to the fair value of the receivable at contract price or agreement price. The difference between the receivable at contract price or agreement price and its fair value will be amortised over the term of the contract or agreement using the effective interest rate, and will be recognised as current profit and loss.

(c) Rendering of services

Services mainly include technical services and after-sales services. The related revenue is recognised when the services have been rendered, costs of related revenue can be reliably measured and the economic benefits associated with services may flow into the Group.

(23) Government grants

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

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

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

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

The Group adopts the same reporting method for the same type of government grants.

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

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

(24) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). A deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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

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

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

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

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

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

(b) Finance leases
The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(26) Segment information
The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

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

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

(a) Critical judgments
(i) Critical judgment of significant increase in credit risk
The main criteria for the Group to judge the significant increase in credit risk is that one or more of the following indicators change significantly: the operating environment of the debtor, internal and external credit ratings, significant changes in actual or expected operating results, the value of guarantees and the significant decrease in the credit rating of the guarantor.

The Group's main criteria for determining whether credit impairment has occurred are one or more of the following conditions: the debtor has significant financial difficulties, other debt restructuring or likely bankruptcy.

(ii) Revenue recognition of significant new third-party customers
As mentioned in note 2 (22), note 4 (10) and note 6, for sales transactions with significant new third-party customers, the recognition conditions of sales are as follows: there are reasonable commercial reasons for sales transactions with customers, relevant custody arrangement and instalment payment arrangement; according to the term of risk transfer or delivery in the sales contract agreement, the Group has transferred the main risks and rewards of the goods ownership to the customer, and the goods are no longer under management or control of the Group; the economic benefits of related transactions are likely to flow into the Group; and the relevant revenue and cost can be measured reliably.

(b) Critical accounting estimates and assumptions
Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Measurement of expected credit loss
The Group calculates expected credit loss through default risk exposure and expected credit loss, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Group uses data such as historical credit loss experience and adjusts historical data based on current conditions and forward-looking information. The forward-looking information consists of the risk of economic downturn, expected growth of unemployment rate, external market environment, technology environment and changes of clients' credit status. The Group monitors and reviews assumptions related to the calculation of the expected credit loss rate on a regular basis. The estimation technology and key assumptions were not significantly changed in 2019.

(ii) Estimated impairment of goodwill, property, plant and equipment and intangible assets with infinite useful lives
The Group tests annually whether goodwill, property, plant and equipment and intangible assets with infinite useful lives have suffered any impairment. The recoverable amount of asset groups and combinations of asset groups is the present value of the future cash flows expected to be derived from them. The recoverable amount of fixed assets and intangible assets with indefinite useful lives is the higher value between an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The calculations of the recoverable amounts require the use of estimates.

If management revises the gross margin, sales growth rate and brand commissions rate used in the calculation of the future cash flows of asset groups and groups of asset groups, the Group needs to adjust the impairment of goodwill, property, plant and equipment and intangible assets. If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group might need to increase the impairment against goodwill, property, plant and equipment and intangible assets.

If the actual gross margin, sales growth rate, brand commission rate and pre-tax discount rate are higher/lower than management's estimates, an impairment loss of goodwill, property, plant and equipment and intangible assets previously provided for is not allowed to be reversed by the Group.

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

(iv) Useful lives and residual values of intangible assets (excluding trademarks)
The Group's management estimates the expected useful lives of intangible assets with finite useful lives. The estimates are based on the actual useful lives in the past and industry practices of intangible assets with similar nature and function. The economic environment, technical environment and others may have a significant impact on the useful lives of intangible assets; and changes in the economic environment, technical environment and other environment may also lead to significant changes in the expected realisation method of economic benefits related to intangible assets. Different estimates may affect the amortisation of intangible assets and profit or loss for the current period.

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

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

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

(vi) Provisions

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

The management of the Group estimates the product warranty cost based on the historical experience of similar projects or the expected costs. However, many judgments and estimates are needed to estimate the actual warranty costs in the future, and different judgments and estimates will affect the amount of estimated liabilities. During the warranty process, the Group continuously reviews and revises the expected warranty costs and reevaluates them.

(28) Significant change in accounting policies

In 2017, the Ministry of Finance issued revised Accounting Standards for Business Enterprises No. 22: Recognition and Measurement of Financial Instruments, No. 23: Transfer of Financial Assets, No. 24: Hedging and No. 37: Presentation of Financial Instruments (hereinafter collectively referred to as "The New Financial Instrument Standards"), and issued in 2019 the Notice on the Revision and Issuance of the Format of General Financial Statements of General Enterprises for 2019 (Accounting [2019] No. 6) and the revised Accounting Standards for Business Enterprises No. 7: Non-Monetary Assets Exchange (hereinafter referred to as "Non-Monetary Assets Exchange Standards") and Accounting Standards for Business Enterprises No. 12: Debt Restructuring (hereinafter referred to as the "Debt Restructuring Standards"). The Group has adopted the above standards and notices to prepare the 2019 financial statements.

(a) Modification of general enterprise report format

(i) The impact on the consolidated balance sheet is as follows:

The nature of and reason for the changes in accounting policies	Affected line items	The amounts affected	
		31 December 2018	1 January 2018
Split of "notes receivables and accounts receivables" in "notes receivables" and "accounts receivables"	Notes receivables	3 234 982	2 042 921
	Accounts receivables	113 322	127 383
	Notes and accounts receivables	−3 348 304	−2 170 304
Split of "notes and accounts payables" in "notes payables" and "accounts payables"	Notes payables	1 447 131	1 492 701
	Accounts payables	100 000	–
	Notes and accounts payables	−1 547 131	−1 492 701

(ii) There is no impact on the Company balance sheet.

(b) Financial instruments

According to the new financial instrument standard, the Group and the Company adjusted the cumulative impact of the initial implementation of the standard at the beginning of 2019. The comparative financial statements have not been restated. As of 31 December 2018 and 1 January 2019, neither the Group nor the Company designated financial assets that are measured at fair value through profit or loss (FVPL).

(i) As of 1 January 2019, a comparison table of the results of classification and measurement of financial assets in the Group's consolidated financial statements in accordance with the original financial instrument standards and the new financial instrument standards:

Original financial instrument standards			New financial instrument standards		
Item	Measurement	Book value	Item	Measurement	Book value
Cash at bank and on hand	Amortisation cost	3 720 401	Cash at bank and on hand	Amortisation cost	3 720 401
			Financial assets held for trading	FVPL	–
Financial assets at fair value through profit or loss	FVPL	4 966	Financial assets held for trading	FVPL	4 966
Financial liabilities at fair value through profit or loss	FVPL	5 416	Financial liabilities held for trading	FVPL	5 416
Notes receivables	Amortisation cost	113 322	Notes receivables	Amortisation cost	–
			Accounts receivables financing	FVOCI	113 322
Accounts receivables	Amortisation cost	3 234 982	Accounts receivables	Amortisation cost	3 208 833
			Accounts receivables financing	FVOCI	–
Other receivables	Amortisation cost	255 962	Other receivables	Amortisation cost	255 962
Other current assets	FVPL	1 100 000	Financial assets held for trading	FVPL	1 100 000
Long-term receivables	Amortisation cost	42 951	Long-term receivables	Amortisation cost	42 951
Cash at bank and on hand	Amortisation cost	63	Cash at bank and on hand	Amortisation cost	63
			Financial assets held for trading	FVPL	–
Other receivables	Amortisation cost	871	Other receivables	Amortisation cost	871

(ii) On 1 January 2019, the Group and the Company adjusted the book value of the original financial asset to the reconciliation of the book value under the new financial instrument standard based on the measurement category under the new financial instrument standards:

Measurement categories under the new financial instrument standards	Note
Financial assets at amortisation cost	Table 1
Financial assets at FVPL	Table 2
Financial liabilities at FVPL	Table 3
Financial assets at FVOCI	Table 4

Table 1: Financial assets at amortised cost under the new financial instrument standards

	Note	Book value	
		Consolidated	Company
Accounts receivables (note 1) 31 December 2018		3 647 217	871
Less: financial assets at FVOCI (new financial instrument standards)		–113 322	–
Remeasurement: total expected credit losses		–26 149	–
1 January 2019		3 507 746	871
Total amount of financial assets at amortisation cost (new financial instrument standards)		**3 507 746**	**871**

Note 1: as of 31 December 2018 and 1 January 2019, the balance of receivables includes statements of notes receivables, accounts receivables, other receivables and long-term receivables.

Table 2: Financial assets at FVPL under the new financial instrument standards

	Note	Book value	
		Consolidated	Company
Financial assets (incl. other non-current financial assets) 31 December 2018		–	–
Add: financial assets at FVPL (original financial instrument standards)	4 (2), 4 (3)	1 104 966	–
1 January 2019		1 104 966	–
Financial assets at FVPL (new financial instrument standards)		**1 104 966**	**–**

Table 3: Financial liabilities at FVPL under the new financial instrument standards

	Note	Book value	
		Consolidated	Company
Financial liabilities (incl. other non-current financial liabilities) 31 December 2018		–	–
Add: financial liabilities at FVPL (original financial instrument standards)	4 (2)	5 416	–
1 January 2019		5 416	–
Financial liabilities at FVPL (new financial instrument standards)		**5 416**	**–**

Table 4: Financial assets at FVOCI under the new financial instrument standards

	Note	Book value	
		Consolidated	Company
Accounts receivables financing 31 December 2018		–	–
Add: notes receivables (original financial instrument standards)	4 (8)	113 322	–
1 January 2019		113 322	–
Financial assets at FVOCI (new financial instrument standards)		**113 322**	**–**

(iii) As at 1 January 2019, the change of allowance for impairment is as below:

Measurement categories	Allowance for impairment of receivables (original financial instrument standards)	Remeasurement	Allowance for impairment of receivables (new financial instrument standards)
Financial assets at amortised cost			
Allowance for impairment of receivables	14 087	26 149	40 236

Due to the implementation of the new financial instrument standards, as at 1 January 2019, the changes in accounting policy affected the following items in the Group's consolidated balance sheet: deferred income tax assets increased by RMB 3 433 000 and equity attributable to equity holders of the Company decreased by RMB 18 320 000; non-controlling interests decreased by RMB 4 396 000.

3 Taxation

(1) The main categories and rates of taxes applicable to the Group for the years ended 31 December 2019 and 31 December 2018 are set out below:

Category		Tax rate	Corresponding countries/regions	Tax base
Corporate income tax	(a)	Note 3 (1) (a)	Corresponding countries/regions where the Group is located	Taxable income
Value-added tax (VAT)	(b)	1.5 – 35.0 %	Corresponding countries/regions where the Group is located	VAT payable
Urban maintenance and construction tax		7.0 %	China	Turnover tax paid
Educational surcharge		3.0 %	China	Turnover tax paid
Local educational surcharges		2.0 %	China	Turnover tax paid

(a) Corporate income tax

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

	Countries and regions	Tax rate for 2019	Tax rate for 2018
The Company	China	25.00 %	25.00 %
Saurer Intelligent Machinery Co. Ltd	China	25.00 %	25.00 %
Saurer Hong Kong Machinery Co. Ltd	Hong Kong	16.50 %	16.50 %
Saurer Asia Machinery Co. Ltd	Hong Kong	16.50 %	16.50 %
Saurer (Jiangsu) Textile Machinery Co. Ltd	China	15.00 %	15.00 %
Saurer (Changzhou) Textile Machinery Co. Ltd	China	15.00 %	15.00 %
Saurer (Changzhou) Texparts Components Co. Ltd	China	25.00 %	25.00 %
Saurer (Shanghai) Textile Machinery Technology Co. Ltd	China	25.00 %	25.00 %
Saurer Finance Lease Co. Ltd	China	25.00 %	25.00 %
Changzhou Jintan Saurer Investment Co. Ltd	China	25.00 %	25.00 %
Saurer Xinjiang Intelligent Machinery Co. Ltd	China	15.00 %	15.00 %
Saurer Intelligent Technology AG	Switzerland	17.57 %	17.57 %
Saurer Industries AG (note 1)	Switzerland	N/A	N/A
Saurer Têxtil Soluções Ltda.	Brazil	34.00 %	34.00 %
SAURER AG	Switzerland	17.53 %	17.40 %
Saurer Czech s.r.o.	Czech	19.00 %	19.00 %
Saurer Technologies GmbH & Co. KG	Germany	30.80 %	31.26 %
Saurer Spinning Solutions GmbH & Co. KG	Germany	32.00 %	31.87 %
Saurer Fibrevision Ltd	UK	19.00 %	20.00 %
Schlafhorst Machines LLP	India	34.90 %	34.94 %
Saurer Textile Solutions Private Ltd	India	33.38 %	34.94 %
Zinser Textile Machines LLP (note 2)	India	N/A	N/A
Saurer México S.A. de C.V.	Mexico	30.00 %	30.00 %
Saurer Components Pte. Ltd	Singapore	17.00 %	17.00 %
Saurer Tekstil A.S.	Turkey	22.00 %	22.00 %
Saurer Inc.	US	24.36 %	21.00 %
Saurer Technologies Management GmbH	Austria	30.80 %	31.27 %
Saurer Intelligent Machinery LLC (note 3)	Uzbekistan	12.00 %	N/A

Note 1: Saurer Industries AG was incorporated on 21 December 2017 and dissolved on 22 November 2018.

Note 2: Zinser Textile Machines LLP was incorporated in November 2016 and has not yet started the business.

Note 3: Saurer Intelligent Machinery LLC was incorporated on 16 April 2019.

According to the "Announcement of policies regarding the corporate income tax deduction of equipment and tools" (Cai-Shui [2018] No. 54) and related regulations, the domestic subsidiaries of the Group can deduct the whole purchase cost of the assets lower than RMB 5 000 000 in the next month from the time that the assets were put into use in the calculation of taxable income.

(b) Value-added tax (VAT)
The Group's sales of products are subject to VAT.

According to the "Announcement of adjustment of VAT rate from Ministry of Finance and State Administration of Taxation" (Cai-Shui [2018] No. 32) and related regulations, the sales income of products for the Chinese domestic market of the subsidiaries of the Company can apply a 13 % VAT rate. The applicable VAT rate of the same business before 1 April 2019 was 16 %. The Company and domestic subsidiaries use the "exempt, credit, refund" method on goods exported. VAT input on purchase of raw materials, fuels, power and certain fixed assets can be deducted from VAT output. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period. Tax payable of the Company's subsidiaries outside China is calculated using the taxable sales amount multiplied by the applicable tax rate in each country less deductible VAT input of the current period. In 2019, the applicable tax rate of the Company was ranging from 2.75 to 34 % (2018: 1.5 to 35 %).

(2) Tax preference

On 6 July 2015, Saurer (Jiangsu) Textile Machinery Co. Ltd, a subsidiary of the Group, obtained the Advance High Technology Enterprise Approval Certificate, with a validity period of three years. As a result, the enterprise income tax rate of Saurer Jiangsu reduced to 15 % from 1 January 2015 after approval from SAT, Jintan Office, Changzhou City, Jiangsu Province, PRC on 28 December 2015. In 2018, Saurer (Jiangsu) Textile Machinery Co. Ltd obtained the Advance High Technology Enterprise Approval Certificate and the validity period of the certificate is three years. The applicable enterprise income tax rate of the Company in 2018 and 2019 was 15 %.

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

On 10 October 2015, Saurer (Changzhou) Textile Machinery Co. Ltd ("Saurer Changzhou"), a subsidiary of the Group, obtained the Advance High Technology Enterprise Approval Certificate, with a validity period of three years. As a result, the enterprise income tax rate of Saurer Changzhou reduced to 15 % from 1 January 2015 after approval from SAT, Jintan Office, Changzhou City, Jiangsu Province, PRC on 22 September 2016. In 2018, Saurer (Changzhou) Textile Machinery Co. Ltd obtained the Advance High Technology Enterprise Approval Certificate and the validity period of the certificate is three years. The applicable enterprise income tax rate of the Company in 2018 and 2019 was 15 %.

According to the related regulation "Announcement of software products VAT policies" (Cai-Shui [2011] No. 100) issued by the Ministry of Finance and the State Administration of Taxation, the VAT imposed exceeding 3 % will be refundable as soon as it is imposed for the 17 % (16 % from 1 May 2018) VAT imposed by ordinary VAT payers for selling self-produced and manufactured software products. The software business of Saurer (Changzhou) Textile Machinery Co. Ltd applied the VAT rebate policy from 1 October 2018 with approval from SAT, Jintan Office, Changzhou City, Jiangsu Province, PRC.

According to the "Announcement of issues concerning corporate income tax of fully implementing the strategy of development in China's western region" (2012, No. 12), valid from 1 January 2011 to 31 December 2020, enterprises located in the western region with main business listed in the "Catalogue of encouraged industries in the western region" and main operating revenue greater than 70 % of total revenue in the current year shall be subject to a reduced enterprise income tax rate of 15%. As at 2 January 2018, Saurer Xinjiang Intelligent Machinery Co. Ltd applied with approval from the State Administration of Taxation of Urumqi Economic and Technological Development Zone for the corporate income tax rate of 15 % .

SAURER AG, a subsidiary of the Company, has obtained in Switzerland a tax break from the local state government and from the local department for commerce, education and research. From 1 July 2013 to 30 June 2018, the taxable amount of SAURER AG is reduced by 50 % according to the tax levels of the state when certain conditions are satisfied, with a ceiling of CHF 10 million taxable net profit. If SAURER AG goes bankrupt or relocates to another state or country, the local state government can retroactively revoke the tax break.

Saurer Intelligent Technology AG, a subsidiary of the Company, has obtained a tax break for direct federal tax and local state income tax. a) Direct federal tax reductions will be granted for 10 years for a maximum tax credit of CHF 22 643 291 subject to certain conditions and requirements. b) State income tax: for a total period of 10 calendar years, 60 % of the income tax generally due on the taxable business profits exceeding CHF 2 000 000 shall be exempt from local state income tax. The first CHF 2 000 000 profits and 40 % of the profits exceeding CHF 2 000 000 are taxed at statutory local state tax rate. The maximum tax relief must not exceed CHF 23 000 000.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2019	31 December 2018
Cash on hand	27	58
Cash at bank	1 973 544	3 235 159
Other cash balances	429 346	485 184
	2 402 917	3 720 401
Including: total deposits outside China	105 197	77 538

(i) As at 31 December 2019, other cash balances included: other cash balance of RMB 370 792 000 was placed as a security deposit for the letter of guarantee, other cash balance of RMB 57 000 000 was placed a deposit for the bank acceptance; other cash balance of RMB 1 554 000 was placed as various other deposits.

As at 31 December 2018, other cash balances included: other cash balance of RMB 384 105 000 was placed as a security deposit for the letter of guarantee, other cash balance of RMB 100 000 000 was placed a deposit for the bank acceptance; other cash balance of RMB 1 079 000 was placed as other deposits.

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

	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss – Forward foreign exchange contracts – cash flow hedges (note 4 (3))	–	4 966
Financial liabilities at fair value through profit or loss – Forward foreign exchange contract – cash flow hedges (note 4 (3))	–	5 416

(3) Financial assets held for trading

	31 December 2019	1 January 2019
Financial assets at fair value through profit or loss – of which		
Designated financial assets at fair value through profit or loss – Forward foreign exchange contract – cash flow hedges (a)	6 310	1 104 966
	6 310	1 104 966

(a) The Company's subsidiaries Saurer Spinning Solutions GmbH & Co. KG, Saurer Technologies GmbH & Co. KG and Saurer Inc. entered into foreign exchange forward contracts to mitigate foreign exchange risks arising from the collection and payment in foreign currencies for the years ended 31 December 2019 and 31 December 2018. The foreign exchange forward contracts entered into by the Group meet the conditions for applying hedge accounting. Those foreign exchange forward contracts for buying or selling EUR, USD, GBP, SGD and CHF at fixed exchange rates are cash flow hedges.

For the year ended 31 December 2019, net losses arising from changes in fair value of the effective portion of cash flow hedges amounting to RMB 56 000 (2018: net losses amounted to RMB 820 000) were recorded in other comprehensive income. The cash flow hedges had no non-effective portion.

As at 31 December 2019, the notional amount of the outstanding foreign exchange forward contracts of the Group were approximately RMB 617 178 000 (2018: RMB 898 611 000) which will expire within two years.

Financial liabilities at fair value through profit or loss

	1 January 2019	Increase in 2019	Decrease in 2019	31 December 2019
Financial liabilities at fair value through profit or loss; – of which				
Designated financial liabilities at fair value through profit or loss	5 416	10 478	5 416	10 478
– Forward foreign exchange contract – cash flow hedges (a)	5 416	10 478	5 416	10 478

(5) Accounts receivables

	31 December 2019	31 December 2018
Accounts receivables	4 686 805	3 292 020
Less: long-term receivables (note 4(10))	−463 348	−42 951
	4 223 457	3 249 069
Less: provision for bad debts	−60 371	−14 087
	4 163 086	3 234 982

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

(a) The aging analysis of accounts receivables is as follows:

	31 December 2019	31 December 2018
Not due	1 626 523	570 937
Overdue within 3 months	950 940	1 771 276
Overdue between 3 and 6 months	132 941	81 277
Overdue between 6 and 12 months	655 533	72 181
Overdue more than 1 year	857 520	753 398
	4 223 457	3 249 069

(b) Allowance for bad debts

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

(i) The analysis of the accounts receivables for the grouping of provision for bad debts is as follows:

Grouping 1: aging group	31 December 2019		
	Balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not due	547 832	0.03 – 1.75 %	−1 341
Overdue within 3 months	243 393	0.83 – 18.37 %	−2 286
Overdue between 3 and 6 months	14 616	3.21 – 23.31 %	−1 686
Overdue between 6 and 12 months	8 119	6.80 – 29.26 %	−1 678
Overdue more than 1 year	14 244	42.90 – 100.00 %	−7 181
	828 204		−14 172

Grouping 2: specific risk group	31 December 2019		
	Balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Specific risk customers	3 395 253	0.36 – 1.80 %	−46 199

(ii) In 2019, the provision for bad debts was RMB 30 021 000 (2018: RMB 10 783 000). The reversal or write-off of provision for bad debts amounted to RMB 8 970 000 (2018: RMB 3 265 000). Significant reversal or write-off is shown as below:

2019	Reason	Basis and rationality in determining the original provision for bad debts	Amount	Recovery mode
China customer B	Verdict	Provide on the basis of aging	3 748	Cash collected

2018	Reason	Basis and rationality in determining the original provision for bad debts	Amount	Whether arising from related party transactions
China customer A	Business recovery	Provide on the basis of aging	1 096	Cash collected

(c) Accounts receivables that are written off

In 2019, the accounts receivables that were written off amounted to RMB 1 423 000 (2018: RMB 3 514 000). The significant accounts receivables are analysed as below:

2019	Reason	Nature	Amount	Whether arising from related party transactions
China customer D	Can not be recovered after many times of collection, and write-off according to the policies of the Company	Payment for goods	1 141	No

2018	Reason	Nature	Amount	Whether arising from related party transactions
Overseas customer C	Can not be recovered after many times of collection, and write-off according to the policies of the Company	Payment for goods	1 363	No

(6) Accounts receivables financing

	31 December 2019	31 December 2018
Accounts receivables financing	7 025	–

The subsidiary of the Group discounts and endorses part of bank acceptance notes based on its daily working capital management and meets the conditions for derecognition. Therefore, the bank acceptance notes of this subsidiary are classified to financial assets at FVOCI.

The Group does not have a single bank acceptance note for impairment provision. As of 31 December 2019, the Group measures bad debt provisions based on the expected credit losses throughout its lifetime; no provision for bad debts is required for bank acceptance bills. The Group believes that the bank acceptance bills held do not have significant credit risk and will not cause significant losses due to bank default.

As at 31 December 2019, the Group's subsidiary Saurer Jiangsu pledged notes receivables of RMB 2 224 000 to the bank for letters of guarantee amounting to RMB 1 906 000.

As of 31 December 2019, the Group's endorsed or discounted but receivable notes listed in the receivables financing are as follows:

	Derecognition	No derecognition
Bank acceptance notes	130 666	–

(7) Other receivables

	31 December 2019	31 December 2018
Loans receivables from employees	8 179	7 223
Deposits receivables	7 167	8 149
Tax refund receivables	1 818	9 575
Interest receivables	57	10 787
Accounts receivables from third parties (a)	–	202 500
Others	12 400	17 728
	29 621	255 962
Less: provision for bad debts	–	–
	29 621	255 962

(a) The aging of other receivables is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	12 885	244 459
1 to 2 years	8 534	3 035
Over 2 years	8 202	8 468
	29 621	255 962

As at 31 December 2019, the Group has no other receivables in the second and third stages, and the amount of bad debt for other receivables in the first stage is not significant.

In 2019 and 2018, there is no provision for bad debts to be recovered or reversed and no other receivables were actually written off.

(b) The analysis of top 5 other receivables by balance
As of 31 December 2019, the top 5 other receivables are analysed by balance as follows:

	Nature	Balance	Aging	% of the total amount	Provision for bad debts
Jiangsu Jintan Management Committee of Economic Development Zone	Project establishment deposit	1 800	Over 3 years	6.08 %	–
Shanghai Huatian Real Estate Development Company	House rental deposit	871	Over 3 years	2.94 %	–
Jiangsu Huihong International Group Exhibition Shares Limited	Deposit	768	Within 1 year	2.59 %	
Shanghai Intellectual Property Court	Deposit	500	Over 3 years	1.69 %	–
Oerlikon (China) Science and Technology Co. Ltd	House rental deposit	493	Over 3 years	1.66 %	–
		4 432		**14.96 %**	**–**

(8) Advances to suppliers

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

	31 December 2019		31 December 2019	
	Amount	% total balance	Amount	% total balance
Within 6 months	51 184	44 %	105 714	80 %
6 to 12 months	13 188	11 %	21 864	16 %
Over 1 year	53 271	45 %	5 380	4 %
	117 643	100 %	132 958	100 %

As at 31 December 2019, advances with the aging over one year were unsettled advances for procurement, amounted to RMB 53 271 000 (2018: RMB 5 380 000).

(b) As at 31 December 2019 and 31 December 2018, the top 5 advances to suppliers are analysed by balance as follows:

	Total balance of the top 5 advances to suppliers	% of total advances to suppliers
31 December 2019	49 521	42 %
31 December 2018	78 036	59 %

(9) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2019			31 December 2018		
	Carrying amount	Provision for decline in inventories	Carrying amount	Carrying amount	Provision for decline in inventories	Carrying amount
Raw materials	1 000 786	−53 283	947 503	1 009 830	−79 297	930 533
Work in progress	208 098	−2 419	205 679	172 606	−2 500	170 106
Finished goods	251 730	−11 587	240 143	361 493	−8 030	353 463
Spare parts	345 775	−42 962	302 813	359 022	−50 479	308 543
	1 806 389	−110 251	1 696 138	1 902 951	−140 306	1 762 645

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

	31 December 2018	Increase in the current year	Decrease in 2019		Foreign currency translation difference	31 December 2019
		Accrual	Reversal	Write-off		
Raw materials	79 297	19 711	−20 110	−25 199	−416	53 283
Work in progress	2 500	110	−125	−54	−12	2 419
Finished goods	8 030	7 339	–	−3 581	−201	11 587
Spare parts	50 479	19 122	−6 081	−20 086	−472	42 962
	140 306	46 282	−26 316	−48 920	−1 101	110 251

(c) Provision for decline in inventories in 2018 is as follows:

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

(10) Long-term receivables

	31 December 2019	31 December 2018
Accounts receivables (note 4 (3) (b))	512 389	46 396
Less: accounts receivables due within one year	−49 041	−3 445
	463 348	42 951
Less: allowances for accounts receivables	−117	–
	463 231	42 951

In 2019, the Group signed a series of sales agreements with three third-party customers (collectively referred to as "the Three Customers") to provide intelligent spinning equipment for their expansion and new factories. As of 31 December 2019, the Group has recognised the revenue of RMB 451 536 000 with these three customers, and the Three Customers have signed and confirmed that the relevant goods have been delivered. Based on the sales agreement, the Three Customers would make payment to the Group by instalments, and mortgaged the equipment related to the payment in full to the Group as the repayment guarantee. As of 31 December 2019, the Group has received a total of RMB 26 705 000 from the Three Customers, and the remaining accounts receivables of RMB 179 811 000 will be due within one year, which is recognised as accounts receivables, and the RMB 302 195 000 will be due after one year, which is recognised as long-term receivables. As of the date of approval and issue of the financial statements, the Group has received a total of RMB 104 705 000 from the Three Customers.

(11) Other current assets

	31 December 2019	31 December 2018
Enterprise income tax prepaid	124 474	13 831
VAT input	83 237	187 224
Wealth management products (WMPs) (a)	–	1 100 000
	207 711	1 301 055

(a) The balance of WMPs on 31 December 2018 comprises: the subsidiary of the Company, Saurer Intelligent Machinery Co. Ltd, purchased a principal-guaranteed WMP amounting to RMB 1 100 000 000 with an expected annual yield of 2.10 % that could be redeemed at any time in the open period. The WMP was fully collected on 2 January 2019.

(12) Fixed assets

	31 December 2018	Increase in 2019		Decrease in 2019	Foreign currency translation difference	31 December 2019
		Transfers from construction in progress	Other increases			
Total cost	**1 649 982**	**325 540**	**229 518**	**(30 811)**	**4 865**	**2 179 094**
Buildings	467 518	278 093	148 271	−2 011	2 053	893 924
Machinery equipment and other equipment	1 063 979	47 447	81 247	−28 800	2 433	1 166 306
Land ownership	118 485	–	–	–	379	118 864
Total accumulated depreciation	**−739 448**	**–**	**−140 664**	**21 074**	**−4 079**	**−863 117**
Buildings	−127 335	–	−22 462	232	−880	−150 445
Machinery equipment and other equipment	−612 113	–	−118 202	20 842	−3 199	−712 672
Land ownership	–	–	–	–	–	–
Total impairment	**−7 534**	**–**	**–**	**–**	**38**	**−7 496**
Buildings	–	–	–	–	–	–
Machinery equipment and other equipment	−7 534	–	–	–	38	−7 496
Land ownership	–	–	–	–	–	–
Carrying amount	**903 000**					**1 308 481**
Buildings	340 183					743 479
Machinery equipment and other equipment	444 332					446 138
Land ownership	118 485					118 864

(a) In 2019, depreciation of fixed assets was RMB 140 664 000 (2018: RMB 136 771 000) of which RMB 110 313 000, RMB 9 662 000, RMB 15 270 000 and RMB 5 419 000 (2018: RMB 107 133 000, RMB 7 651 000, RMB 14 414 000 and RMB 7 573 000) were recorded in cost of sales, operating expenses, general and administrative expenses and research and development expenses.

In 2019, the cost of fixed asset transfers from construction in progress were RMB 325 540 000 (2018: RMB 76 206 000).

(b) Information on mortgages and pledges
Refer to note 4 (20) (c) and note 4 (28) (c) for mortgage information of fixed assets.

(c) In 2019 and 2018, the Company had no idle fixed assets, fixed assets held under financial lease, fixed assets used for operating lease or fixed assets without property certificates.

(13) Construction in progress

	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Xinjiang Plant Construction Project	262 749	–	262 749	342 095	–	342 095
Other plant and equipment	119 149	–	119 149	122 941	–	122 941
	381 898	–	381 898	465 036	–	465 036

(a) Changes in major construction in progress

Project name	Budget	31 December 2018	Increase in 2019	Transfer to fixed assets	Transfer to intangible assets	Foreign currency translation difference	31 December 2019	% of engineering investment to budget	Progress of works	Cumulative amount of capitalised borrowing costs	Including: borrowing costs capitalised in the current year	Capitalisation rate for borrowing costs in the current year	Source of fund
Xinjiang Plant Construction Project (note)	841 279	342 095	198 276	–277 622	–	–	262 749	64 %	64 %	27 175	2 821	5.17 %	Loan
Other plant and equipment	168 304	122 941	50 607	–47 918	–6 630	149	119 149	71 %	71 %	–	–	–	Self-raised
	1 009 583	465 036	248 883	–325 540	–6 630	149	381 898			27 175	2 821		

As at 31 December 2019, the Group believed that there was no indication that any construction in progress may be impaired, therefore no provision was made.

Note: as at 31 December 2019, the constructions in progress of the subsidiary of the Company, Saurer Xinjiang Intelligent Machinery Co. Ltd, were placed as collateral for a short-term loan and a long-term loan. For details, refer to note 4 (20) (c) and note 4 (28) (c).

(14) Intangible assets/development expenditure

	31 December 2018	Increase in 2019	Decrease in 2019	Foreign currency translation difference	31 December 2019
Cost					
Development cost	90 417	114 312	–23 591	813	181 951
Total intangible assets	1 658 511	46 239	–597	28 354	1 732 507
– Land use rights	118 427	–	–	–	118 427
– Customer relations	104 621	12 699	–	359	117 679
– Patents	355 284	808	–	–601	355 491
– Trademarks	866 671	339	–	25 122	892 132
– Software and others	59 029	8 802	–597	195	67 429
– Capitalising R&D expenditure – technology	154 479	23 591	–	3 279	181 349
Accumulated amortisation					
Development cost	–	–	–	–	–
Total intangible assets	–362 487	–92 546	597	–1 772	–456 208
– Land use rights	–6 458	–2 252	–	–	–8 710
– Customer relations	–61 311	–14 019	–	–514	–75 844
– Patents	–205 588	–37 671	–	40	–243 219
– Trademarks	–	–	–	–	–
– Software and others	–33 200	–8 054	597	–150	–40 807
– Capitalising R&D expenditure – technology	–55 930	–30 550	–	–1 148	–87 628
Impairment					
– Capitalising R&D expenditure – technology	–5 312	–	–	167	–5,145
Carrying amount					
Development cost	90 417				181 951
Total intangible assets	1 290 712				1 270 810
– Land use rights	111 969				109 717
– Customer relations	43 310				41 835
– Patents	149 696				112 272
– Trademarks	866 671				891 788
– Software and others	25 829				26 622
– Capitalising research and development expenditure – technology	93 237				88 576

(a) In 2019, the amortisation of intangible assets amounted to RMB 92 546 000 (2018: RMB 85 446 000).

As at 31 December 2019, the land use rights with book value amounting to RMB 87 507 000 (original value amounted to RMB 92 802 000; 2018: book value amounted to RMB 89 244 000) of Saurer Xinjiang Intelligent Machinery Co. Ltd, a subsidiary of the Company, were placed as the security collateral for a bank loan. The mortgage term was up to 48 months (note 4 (20) (c) and note 4 (28) (c)).

(b) Expenditure on R&D of the Group is as follows:

Project name	31 December 2018	Increase in 2019	Decrease in 2019		Foreign currency translation difference	31 December 2019
		Expenditures on R&D	Recognised in profit or loss	Recognised as intangible assets		
Project 1	4 740	–	–	–4 659	–81	–
Project 2	3 680	–	–	–3 649	–31	–
Project 3	2 349	30 916	–28 223	–	162	5 204
Project 4	9 778	15 003	–	–	134	24 915
Project 5	36 842	7 814	–	–	–89	44 567
Project 6	5 305	3 278	–	–	13	8 596
Project 7	1 130	6 271	–	–	71	7 472
Project 8	–	7 613	–	–	93	7 706
Other	26 593	503 708	–432 068	–15 283	541	83 491
	90 417	574 603	–460 291	–23 591	813	181 951

R&D expenditures incurred in 2019 amounted to RMB 574 603 000 (2018: RMB 530 221 000), of which RMB 460 291 000 (2018: RMB 475 204 000) was the expenditure incurred on the research phase and recognised in profit or loss during the current year, RMB 23 591 000 (2018: RMB 16 890 000) was recognised as intangible assets, and RMB 181 951 000 (in 2018: RMB 90 417 000) was incurred on the development phase and was included in the year-end balance of development costs.

Development costs incurred in 2019 accounted for 20 % of total expenditures on R&D (in 2018: 10 %).

As at 31 December 2019, intangible assets resulting from internal R&D of the Group comprised 7 % of the carrying amount of intangible assets (2018: 7.2 %).

As at 31 December 2019, the Company's subsidiary, SAURER AG, made a provision of CHF 753 000 (equivalent to RMB 5 145 000) for impairment of parts of R&D projects (2018: CHF 753 000 (equivalent to RMB 5 312 000)).

As at 31 December 2019, while performing the intangible assets-trademark impairment test, the management estimated the future cash flows on the basis of historical experience and the prediction of market developments and estimated the brand commission rate (1.5 %) on the basis of historical experience and the brand maintenance charge ratio. The adopted discount rate (pre-tax discount rate: 16~17 %) reflects the specific risk of trademark rights. The above hypotheses were used to analyse the recoverable amount of trademark rights in accordance with the historical experience of the Group and related external information.

(15) Goodwill

	31 December 2018	Movement in 2019	Foreign currency translation difference	31 December 2019
Goodwill				
– Acquisition of natural fibres and textile components business from the Oerlikon Group	599 777	–	9 779	609 556
– Acquisition of Verdol twisting operations	15 360	–	6	15 366
	615 137	–	9 785	624 922
Less: impairment	–	–	–	–
	615 137	–	9 785	624 922

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

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

	31 December 2019	31 December 2018
Spinning Solutions	520 827	512 401
Technologies	104 095	102 736
	624 922	615 137

The main hypothesis for future discounted cash flows:

	Spinning Solutions	Technologies
Growth rate in forecast period	–24.0 ~ 26.0 %	5.0 ~ 28.0 %
Growth rate in stable period	2.30 %	2.30 %
Gross profit rate	26.0 ~ 31.0 %	21.0 ~ 27.0 %
Discount rate	14.33 %	14.21 %

The Group determines the growth rate and gross profit rate on the basis of historical experience and the prediction of market development and uses the pre-tax rate that can reflect the specific risk of the asset groups and combination of asset groups as the discount rate. The recoverable amount of the asset groups or combination of asset groups is calculated using the estimated cash flows determined according to the five-year budget approved by the management. Fixed growth rates will be used as basis of estimation after five years. The cash flows beyond the five-year period are calculated based on the estimated sales growth rates. The estimated sales growth rates are determined based on the estimated data of the market by management. Management determines budgeted gross margins on the basis of historical experience and the prediction of market development. The assumptions above are used to assess the recoverable amount of each asset group or combination of asset groups within the corresponding business segment. According to the result of the impairment test, the recoverable amount of asset group or combination of asset groups is higher than its carrying amount. Thus, no impairment loss is recognised. The allocation of goodwill has not changed in 2019.

(16) Long-term prepaid expenses

	31 December 2018	Increase in 2019	Amortisation in 2019	Foreign currency translation difference	31 December 2019
Leasehold improvement	4 121	186	–1 388	–6	2 913

(17) Deferred tax assets and deferred tax liabilities

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

	31 December 2019		31 December 2018	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Bad debts provision for accounts receivables	100 033	19 651	803	221
Provision for decline in inventories	46 591	10 036	41 968	9 060
Defined benefit plan	272 114	87 428	179 092	53 321
Other payables and accrued expenses	88 013	18 230	78 243	16 416
Provisions	5 334	842	450	91
Depreciation of fixed assets	10 878	1 180	12 543	3 882
Amortisation of intangible assets	57 287	7 481	50 157	9 384
Deductible losses	372 170	67 596	36 812	12 000
Elimination of intra-group unrealised profit	62 754	11 642	67 116	15 184
Others	12 883	3 967	577	142
	1 028 057	228 053	467 761	119 701
Including:				
Expected to reverse within one year (inclusive)		131 963		56 739
Expected to reverse after one year		96 090		62 962
		228 053		119 701

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

	31 December 2019		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	151 014	29 083	118 087	25 701
Amortisation of intangible assets	457 512	84 221	449 088	96 828
Capitalised development cost	207 150	65 592	144 551	45 853
Defined benefit plan	134 308	18 989	163 238	28 680
Bad debts provision for accounts receivables	4 909	867	8 136	1 509
Provision for decline in inventories	12 558	1 889	18 621	3 326
Withholding income tax of profit not remitted by subsidiaries outside China	–	–	332 231	29 435
Interest receivables	621	154	501	124
Others	224 363	42 532	102 901	21 346
	1 192 435	243 327	1 337 354	252 802
Including:				
Expected to reverse within one year (inclusive)		10 692		16 997
Expected to reverse after one year		232 635		235 805
		243 327		252 802

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

	31 December 2019	31 December 2018
Deductible temporary differences	160 871	69 556
Deductible losses	334 255	165 931
	495 126	235 487

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

	31 December 2019	31 December 2018
2020	1 028	–
2021	2 210	1 028
2022	506	2 210
2023	122 455	506
2024 and above	208 056	162 187
	334 255	165 931

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

	31 December 2019		31 December 2018	
	Offsetting amount	After offsetting	Offsetting amount	After offsetting
Deferred tax assets	–117 523	110 530	–69 244	50 457
Deferred tax liabilities	–117 523	125 804	–69 244	183 558

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

	31 December 2019	31 December 2018
Retained earnings of subsidiaries	1 680 118	775 205

(18) Allowance for assets impairment

	31 December 2018	Changes in accounting policies	1 January 2019	Increase	Decrease		Foreign currency translation	31 December 2019
					Reversal	Write-off		
Provision for/reversal of bad debts	14 087	26 149	40 236	30 021	–8 970	–1 423	507	60 371
Including: provision for bad debts of accounts receivables	14 087	26 149	40 236	30 021	–8 970	–1 423	507	60 371
Provision for long-term accounts receivables	–	–	–	117	–	–	–	117
Provision for decline in the value of inventories	140 306	–	140 306	46 282	–26 316	–48 920	–1 101	110 251
Provision for impairment of fixed assets	7 534	–	7 534	–	–	–	–38	7 496
Provision for impairment of intangible assets	5 312	–	5 312	–	–	–	–167	5 145
	167 239	26 149	193 388	76 420	–35 286	–50 343	–799	183 380

(19) Other non-current assets

	31 December 2019	31 December 2018
Defined benefit plan assets (note 4 (30))	134 308	163 238
Prepayment for machinery equipment	68 217	252 866
Margin (a)	15 000	–
Other	11 259	11 480
	228 784	427 584

(a) As at 31 December 2019, the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd pledged the deposit of RMB 15 000 000 to the bank as the guarantee for the long-term loan of RMB 250 000 000 (note 4 (28) (d)).

(20) Short-term borrowings

	Original currency	31 December 2019	31 December 2018
Credited borrowings (a)	RMB	359 981	100 000
Guaranteed borrowings (b)	RMB	513 088	297 573
Guaranteed and mortgaged borrowings (c)	RMB	245 000	–
Pledged borrowings (d)	EUR	96 734	–
Guaranteed borrowings (e)	EUR	669 330	1 051 419
Guaranteed borrowings (f)	INR	55 143	50 342
Guaranteed borrowings (g)	USD	2 024	–
Guaranteed and pledged borrowings (h)	RMB	300 000	–
		2 241 300	1 499 334

(a) As at 31 December 2019, the credited borrowing of the Company amounted to RMB 359 981 000 (with an annual interest rate ranging from 4.35 to 5.66 %) (2018: RMB 100 000 000, with an annual interest rate of 5.66 %).

(b) As at 31 December 2019, the guaranteed borrowings of RMB 513 088 000 (2018: RMB 297 573 000) were borrowings of the Company and the Company's subsidiaries Saurer (Jiangsu) Textile Machinery Co. Ltd, Saurer (Changzhou) Textile Machinery Co. Ltd and Saurer Xinjiang Intelligent Machinery Co. Ltd, and were guaranteed by Jiangsu Jinsheng Industry Co. Ltd, Mr Pan Xueping and Mrs Chen Meifang respectively, by providing a maximum amount guarantee and a joint liability guarantee (note 7 (4) (h)), with an annual interest rate of 4.35 to 5.66 % (2018: 4.79 to 5.66 %).

(c) As at 31 December 2019, the guaranteed and mortgaged borrowings of RMB 245 000 000 were borrowings of the Company and the Company's subsidiaries Saurer (Jiangsu) Textile Machinery Co. Ltd including:

(i) as of 31 December 2019, the total borrowing amount was RMB 150 000 000 (31 December 2018: Nil) and was guaranteed by Jiangsu Jinsheng Industry Co. Ltd and Mr Pan Xueping, by providing a maximum amount guarantee and a joint liability guarantee (note 7 (4) (h)), and mortgages of construction in progress and land user's right with an annual interest rate of 5.22 % (2018: Nil).

(ii) as of 31 December 2019, the total amount of borrowings was RMB 95 000 000 (31 December 2018: Nil), was guaranteed by Jiangsu Jinsheng Industry Co. Ltd, Mr Pan Xueping and Mrs Chen Meifang, and was mortgaged with mechanical equipment, with an annual interest rate of 4.79 % (2018: Nil).

(d) As at 31 December 2019, the total borrowing amount of EUR 12 390 000 (equivalent to RMB 96 734 000) (2018: Nil), was pledged by the Company's guarantee deposit of RMB 10 000 000, with an annual interest rate of 0.65 % (2018: Nil).

(e) As at 31 December 2019, the guaranteed borrowings of EUR 85 725 000 (equivalent to RMB 669 330 000) (2018: EUR 133 988 000, equivalent to RMB 1 051 419 000) was borrowed by the Company's subsidiaries, Saurer (Jiangsu) Textile Machinery Co. Ltd and Saurer Spinning Solutions GmbH & Co. KG, including:

(i) as at 31 December 2019, the borrowing of Saurer (Jiangsu) Textile Machinery Co. Ltd with a total amount of EUR 4 000 000 (equivalent to RMB 31 232 000) (2018: EUR 9 974 000 (equivalent to RMB 78 267 000)) was guaranteed by Jiangsu Jinsheng Industry Co. Ltd, Mr Pan Xueping and Mrs. Chen Meifang by providing a maximum amount guarantee and a joint liability guarantee. The annual interest rate was 2.50 % (2018: 2.50 %).

(ii) as at 31 December 2019, the borrowing of Saurer (Jiangsu) Textile Machinery Co. Ltd with a total amount of EUR 1 060 000 (equivalent to RMB 276 000) (2018: Nil) was guaranteed by the Company by providing a maximum amount guarantee and a joint liability guarantee. The annual interest rate was 2.70 % (2018: Nil).

(iii) as at 31 December 2019, the borrowing of Saurer Spinning Solutions GmbH & Co. KG with a total amount of EUR 80 665 000 (equivalent to RMB 629 822 000) (2018: EUR 124 014 000 (equivalent to RMB 973 152 000)) was guaranteed by Saurer Hong Kong Machinery Company Limited, a subsidiary of the Company, with an annual interest rate ranging from 1.40 to 2.25 % (2018: 1.65 to 2.05 %).

(f) As at 31 December 2019, the guaranteed borrowings of INR 561 495 000 (equivalent to RMB 55 143 000) (2018: INR 513 763 000 (equivalent to RMB 50 342 000)) were secured borrowings of the Company's subsidiary Saurer Textile Solutions Private Ltd, guaranteed by the Company's subsidiary Saurer Hong Kong Machinery Co. Ltd, with an annual interest rate of 6.20 to 9.50 % (2018: 5.70 to 9.50 %).

(g) As at 31 December 2019, the guaranteed borrowings of USD 290 000 (equivalent to RMB 2 024 000) (2018: Nil) were secured borrowings from the Company's subsidiary Saurer (Jiangsu) Textile Machinery Co. Ltd, guaranteed by the Company, with an annual interest rate of 4.00 % (2018: Nil).

(h) As at 31 December 2019, the total amount of borrowings was RMB 300 000 000 (2018: Nil), which was guaranteed by Jiangsu Jinsheng Industry Co. Ltd, Mr and Mrs Pan Xueping and the Company's subsidiary Saurer Intelligent Machinery Co. Ltd (note 7 (4) (h)), with the fixed deposit certificate of Jiangsu Jinsheng Asset Management Co. Ltd of RMB 303 400 000 as the pledge, with an annual interest rate of 4.35 % (2018: Nil).

(i) As at 31 December 2019, the annual interest rates of short-term borrowings ranged from 0.65 to 9.50 % (2018: 1.65 to 9.50 %).

(j) As at 31 December 2019 and 31 December 2018, there was no overdue short-term borrowing.

(21) Notes and accounts payables

Notes payables

	31 December 2019	31 December 2018
Bank acceptance notes	57 000	100 000

(22) Accounts payables

	31 December 2019	31 December 2018
Material trade payables	1 586 229	1 447 131

As at 31 December 2019, accounts payables with aging over one year amounted to RMB 62 628 000 (2018: RMB 79 521 000), and mainly comprised unsettled material trade payables.

(23) Advances from customers

	31 December 2019	31 December 2018
Advances from customers	260 616	586 799

As at 31 December 2019, advances from customers with aging over one year amounted to RMB 74 366 000 (2018: RMB 21 350 000), and mainly comprised advances for machinery orders.

(24) Employee benefits payables

	31 December 2019	31 December 2018
Short-term employee benefits (a)	182 077	208 068
Defined contribution plans (b)	3 359	1 640
Termination benefits (c)	1 923	2 271
Long-term employee benefits payables within one year (note 4 (30))	77 060	62 686
	264 419	274 665

(a) Short-term employee benefits

	31 December 2018	Increase in 2019	Decrease in 2019	Foreign currency translation difference	31 December 2019
Wages and salaries, bonuses, allowances and subsidies	139 241	1 302 543	−1 321 246	2 363	122 901
Welfare of employees	–	8 423	−8 264	−9	150
Social security contributions	922	75 709	−75 479	−20	1 132
Including:					
– Medical insurance	493	73 296	−72 822	−16	951
– Work injury insurance	414	1 449	−1 692	−4	167
– Maternity insurance	15	964	−965	–	14
Housing funds	150	13 348	−13 119	–	379
Labour union funds and employee education funds	3 847	2 151	−2 344	–	3 654
Other short-term employee benefits	63 908	63 466	−71 326	−2 187	53 861
	208 068	1 465 640	−1 491 778	147	182 077

(b) Defined contribution plans

	31 December 2018	Increase in 2019	Decrease in 2019	Foreign currency translation difference	31 December 2019
Basic pensions	1 351	33 111	−31 429	21	3 054
Unemployment insurance	289	1 814	−1 801	3	305
	1 640	34 925	−33 230	24	3 359

(c) Termination benefits payables

	31 December 2019	31 December 2018
Other termination benefits	1 923	2 271

(25) Tax payables

	31 December 2019	31 December 2018
Enterprise income tax payables	137 689	188 345
Unpaid value-added tax	31 058	25 006
Withholding taxes payables	30 290	28 515
Individual income tax payables	17 517	38 860
Stamp tax	714	1 668
Others	8 177	8 996
	225 445	291 390

(26) Other payables

	31 December 2019	31 December 2018
Accrued expenses	122 470	69 174
Project payment payables	85 699	61 243
Accrued agent fees	63 317	49 676
Overpayment from customers	50 748	57 625
Freight payable	42 033	24 563
Professional service fee payables	25 057	48 652
Fixed assets procurement	20 026	20 737
Accrued rebates	9 364	9 845
Customer deposit payables	9 067	5 641
IT maintenance fees	5 525	5 634
Bank loan interest payables	2 099	4 153
Payables to related parties (note 7 (5) (d))	701	45
Others	29 276	20 044
	465 382	377 032

(a) As at 31 December 2019, other payables with an aging over one year amounted to RMB 31 384 000 (2018: RMB 41 768 000), and mainly comprised non-trade payables. Such payables are not paid because they have not been settled yet.

(27) Current portion of non-current liabilities

	31 December 2019	31 December 2018
Current portion of long-term borrowings (a)	491 626	491 999
Current portion of provisions (note 4 (29))	268 658	241 821
	760 284	733 820

(a) Current portion of long-term borrowings

	Original currency	31 December 2019	31 December 2018
Pledged borrowings (note 4 (28) (a))	EUR	–	383 528
Guaranteed borrowings (note 4 (28) (b))	EUR	421 627	78 471
Guaranteed and mortgaged borrowings (note 4 (28) (c))	RMB	70 000	30 000
		491 627	491 999

As at 31 December 2019 and 31 December 2018, the Group had no overdue current portion of long-term borrowings.

(28) Long-term borrowings

	Original currency	31 December 2019	31 December 2018
Pledged borrowings (a)	EUR	–	2 147 756
Guaranteed borrowings (b)	EUR	421 626	596 381
Guaranteed and mortgaged borrowings (c)	RMB	270 000	300 000
Guaranteed and pledged borrowings (d)	RMB	250 000	–
		941 626	3 044 137
Less:			
Current portion of long-term	EUR	–421 626	–461 999
Guaranteed borrowings (note 4 (27) (a))	RMB	–70 000	–30 000
		450 000	2 552 138

(a) As at 31 December 2018, pledged borrowings with a balance of EUR 273 700 000 (equivalent to RMB 2 147 756 000) (including the current portion of long-term borrowings EUR 48 875 000 (equivalent to RMB 383 528 000)) were borrowed from China Development Bank by the Company's subsidiary Saurer Hong Kong Machinery Co. Ltd in 2013, which was secured by long-term equity investments held by the Group in SAURER AG, Saurer Netherlands Machinery Company B.V., Saurer (Jiangsu) Textile Machinery Co. Ltd, Saurer (Changzhou) Textile Machinery Co. Ltd and Saurer (Changzhou) Texparts Components Co. Ltd. The interest was paid every six months. For the principal, EUR 9 775 000 was repaid on 23 June 2014, 22 June 2015 and 21 June 2016, respectively; EUR 39 100 000 was repaid on 21 June 2017; EUR 48 875 000 was repaid on 21 June 2018; and the remaining portion should be paid in instalments from 2019 to 2023 according to the original repayment schedule. The borrowing was prepaid on 28 February 2019.

The borrowing was guaranteed by the guarantee letter of China Development Bank Jiangsu Branch (CDB Jiangsu Branch). The guarantee charges were paid quarterly. In 2019, the total guarantee charges for the borrowing amounted to RMB 4 298 000 (note 4 (42)).

(b) As at 31 December 2019, the bank guaranteed borrowings of EUR 54 000 000 (equivalent to RMB 421 626 000, due within one year) (2018: EUR 76 000 000 (equivalent to RMB 596 381 000)) were borrowed by the Company's subsidiary Saurer Hong Kong Machinery Co. Ltd and were guaranteed by Saurer Spinning Solutions GmbH & Co. KG and Saurer Technologies GmbH & Co. KG.

(c) As at 31 December 2019, the bank guaranteed and secured borrowings with a total amount of RMB 270 000 000 (including current portion of borrowings RMB 70 000 000) (2018: RMB 300 000 000 (including current portion of borrowings RMB 30 000 000)) and a maturity term of four years were borrowed from a domestic bank by the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd. The borrowings were guaranteed by the Company by providing a joint liability guarantee, pledged by the building and land usage rights with a maximum mortgage term not exceeding 48 months starting 21 June 2019. The principal will be repaid in instalments of RMB 70 000 000 in 2020 and RMB 100 000 000 in 2021 and 2022 respectively.

(d) As at 31 December 2019, the bank guaranteed and pledged borrowings with a total amount of RMB 250 000 000 (31 December 2018: Nil) were borrowed from a domestic bank by Saurer Xinjiang Intelligent Machinery Co. Ltd, a subsidiary of the Company, with a loan term of three years. The borrowings were guaranteed by the Company by providing a joint liability guarantee and pledged by the RMB 15 000 000 security deposit of Saurer Xinjiang Intelligent Machinery Co. Ltd. The borrowing will expire on 20 June 2022.

(e) As at 31 December 2019, the annual interest rates of long-term borrowings ranged from 1.90 to 5.23 % (2018: 1.90 to 5.23 %).

(29) Provisions

	31 December 2018	Increase in 2019	Decreases in 2019	Foreign currency translation difference	31 December 2019
Product warranties	213 578	72 368	−94 944	−498	190 504
Restructuring costs for sites outside China	–	115 480	−55 768	901	60 613
Others	38 581	10 328	−15 785	457	33 581
	252 159	198 176	−166 497	860	284 698
Less: provision due within one year					
Product warranties	−204 025	−72 368	94 177	663	−181 553
Restructuring costs for sites outside China	–	−115 480	55 768	−901	−60 613
Others	−37 796	−4 221	15 785	−260	−26 492
	−241 821	−192 069	165 730	−498	−268 658
Non-current portion of provisions					
Product warranties	9 553	–	−767	165	8 951
Others	785	6 107	–	197	7 089
	10 338	6 107	−767	362	16 040

(30) Long-term employee benefits payables

	31 December 2019	31 December 2018
Defined benefit plan (a)	458 780	372 662
Other employee benefits	22 695	26 748
	481 475	399 410
Less: payables within 1 year	–77 060	–62 686
	404 415	336 724

Retirement benefits supposed to be paid within one year are presented in employee benefits payables (note 4 (24)).

(a) Defined benefit pension plans

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

(i) Changes in the current value of defined benefit pension and fair value of plan assets

	Current value of defined benefit pension plans	Fair value of plan assets
31 December 2018	999 257	789 833
Defined benefit cost recorded in profit and loss in 2019	–	–
– Service cost in 2019	47 344	–
– Past service cost	136	–
– Gain on settlement	216	–
– Net interest	12 760	8 616
	60 456	8 616
Defined benefit cost recorded in other comprehensive income in 2019		
– Actuarial gain		
– Difference from actuarial assumption	99 596	–
– Difference from experience adjustments	15 661	–
– Return on plan assets	–	12 875
	115 257	12 875
Other movement		
– Consideration paid upon settlement		
– From companies	–	29 439
– From employees participating in the plan	8 341	8 341
– Benefit paid	–49 884	–43 968
	–41 543	–6 188
Foreign currency translation difference	13 797	17 616
31 December 2019	1 147 224	822 752

	Current value of defined benefit pension plans	Fair value of plan assets
31 December 2017	913 704	700 395
Defined benefit cost recorded in profit and loss in 2018		
– Service cost in 2018	37 648	–
– Past service cost	–601	–
– Gain on settlement	176	–
– Net interest	10 454	7 116
	47 677	7 116
Defined benefit cost recorded in other comprehensive income in 2018		
– Actuarial gain		
– Difference from actuarial assumption	–11 674	–
– Difference from experience adjustments	–7 743	–
– Return on plan assets	–	–10 790
	–19 417	–10 790
Other movement		
– Consideration paid upon settlement		
– From companies	–	23 485
– From employees participating in the plan	7 139	6 786
– Benefit paid	31 960	40 704
	39 099	70 975
Foreign currency translation difference	18 194	22 137
31 December 2018	999 257	789 833

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

	31 December 2019	31 December 2018
Defined benefit plan assets		
Present value of defined benefit plan obligations	–359 527	–345 413
Less: fair value of plan assets	493 835	508 651
Less: upper limit of plan assets	–	–
	134 308	163 238
Defined benefit plan liabilities		
Present value of defined benefit plan obligations	–787 697	–653 844
Less: fair value of plan assets	328 917	281 182
	–458 780	–372 662
	–324 472	–209 424

(iii) Changes in the retirement benefits of the Group are as follows: this note was listed according to the net value of defined benefit pension plans and fair value of plan assets. The consolidation is applied at subsidiary level.

	Defined benefit plan assets	Defined benefit plan liabilities	Net liabilities of the Group
31 December 2018	163 238	−372 662	−209 424
Defined benefit cost included in profit and loss in 2019			
– Service cost in 2019	−8 723	−38 621	−47 344
– Past service cost	–	−136	−136
– Gain on settlement	−173	−43	−216
– Net interest	1 457	−5 601	−4 144
	−7 439	−44 401	−51 840
Re-measurement of defined benefit plan liabilities			
– Actuarial gain			
– Difference from actuarial assumption	−35 767	−63 829	−99 596
– Difference from experience adjustments	−6 169	−9 492	−15 661
– Return on plan assets (excluding that included in net interest)	11 423	1 452	12 875
	−30 513	−71 869	−102 382
Other changes			
– Consideration paid upon settlement			
– From companies	4 608	24 831	29 439
– From employees participating in the plan	–	–	–
– Benefit paid	–	5 916	5 916
	4 608	30 747	35 355
Foreign currency translation difference	4 414	−595	3 819
31 December 2019	134 308	−458 780	−324 472

	Defined benefit plan assets	Defined benefit plan liabilities	Net liabilities of the Group
31 December 2017	138 844	−352 153	−213 309
Defined benefit cost included in profit or loss in 2018			
– Service cost in 2018	−8 095	−29 553	−37 648
– Past service cost	–	601	601
– Gain on settlement	−156	−20	−176
– Net interest	1 112	−4 450	−3 338
	−7 139	−33 422	−40 561
Re-measurement of defined benefit plan liabilities			
– Actuarial gain			
– Difference from actuarial assumption	5 898	5 776	11 674
– Difference from experience adjustments	19 878	−12 135	7 743
– Return on plan assets (excluding that included in net interest)	−4 671	−6 119	−10 790
	21 105	−12 478	8 627
Other changes			
– Consideration paid upon settlement			
– From companies	4373	19 112	23 485
– From employees participating in the plan	−353	–	−353
– Benefit paid	–	8 744	8 744
	4 020	27 856	31 876
Foreign currency translation difference	6 408	−2 465	3 943
31 December 2018	163 238	−372 662	−209 424

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

	31 December 2019		31 December 2018	
	Germany	Switzerland	Germany	Switzerland
Discount rate	0.65 %	0.10 %	1.60 %	0.90 %
Salary growth rate	N/A	0.50 %	N/A	1.00 %
Pension growth rate	1.55 %	0.00 %	1.55 %	0.00 %

(v) The sensitivity of principal actuarial assumptions adopted in determining the present value of defined benefit plan obligations in 2019 is analysed as follows:

	Change in assumption	Impact on defined benefit obligations	
		Increase in assumption	Decrease in assumption
Discount rate	Change of 0.5 percentage point	Decrease by 6.36 %	Increase by 7.25 %
Salary growth rate	Change of 0.5 percentage point	Increase by 0.46 %	Decrease by 0.48 %
Pension growth rate	Change of 0.5 percentage point	Increase by 0.31 %	Decrease by 0.20 %
Life expectancy	Change of 1 year	Increase by 1.50 %	Decrease by 1.51 %

The sensitivity of principal actuarial assumptions adopted in determining the present value of defined benefit plan obligations in 2018 is analysed as follows:

	Change in assumption	Impact on defined benefit obligations	
		Increase in assumption	Decrease in assumption
Discount rate	Change of 0.5 percentage point	Decrease by 5.94 %	Increase by 6.77 %
Salary growth rate	Change of 0.5 percentage point	Increase by 0.38 %	Decrease by 0.41 %
Pension growth rate	Change of 0.5 percentage point	Increase by 0.34 %	Decrease by 0.17 %
Life expectancy	Change of 1 year	Increase by 1.27 %	Decrease by 1.35 %

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

	31 December 2019	31 December 2018
Cash and cash equivalents	24 667	43 099
Equity instruments	126 430	134 142
Debt instruments	137 462	157 436
Real estate	164 710	173 975
Investment funds	237 797	227 041
Others	131 686	54 140
	822 752	789 833

(31) Deferred revenue

	31 December 2019	31 December 2018
Enterprise development special fund (a)	–	24 826
Other special fund (b)	4 760	4 760
	4 760	29 586

(a) The Finance Bureau of Urumqi Economic and Technological Development Zone (Toutunhe District), Xinjiang Uygur Autonomous Region, appropriates an enterprise development special fund amounting to RMB 69 290 000 through Construction Investment and Development Co. Ltd of Urumqi Economic and Technological Development Zone to support the development of the Company's subsidiary Saurer Xinjiang Intelligent Machinery Co. Ltd to promote industrial transformation and upgrading and to expand the business scope. The special fund must be earmarked for its specified purpose only. With the start of production and operation at Saurer Xinjiang Intelligent Machinery Co. Ltd, total amounts of RMB 44 464 000 and RMB 24 826 000 were recognised in non-operating income as government subsidy income in 2018 and 2019 respectively (note 4 (49)).

(b) In order to promote intelligent manufacturing, the Finance Bureau of Urumqi Shuimogou District appropriated special funds with a total amount of RMB 4 560 000 on 19 October 2018. The special funds must be earmarked for its specified purpose only, in particular for the construction of intelligent manufacturing sites, development and integration of intelligent systems and purchase of intelligent manufacturing equipment. Because the specific project has not yet begun, the appropriation was recorded as deferred revenue in 2019.

In order to enhance the talent cultivation of high-skilled workers, the Employment Service and Management Office of Urumqi Economic and Technological Development Zone appropriated RMB 200 000 to the subsidiary of the Company, Saurer Xinjiang Intelligent Machinery Co. Ltd. The special fund must be earmarked for its specified purpose only, in particular for the construction of Saurer Intelligent Group numerical control and technology centre. Because the specific project has not yet begun, the appropriation was recorded as deferred revenue in 2019.

(c) Government grants

	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019	Related to assets / related to income
			Recorded in non-operating income		
Enterprise development special fund	24 826	–	–24 826	–	Related to income
Other special fund	4 760	–	–	4 760	Related to assets
	29 586		–24 826	4 760	

(32) Paid-in capital and treasury shares

	31 December 2018	Increase and decrease in 2019					31 December 2019
		Issue of new shares	Stock dividend	Public reserve funds	Others	Total	
Ordinary shares	1 895 413	–	–	–	–	–	1 895 413

	31 December 2017	Increase and decrease in 2018					31 December 2018
		Issue of new shares	Stock dividend	Public reserve funds	Others	Total	
Ordinary shares	1 895 413	–	–	–	–	–	1 895 413

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

As of 31 December 2019, the Company has repurchased 14 614 325 shares of the Company through centralised bidding for the amount of RMB 108 931 000.

According to Article 8 of the Detailed Rules for the Implementation of Share Repurchase by Listed Companies of the Shanghai Stock Exchange, "if a listed company repurchases its shares by means of centralised bidding or offer with cash as consideration, the amount to repurchase shares already spent in the current year shall be regarded as cash dividends, and shall be included in the relevant proportion of cash dividends in that year." The accumulated amount to repurchase shares of the Company in 2019 accounts for 17.9 % of the distributable profit realised in 2019. The Company does not plan to distribute cash dividends separately.

(33) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2019				
	31 December 2018	Attributable to the parent company, net of tax	31 December 2019	Amount before income tax of the year	Less: transfer from previous other comprehensive income	Less: income tax expenses	Attributable to the parent company, net of tax	Attributable to non-controlling interest, net of tax
Items that will not be reclassified subsequently to profit or loss								
– Defined benefit plan actuarial losses or gains	930	–60 670	–59 740	–102 382	–	27 151	–60 670	–14 561
– Foreign currency translation difference	–	–	–	27 114	–	–	–	27 114
Items that may be reclassified to profit or loss								
– Cash flow hedge losses	122	–46	76	34	–	–90	–46	–10
– Foreign currency translation difference	–49 492	112 987	63 495	112 987	–	–	112 987	–
	–48 440	52 271	3 831	37 753	–	27 061	52 271	12 543

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2018				
	31 December 2017	Attributable to the parent company, net of tax	31 December 2018	Amount before income tax of the year	Less: transfer from previous other comprehensive income	Less: income tax expenses	Attributable to the parent company, net of tax	Attributable to non-controlling interest, net of tax
Items that will not be reclassified subsequently to profit or loss								
– Defined benefit plan actuarial losses or gains	–6 472	7 402	930	8 627	–	–1 225	7 402	–
Items that may be reclassified to profit or loss								
– Cash flow hedge losses	942	–820	122	–1 077	–	257	–820	–
– Foreign currency translation difference	–117 858	68 366	–49 492	68 366	–	–	68 366	–
	–123 388	74 948	–48 440	75 916	–	–968	74 948	–

(34) Capital surplus and surplus reserve

(a) Capital surplus

	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
Capital incomes	1 579 834	–	–	1 579 834

	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
Capital incomes	–	1 579 834	–	1 579 834

As at 8 December 2018, Saurer Intelligent Machinery, a subsidiary of the Company, brought in seven investors for an increase in its share capital, including the Nongyin Xinsilu (Jiaxing) Investment Partnership Enterprise (Limited Partnership) which is led by the Nongyin Financial Property Investment Co. Ltd. The Company signed an "Investment Agreement" and a "Subscription Agreement" with each investor. As at 29 December 2018, the Company received the subscription amount of RMB 3 000 000 000. After the subscription, the Company holds 80.65 % shares of Saurer Intelligent Machinery. The changes on the registration were completed on 15 February 2019.

The Company calculated the net asset share of the subsidiary based on the shareholding before the subscription. The difference between the net asset share and the net asset share of the subsidiary calculated based on the respective shareholding after the subscription was recorded in capital surplus, amounting to RMB 1 579 834 000.

(b) Surplus reserve

	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
Statutory surplus reserve	48 742	–	–	48 742

	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
Statutory surplus reserve	48 742	–	–	48 742

In accordance with the Company Law of the People's Republic of China, the Company should appropriate net profit (after offsetting accumulated losses of previous years) to the statutory surplus reserve, in which the statutory surplus reserve accounts for no less than 10 % of net profit. The Company can cease appropriation when the statutory surplus reserve amounts to more than 50 % of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase in the paid-in capital after approval from the appropriate authorities. No surplus reserve was appropriated by the Company due to net losses in 2019 (2018: Nil).

(35) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company according to the weighted average number of common shares relevant for EPS calculation.

	2019	2018
Attributable to equity holders of the Company	608 934	810 294
Weighted average number of common shares for EPS calculation	1 892 336	1 895 413
Basic earnings per share	0.3218	0.4275
Including:		
– Basic earnings per share from continuing operations	0.3218	0.4275
– Basic earnings per share from discontinuing operations	–	–

(a) Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to common shareholders of the parent company adjusted for the dilutive potential of common shares according to the weighted average number of common shares issued by the Company. In 2019, the Company has no common shares with dilutive potential (2018: Nil). Therefore, diluted earnings per share equals basic earnings per share.

(36) Retained earnings

	2019	2018
Undistributed profit at the beginning of the year (before adjustment)	1 177 607	386 267
Changes in accounting policies (note 2 (28))	–18 320	–
Undistributed profit at the beginning of the year (after adjustment)	1 159 287	386 267
Add: net profit attributable to shareholders of the Company for the current year	608 934	810 294
Less: withdrawal of statutory surplus reserve (note 4 (34) (b))	–	–
Dividend payment	–244 306	–18 954
Undistributed profit at the end of the year	1 523 915	1 177 607

As at 28 May 2019, approved by the AGM, the Company paid out a cash dividend of RMB 0.1293 per share based on the total capital of 1 895 412 995 shares. The total payout for cash dividends amounted to RMB 244 306 000.

(37) Revenue and cost of sales

	2019	2018
Main operating income	8 566 110	9 212 297
Other operating income	9 199	8 462
	8 575 309	9 220 759

	2019	2018
Cost of goods sold	6 024 662	6 571 207
Other operating costs	–	–
	6 024 662	6 571 207

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

	2019		2018	
	Revenue from main operations	Cost of main operations	Revenue from main operations	Cost of main operations
Sale of machinery, equipment and components	6 971 904	5 239 148	8 043 334	5 889 991
Sale of spare parts and rendering of services	1 594 206	785 514	1 168 963	681 216
	8 566 110	6 024 662	9 212 297	6 571 207

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

	2019		2018	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of raw materials	6 595	–	5 799	–
Rental income	2 604	–	2 663	–
	9 199	–	8 462	–

(38) Taxes and surcharges

	2019	2018	Calculating standard
City maintenance and construction tax	12 689	8 052	Refer to note 3
Educational surcharge	9 190	5 864	Refer to note 3
Stamp tax	4 588	3 139	
Others	3 004	2 856	
	29 471	19 911	

(39) Selling expenses

	2019	2018
Employee benefits	218 721	258 565
Freight insurance	133 168	174 222
Exhibition and advertising fees	53 068	18 836
Travelling expenses	30 591	44 103
Depreciation and amortisation expenses	23 432	18 550
Rental and related expenses	12 272	13 478
IT costs	7 164	7 032
Others	20 248	33 913
	498 664	568 699

(40) General and administrative expenses

	2019	2018
Employee benefits	234 007	227 991
Professional service fees	39 751	56 425
Rental and related expenses	33 804	27 394
Depreciation and amortisation expenses	22 117	16 063
Travelling expenses	17 059	16 893
Tax expenses	13 381	15 617
IT costs	8 729	3 021
Transportation insurance	7 163	11 310
Others	3 466	8 208
	379 477	382 922

(41) Research and development expenses

	2019	2018
Employee benefits	255 968	256 495
Depreciation and amortisation expenses	74 007	80 865
Professional service fees	46 574	52 147
Raw material costs	46 039	43 907
Rental and related expenses	11 677	11 443
Travelling expenses	7 975	10 510
IT costs	3 590	4 348
Transportation insurance	3 567	3 132
Others	10 894	12 357
	460 291	475 204

(42) Financial expenses

	2019	2018
Interest expenses, including:		
– Interest expenses for borrowings	107 295	114 170
– Interest expenses for benefit plans	4 144	3 338
Less: capitalised interest	–18 267	–8 908
Subtotal for interest expenses	93 172	108 600
Less: interest income	–9 097	–8 819
Interest income – net	84 075	99 781
Net exchange loss/gains	45 705	–16 496
Charges for letter of guarantee (note 4 (28) (a))	4 298	24 617
Others	34 842	31 258
	168 920	139 160

(43) Expenses by nature

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

	2019	2018
Cost of raw materials	4 586 931	5 023 322
Employee benefits	1 686 244	1 781 755
Depreciation and amortisation expenses	234 598	223 565
Rental and related expenses	196 486	186 854
Freight insurance	184 076	229 140
Travelling expenses	95 023	114 440
Professional service fees	88 356	111 272
Warranties	79 058	108 995
Exhibition and advertising fees	53 068	18 836
IT costs	30 786	23 507
Tax expenses	18 204	20 517
Others	110 264	155 829
	7 363 094	7 998 032

(44) Asset impairment losses

	2019	2018
Provision for decline in value of inventories	19 966	45 675
Provision for bad debts	–	7 518
	19 966	53 193

(45) Credit impairment loss

	2019	2018
Accounts receivables bad debt losses	21 051	–
Long-term receivables	117	–
	21 168	–

(46) Other income

	2019	2018
Tax/VAT refund	9 285	1 017
Government grants (Indian Export Promotion Program)	4 150	–
	13 435	1 017

(47) Investment income

	2019	2018
Interest income (note 4 (11))	11 578	88 599
Share of investee's net loss under equity method	–	–350
	11 578	88 249

(48) Gains/losses of asset disposal

	2019	2018	Amount included in 2019 non-recurring income statement	Amount included in 2018 non-recurring income statement
Gains from disposal of fixed assets	335	608	335	608
Loss from disposal of fixed assets	–197	–460	–197	–460
	138	148	138	148

(49) Non-operating income

	2019	2018	Amount included in 2019 non-recurring income statement	Amount included in 2018 non-recurring income statement
Government grants (i)	27 519	46 305	27 519	46 305
Asset write-downs	285	–	285	–
Others	1 022	255	1 022	255
	28 826	46 560	28 826	46 560

(i) Details of government grants

	2019	2018	Asset related / income related
Financial subsidies (note 4 (31))	24 826	44 464	Income related
Other government grants	2 693	1 841	Income related
	27 519	46 305	

(50) Non-operating expenses

	2019	2018	Amount included in 2019 non-recurring income statement	Amount included in 2018 non-recurring income statement
Restructuring costs	115 480	–	115 480	–
Penalty and overdue fines	218	296	218	296
Others	50	599	50	599
	115 748	895	115 748	895

The restructuring costs are the expenses for staff placement and related integration costs incurred by the organisational structure adjustment of the Chinese Ministry of Textile Science and Technology.

(51) Income tax expenses

	2019	2018
Current income tax calculated according to tax law and relevant regulations	212 090	262 467
Deferred income tax	–91 342	26 415
	120 748	288 882

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the income statement to the income tax expenses is as follows:

	2019	2018
Total profit	910 911	1 145 932
Income tax expenses calculated at the Company's applicable tax rate of 25 %	227 728	286 483
Effect of different tax rates of subsidiaries (note 3(1))	–102 614	–23 268
Income not subject to tax	–3 142	–765
Other costs, expenses and losses not deductible for tax purposes	13 515	22 041
Utilisation of previously unrecognised tax losses	–7 403	–10 765
Tax losses for which no deferred income tax asset was recognised in 2019	51 270	29 541
Withholding income tax of profit not remitted by subsidiaries outside China	–28 925	–12 083
Deduction for research and development expenses	–11 551	–
Tax clearance difference in prior years	–26 234	–5 870
Others	8 104	3 568
Income tax expenses	120 748	288 882

(52) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2019	2018
Government grants	16 128	6 601
Others	14 060	11 779
	30 188	18 380

(b) Cash paid relating to other operating activities

	2019	2018
Freight insurance	126 428	195 210
Professional service fees	85 303	76 361
Warranties	79 058	142 274
Rental and related expenses	57 753	52 315
Restructuring costs	54 867	–
Exhibition and advertising fees	53 068	18 106
Bank charges	34 842	31 258
IT costs	19 592	23 824
Guarantee charges	4 298	24 617
Donations	33	2 000
Others	133 128	120 400
	648 370	686 365

(c) Cash received relating to other investing activities

	2019	2018
Recovery of mature bank WMPs (note 4 (11) (a)) (note)	1 100 000	9 000 000
Net cash inflows from actual income of foreign exchange forward contracts	3 662	–
	1 103 662	9 000 000

Note: on 3 January 2019, the Company received RMB 1100 000 000 for WMPs purchased in 2018.

(d) Cash paid relating to other investing activities

	2019	2018
Net cash flow from actual earnings of foreign exchange forward contracts	–	1 724
Purchase of WMPs issued by banks	–	5 600 000
	–	5 601 724

(e) Cash paid relating to other financing activities

	2019	2018
Repurchase of treasury shares	108 931	–
Repayment of third-party borrowings	64 000	–
Payment of service fees related to subsidiary's capital increase	24 617	60 000
	197 548	60 000

(53) Supplementary information to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	2019	2018
Net profit	790 163	857 050
Add/Less:		
– Provision for asset impairment (note 4 (44))	19 966	53 193
– Credit impairment loss (note 4 (45))	21 168	–
– Depreciation of fixed assets (note 4 (12))	140 664	136 771
– Amortisation of intangible assets (note 4 (14))	92 546	85 446
– Amortisation of long-term prepaid expenses (note 4 (16))	1 388	1 348
– Net losses on disposal of fixed assets, intangible assets and other non-current assets	–138	–148
– Profit arising from changes in fair value	–	–390
– Financial expenses	78 194	157 033
– Investment income	–11 578	–88 249
– Increase/decrease in deferred tax assets	–60 073	16 730
– Decrease/increase in deferred tax liabilities	–57 754	15 235
– Increase in inventories	47 642	–233 236
– Increase in operating receivables	–1 280 327	–1 266 788
– Decrease in operating payables	–34 594	–776 758
Net cash flow from operating activities	–252 733	–1 042 763

(b) In 2019, the Group's major operating activities that did not involve cash receipts and payments were the inventory purchases in the amount of RMB 506 806 000 (2018: 315 611 000) paid by bank acceptance notes. The Group did not have any significant non-cash investment and financing activities (2018: Nil).

(c) Cash and cash equivalents

	31 December 2019	31 December 2018
Cash	2 402 917	3 720 401
Including:		
– Cash on hand	27	58
– Bank deposits on demand	1 973 544	3 235 159
– Other cash balances	429 346	485 184
Less:		
– Restricted cash at bank	–429 346	–485 184
– Term deposits with the original term over 3 months	–230	–400 278
Cash and cash equivalents at the end of the year	1 973 341	2 834 939

(d) Net decrease/increase in cash and cash equivalents

	2019	2018
Cash and cash equivalents at the end of the year	1 973 341	2 834 939
Less: cash and cash equivalents at the beginning of the year	–2 834 939	–2 057 716
Net decrease/increase in cash and cash equivalents	–861 598	777 223

5 Equity in other entities

(1) Equity in subsidiaries

(a) Structure of the Group

(i) Major subsidiaries obtained through incorporation or investment

		Type	Major business location	Place of registration	Date of incorporation	Nature of business	31 December 2019		31 December 2018	
							Direct/ indirect share-holding (%)	Voting rights (%)	Direct/ indirect share-holding (%)	Voting rights (%)
1	Saurer Intelligent Machinery Co. Ltd (note 4 (34))	Directly held	China	China	05.11.12	Manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
2	Saurer Hong Kong Machinery Co. Ltd	Indirectly held	Hong Kong, China	Hong Kong, China	25.10.12	Investment holding	80.65 %	80.65 %	80.65 %	80.65 %
3	Saurer Asia Machinery Co. Ltd	Indirectly held	Hong Kong, China	Hong Kong, China	28.02.13	Investment holding	80.65 %	80.65 %	80.65 %	80.65 %
4	Saurer (Jiangsu) Textile Machinery Co. Ltd	Indirectly held	China	China	01.04.13	Manufacturing, sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
5	Saurer Têxtil Soluções Ltda.	Indirectly held	Brazil	Brazil	08.03.13	Sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
6	SAURER AG	Indirectly held	Switzerland	Switzerland	06.03.13	Manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
7	Saurer Spinning Solutions Management GmbH	Indirectly held	Germany	Germany	21.12.12	Investment holding	80.65 %	80.65 %	80.65 %	80.65 %
8	Saurer Spinning Solutions GmbH & Co. KG	Indirectly held	Germany	Germany	27.11.12	Manufacturing, sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
9	Saurer Technologies GmbH & Co. KG	Indirectly held	Germany	Germany	14.11.17	Manufacturing, sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
10	Saurer Textile Solutions Private Ltd	Indirectly held	India	India	18.04.13	Manufacturing, sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
11	Saurer Netherlands Machinery Company B.V.	Indirectly held	Netherlands	Netherlands	22.11.12	Investment holding	80.65 %	80.65 %	80.65 %	80.65 %
12	Saurer Inc.	Indirectly held	US	US	25.03.13	Sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
13	Saurer (Shanghai) Textile Machinery Technology Co. Ltd	Indirectly held	China	China	11.04.14	Sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
14	Saurer Finance Lease Co. Ltd	Indirectly held	China	China	16.12.14	Leasing	80.65 %	80.65 %	80.65 %	80.65 %
15	Changzhou Jintan Saurer Textile Machinery Technology Co. Ltd (note 1)	Indirectly held	China	China	18.08.16	Consulting, investment and import and export business	N/A	N/A	N/A	N/A
16	Changzhou Saurer Textile Machinery Technology Co. Ltd (note 2)	Indirectly held	China	China	17.08.16	Consulting, investment and import and export business	N/A	N/A	N/A	N/A
17	Changzhou Jintan Saurer Investment Co. Ltd	Indirectly held	China	China	08.04.16	Investment holding	80.65 %	80.65 %	80.65 %	80.65 %
18	Saurer Xinjiang Intelligent Machinery Co. Ltd	Indirectly held	China	China	05.08.16	Manufacturing, sales and service of intelligent textile machinery	80.65 %	80.65 %	80.65 %	80.65 %

		Type	Major business location	Place of registration	Date of incorporation	Nature of business	31 December 2019		31 December 2018	
							Direct/ indirect share-holding (%)	Voting rights (%)	Direct/ indirect share-holding (%)	Voting rights (%)
19	Zinser Textile Machines LLP	Indirectly held	India	India	18.11.16	Manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
20	Saurer Industries AG (note 3)	Indirectly held	Switzerland	Switzerland	21.12.17	Manufacturing and sales of textile machinery	N/A	N/A	N/A	N/A
21	Saurer Technologies Management GmbH	Indirectly held	Austria	Austria	01.07.17	Investment holding	80.65 %	80.65 %	80.65 %	80.65 %
22	Saurer Intelligent Technology AG (note 4)	Indirectly held	Switzerland	Switzerland	15.05.18	Consulting, manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
23	Saurer Intelligent Machinery LLC (note 5)	Indirectly held	Uzbekistan	Uzbekistan	16.04.19	Sales and service of textile machinery	80.65 %	80.65 %	N/A	N/A

Note 1: Changzhou Jintan Saurer Textile Machinery Technology Co. Ltd was deregistered on 11 October 2018 (note 5 (1) (b)).
Note 2: Changzhou Saurer Textile Machinery Technology Co. Ltd was deregistered on 11 October 2018 (note 5 (1) (b)).
Note 3: Saurer Industries AG was deregistered on 22 November 2018.
Note 4: Saurer Intelligent Technology AG was registered in Switzerland on 15 May 2018 with a registered capital of CHF 1 000 000.
Note 5: Saurer Intelligent Machinery LLC was registered in Uzbekistan on 16 April 2019 with a registered capital of UZS 84 000 000.

(ii) Major subsidiaries obtained through acquisition involving enterprises not under common control

		Type	Major business location	Place of registration	Nature of business	31 December 2019		31 December 2018	
						Direct/indirect shareholding (%)	Voting rights (%)	Direct/indirect shareholding (%)	Voting rights (%)
1	Saurer (Changzhou) Textile Machinery Co. Ltd	Indirectly held	China	China	Manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
2	Saurer (Changzhou) Texparts Components Co. Ltd	Indirectly held	China	China	Manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
3	Saurer Czech s.r.o.	Indirectly held	Czech Republic	Czech Republic	Manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
4	Saurer Fibrevision Ltd	Indirectly held	UK	UK	Manufacturing and sales of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
5	Schlafhorst Machines LLP.	Indirectly held	India	India	Investment holding	80.65 %	80.65 %	80.65 %	80.65 %
6	Saurer México S.A. de C.V.	Indirectly held	Mexico	Mexico	Sales and services of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
7	Saurer Components Pte. Ltd	Indirectly held	Singapore	Singapore	Manufacturing of textile machinery	80.65 %	80.65 %	80.65 %	80.65 %
8	Saurer Tekstil A.S.	Indirectly held	Turkey	Turkey	Textile machinery	80.65 %	80.65 %	80.65 %	80.65 %

(b) Subsidiaries with significant non-controlling interests

Subsidiaries	Shareholding of non-controlling shareholders	Total profit or loss attributable to non-controlling shareholders for the year ended 31 December 2019	Other comprehensive income attributable to non-controlling interests for the year ended 31 December 2019	Dividends paid to non-controlling interests for the year ended 31 December 2019	Accumulated non-controlling interests as at 31 December 2019
Saurer Intelligent Machinery Co. Ltd	19.35 %	181 229	12 543	135 000	1 388 995

Subsidiaries	Shareholding of non-controlling shareholders	Total profit or loss attributable to non-controlling shareholders for the year ended 31 December 2018	Other comprehensive income attributable to non-controlling interests for the year ended 31 December 2018	Dividends paid to non-controlling interests for the year ended 31 December 2018	Accumulated non-controlling interests as at 31 December 2018
Changzhou Jintan Saurer Textile Machinery Technology Co. Ltd	49.82 %	–	–	47 887	–
Changzhou Saurer Textile Machinery Technology Co. Ltd	49.91 %	46 756	–	97 199	–
Saurer Intelligent Machinery Co. Ltd (note 4 (34))	19.35 %	–	–	–	1 334 619
		46 756	–	145 086	1 334 619

As at 31 December 2018, the total undistributed profit attributable to minority shareholders was RMB 559 million. According to the relevant laws and the Articles of Association, the AGM approved the profit distribution plan for 2018 on 29 May 2019, which is to distribute cash dividends totaling RMB 135 million (before tax) to all minority shareholders in accordance with their respective shareholding proportions, and no other forms of profit distribution shall be conducted.

Subsidiaries with significant non-controlling interests:

	31 December 2019						31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Saurer Intelligent Machinery Co. Ltd	9 356 299	4 573 520	13 929 819	5 108 893	996 459	6 105 352	11 401 133	3 889 415	15 290 548	5 201 686	3 107 784	8 309 470

	2019				2018			
	Revenue	Net profit/ loss	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit/ loss	Total comprehensive income	Cash flows from operating activities
Changzhou Jintan Saurer Textile Machinery Technology Co. Ltd	–	–	–	–	–	97 555	97 555	–
Changzhou Saurer Textile Machinery Technology Co. Ltd	–	–	–	–	–	62 449	62 449	–36 965
Saurer Intelligent Machinery Co. Ltd	8 575 309	936 291	1 001 105	3 376	9 220 759	971 396	1 046 344	–942 627

(2) Equity in joint ventures

(a) General information of significant joint ventures

Joint ventures	Major business location	Place of registration	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Saurer Premier Technologies Private Ltd	India	India	Production and sales of clearers and accessories	Yes	–	50 %

On 2 March 2015, SAURER AG, the Company's Swiss subsidiary, signed a joint venture agreement with a third-party partner to establish Saurer Premier Technologies Private Ltd in India. The registered capital was INR 30 000 000. According to the joint venture agreement, SAURER AG and its partner hold each 50 % of the shares in the joint venture and each of them hold 50 % of the voting rights. The main business of the joint venture is to produce and sell yarn clearer and its accessories. The long-term equity investment is subject to the relevant foreign exchange control of India where the investment is located.

The Group adopts the equity method to calculate the above equity investment.

On 31 December 2018, Saurer Premier Technologies Private Ltd had an excess loss with insignificant amount. It entered the liquidation procedure in the current year, and the book value of the Group's long-term equity investment was written down to zero. On 31 December 2019, the liquidation of the Company has not yet been completed.

6 Segment information

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies. The Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified two reportable segments as follows:

- Spinning Solutions (SPIN) is mainly engaged in manufacturing and sales of carding, combing, roving machines, drawframes and new textile machinery; R&D and manufacturing of spinning machines and winders; and providing related mechanical spare parts.
- Technologies (TECH) is mainly engaged in R&D, designing and manufacturing of twisting and embroidery machines; providing mechanical parts; and sales of a variety of spare parts.

Inter-segment transfer prices are measured by reference to selling prices to third parties.

The assets are allocated based on the operations of the segments and the physical location of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

(a) Segment information as at and for the year ended 31 December 2019 is as follows:

	Spinning Solutions	Technologies	Unallocated	Elimination	Total
Revenue from external customers	7 279 590	1 295 079	640	–	8 575 309
Inter-segment revenue	23 380	31 987	–	–55 367	–
Cost of sales	–5 101 985	–922 430	–247	–	–6 024 662
Credit impairment loss	–20 015	–1 153	–		–21 168
Asset impairment losses	–12 516	–7 450	–	–	–19 966
Depreciation and amortisation expenses	–163 726	–68 930	–1 942	–	–234 598
Earnings before interest and tax	1 265 585	–57 682	–212 917	–	994 986
Interest income	–	–	9 097	–	9 097
Interest expenses	–	–	–93 172	–	–93 172
Total profit	1 265 585	–57 682	–296 992	–	910 911
Income tax expenses	–	–	–120 748	–	–120 748
Net profit	1 265 585	–57 682	–417 740	–	790 163
Total assets	7 584 423	1 140 277	4 627 431	–148 160	13 203 971
Total liabilities	2 901 864	516 897	3 601 571	–148 160	6 872 172
Addition of fixed assets, construction in progress, long-term prepaid expenses and intangible assets	527 315	83 396	4 497	–	615 208

Segment information as at and for the year ended 31 December 2018 is as follows:

	Spinning Solutions	Technologies	Unallocated	Elimination	Total
Revenue from external customers	7 391 748	1 828 881	130	–	9 220 759
Inter-segment revenue	29 705	47 790	–	–77 495	–
Cost of sales	–5 168 670	–1 402 537	–	–	–6 571 207
Asset impairment losses	–33 728	–19 465	–	–	–53 193
Depreciation and amortisation expenses	–158 764	–62 098	–2 703	–	–223 565
Earnings before interest and tax	1 146 837	146 750	–47 874	–	1 245 713
Interest income	–	–	8 819	–	8 819
Interest expenses	–	–	–108 600	–	–108 600
Total profit	1 146 837	146 750	–147 655	–	1 145 932
Income tax expenses	–	–	–288 882	–	–288 882
Net profit	1 146 837	146 750	–436 537	–	857 050
Total assets	7 618 243	1 257 288	5 632 263	–92 088	14 415 706
Total liabilities	2 746 177	599 304	5 174 538	–92 088	8 427 931
Addition of fixed assets, construction in progress, long-term prepaid expenses and intangible assets	408 423	94 551	14 407	–	517 381

The Group's sales revenue from third-party customers in China and in foreign countries or geographical areas, and the total non-current assets other than financial assets and deferred tax assets located in China and in foreign countries or geographical areas are as follows:

Sales revenue from third-party customers	2019	2018
China	4 191 053	3 752 026
Germany	3 777 111	4 604 935
US	271 190	391 979
India	134 039	150 688
Switzerland	82 312	182 339
Turkey	42 686	39 431
UK	36 937	45 638
Brazil	32 300	36 545
Mexico	7 605	10 922
Singapore	76	6 256
	8 575 309	9 220 759

Total non-current assets	31 December 2019	31 December 2018
Switzerland	1 431 435	1 354 885
China	1 126 614	1 006 402
Germany	1 166 033	1 152 615
India	149 362	150 088
UK	52 653	52 335
Singapore	39 965	45 182
US	28 194	29 352
Brazil	2 730	1 672
Czech Republic	2 078	2 479
Turkey	543	724
Mexico	152	273
	3 999 759	3 796 007

In 2019, the sales revenue from the customer Litai Xingshi, assigned to Spinning Solutions, amounted to RMB 1 978 782 000, accounting for 23 % (2018: 27.5 %) of sales revenue of the Group.

In 2019, the sales revenue from a third-party customer, assigned to Spinning Solutions, amounted to RMB 962 400 000, accounting for 11.2 % (2018: Nil) of sales revenue of the Group. The Group signed a series of sales contracts and supplementary agreements with this third-party customer to supply intelligent spinning machines for a factory intended to be built. As at 31 December 2019, this customer had signed and confirmed the delivery of the relevant equipment. The customer has not yet built its new factory and lacks the necessary storage space for its equipment. The customer and the related party of the Group, Xinjiang Litai Silk Road Investment Co. Ltd (hereinafter referred to as "Litai Company") signed a custody agreement, Litai Company executed custody of relevant equipment. As at 31 December 2019, the Group had not received any payment. At the date of publication of these financial statements, the Group had received from this customer payments for a total amount of RMB 105 000 000 for goods.

7 Related parties and related party transactions

(1) Information on the controlling shareholder

(a) General information on the controlling shareholder

	Type	Place of registration	Legal representative	Nature of business
Jinsheng Industrial	Limited company	Jintan, China	Pan Xueping	Manufacturing of textile machinery

Jiangsu Jinsheng Holding Co. Ltd (formerly known as Changzhou Jintan Changsheng Investment Company) is the ultimate controller of the Company and Mr Pan Xueping is the ultimate controlling shareholder (holding 69 % equity shares) of Jiangsu Jinsheng Holding Co. Ltd.

(b) Registered capital and changes in registered capital of the controlling shareholder

	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
Jinsheng Industrial	100 000	–	–	100 000

(c) The percentages of shareholding and voting rights in the Company held by the controlling shareholder

	31 December 2019		31 December 2018	
	Percentage of shareholdings	Percentage of voting rights	Percentage of shareholdings	Percentage of voting rights
Jinsheng Industrial	46.94 %	46.94 %	46.94 %	46.94 %

(2) Information of subsidiaries

The general information and other related information on the subsidiaries are set out in note 5 (1).

(3) Information on other related parties

Name of related party	Relationship with the Group
Taicang Litai Textile Co. Ltd	Controlled by the same controlling shareholder together with the Company
Jiangsu Jin Hong Textile Co. Ltd	Controlled by the same controlling shareholder together with the Company
EMAG (China) Machinery Co. Ltd	Controlled by the same controlling shareholder together with the Company
Shanghai Huayuan Mechatronics Co. Ltd	Controlled by the same controlling shareholder together with the Company
Litai Xingshi (note)	Controlled by the same controlling shareholder together with the Company
Xinjiang Litai Silk Road Investment Co. Ltd (note)	Controlled by the same controlling shareholder together with the Company
Kuitun Litai Silk Road Investment Co. Ltd (note)	Controlled by the same controlling shareholder together with the Company
LT Textile International Limited Liability Company (note)	Controlled by the same controlling shareholder together with the Company
Maigaiti Litai Silk Road Textile Co. Ltd	Controlled by the same controlling shareholder together with the Company
Aral Litai Silk Road Investment Co. Ltd	Controlled by the same controlling shareholder together with the Company
Heberlein AG	Controlled by the same controlling shareholder together with the Company
Saurer Premier Technologies Private Ltd	Joint ventures
Chen Meifang	Close family member of the ultimate controlling shareholder
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd (former name: Jintan Huamao Jinsheng Technology Development Co. Ltd)	Controlled by a close family member of the ultimate controlling shareholder
Jintan Garden Hotel	Controlled by a close family member of the ultimate controlling shareholder

Note: Xinjiang Litai Silk Road Investment Co. Ltd, Kuitun Litai Silk Road Investment Co. Ltd and LT Textile International Limited Liability Company are subsidiaries of Litai Xingshi. The financial statements disclose Litai Xingshi and its subsidiaries as a whole.

(4) Related party transactions

(a) Pricing policy and decision-making procedure

The transaction price between the Group and related parties is based on the market price and agreed price between both parties. Lease expenses are negotiated by both parties involved in the lease and by making reference to the market price.

(b) Sales of goods and rendering of services

	2019	2018
Litai Xingshi (note)	1 978 782	2 539 675
Taicang Litai Textile Co. Ltd	58	57
Jiangsu Jin Hong Textile Co. Ltd	56	51
Changzhou Jintan Huamao Jinsheng Technology Developmpment Co. Ltd	7	–
EMAG (China) Machinery Co. Ltd	–	30
	1 978 903	2 539 813

Note: the Group sells textile equipment and spare parts to Litai Xingshi. Litai Xingshi uses the equipments and spare parts in its own production.

(c) Purchase of goods

	2019	2018
Jiangsu Jin Hong Textile Co. Ltd	107	87
Shanghai Huayuan Mechatronics Co. Ltd	6	–
	113	87

(d) Other services provided

	2019	2018
Shanghai Huayuan Mechatronics Co. Ltd	348	279
Jintan Garden Hotel	282	546
Changzhou Jintan Huamao Jinsheng Technology Development Co. Ltd	20	–
	650	825

(e) Interest expenses

	2019	2018
Interest expenses	–	71

(f) Financing

	2019	2018
Borrowing from		
Jinsheng Industrial	–	3 000
Paying back to		
Jinsheng Industrial	–	3 000

(g) Remuneration of key management

	2019	2018
Jinsheng Industrial	31 389	26 580

(h) Guarantees received and provided

As of 31 December 2019, the loan of the Group was guaranteed by related parties as follows:

Guarantee	Secured Party	Currency	31 December 2019
Jinsheng Industrial and Pan Xueping	The Company	RMB	150 000
Jinsheng Industrial	The Company	RMB	50 000
Jinsheng Industrial, Pan Xueping and Chen Meifang	The Company	RMB	95 000
Pan Xueping and Chen Meifang	The Company	RMB	100 000
Jinsheng Industrial, Pan Xueping and Chen Meifang	Saurer (Jiangsu) Textile Machinery Co. Ltd	RMB	447 157
Jinsheng Industrial, Pan Xueping and Chen Meifang	Saurer (Jiangsu) Textile Machinery Co. Ltd	EUR	4 000
Jinsheng Industrial and Pan Xueping	Saurer (Changzhou) Textile Machinery Co. Ltd	RMB	150 000
Jinsheng Industrial and Pan Xueping	Saurer (Changzhou) Textile Machinery Co. Ltd	RMB	150 000
Jinsheng Industrial, Pan Xueping and Chen Meifang	Saurer (Jiangsu) Textile Machinery Co. Ltd	RMB	147 573
Jinsheng Industrial, Pan Xueping and Chen Meifang	Saurer (Jiangsu) Textile Machinery Co. Ltd	EUR	9 974

(5) Receivables from and payables to related parties

(a) Accounts receivables

	31 December 2019	31 December 2018
Litai Xingshi	2 184 457	2 493 170
Taicang Litai Textile Co. Ltd	64	1
Jiangsu Jinhong Textile Co. Ltd	2	–
	2 184 523	2 493 171

(b) Other receivables

	31 December 2019	31 December 2018
Saurer Premier Technologies Private Ltd	–	659
Heberlein AG	–	133
Shanghai Huayuan Mechatronics Co. Ltd	–	12
	–	804

(c) Advances from customers

	31 December 2019	31 December 2018
Litai Xingshi	31 943	219 764

(d) Other payables

	31 December 2019	31 December 2018
Pan Jian	635	–
Jintan Garden Hotel	45	45
Shanghai Huayuan Mechatronics Co. Ltd	21	–
	701	45

(e) Employee benefits payables

	31 December 2019	31 December 2018
Pan Xueping	1 889	2 083

(6) Commitments in relation to related parties
As at each balance sheet date, the Group's commitments in relation to Litai Xingshi that have been contracted for but not yet performed are as follows:

Sales of goods

	31 December 2019	31 December 2018
Litai Xingshi	229 919	449 051

8 Contingencies

As at 31 December 2019 and 31 December 2018, the Group did not have significant contingencies.

9 Commitments

(1) Capital commitments
Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2019	31 December 2018
Buildings, machinery and equipment	188 434	361 119

(2) Operating lease commitments
As at the balance sheet date, the future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2019	31 December 2018
Within 1 year	80 952	76 769
1 to 2 years	65 562	48 941
2 to 3 years	27 809	40 774
Over 3 years	133 047	157 688
	307 370	324 172

10 Events after the balance sheet date

Affected by the novel coronavirus (Covid-19) pandemic and related preventive and control measures, the upstream and downstream companies of the Group have had to postpone or stop production, which is expected to cause some temporary effects on the production and operation of the Group, slowing down business development and the recovery of receivables. This may lead to corrections to the estimation of impairment of assets such as goodwill, accounts receivables and the recognition of deferred income tax assets. The extent of the impact depends on the progress and duration of pandemic prevention and control policies and their respective implementation in the different regions. The above impacts are non-adjusting events not affecting the financial statements 2019. With the global outbreak of the pandemic, the impact on the Group will increase. The Group will closely monitor and adjust production and operations in a timely manner according to the pandemic situation and market changes.

11 Financial risk

The Group's operating activities expose it to various financial risks, including market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk. The above financial risks and the risk management policies adopted by the Group to reduce these risks are as follows:

The Board of Directors is responsible for planning and establishing the Group's risk management structure, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyse the risks faced by the Group. These risk management policies have defined specific risks, including market risk, credit risk and liquidity risk. The Group regularly evaluates changes in the market environment and the Group's operating activities to determine whether to update risk management policies and systems. The risk management of the Group is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and mitigates relevant risks through close cooperation with other business units of the Group. The internal audit department of the Group conducts regular audits of risk management controls and procedures, and reports the audit results to the Group's audit committee.

(1) Market risk

(a) Foreign exchange risk

As of 31 December 2019 and 31 December 2018, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Group converted into RMB is shown below:

	31 December 2019					
	EUR	CHF	USD	RMB	Others	Total
Financial assets denominated in foreign currency						
– Cash at bank and on hand	2 626	455	6 408	200 588	15 302	225 379
– Notes receivables, accounts receivables and long-term receivables	22 525	641	265 092	80	26 493	314 831
	25 151	1 096	271 500	200 668	41 795	540 210
Financial liabilities denominated in foreign currency						
– Short-term borrowings	136 241	–	2 024	–	–	138 265
– Payables	82 257	39 664	24 529	1 424	10 621	158 495
	218 498	39 664	26 553	1 424	10 621	296 760

	31 December 2018					
	EUR	CHF	USD	RMB	Others	Total
Financial assets denominated in foreign currency						
– Cash at bank and on hand	40 051	530	13 408	148 062	14 452	216 503
– Notes receivables, accounts receivables and long-term receivables	7 505	1 727	294 587	137	22 727	326 683
	47 556	2 257	307 995	148 199	37 179	543 186
Financial liabilities denominated in foreign currency						
– Short-term borrowings	78 267	–	–	–	–	78 267
– Payables	60 125	67 386	26 330	3 203	10 307	167 351
	138 392	67 386	26 330	3 203	10 307	245 618

As of 31 December 2019 and 31 December 2018, the Group's foreign exchange risk arises mainly from the various types of financial assets and liabilities in EUR, USD and CHF.

For companies who adopt EUR as foreign currency, if the EUR had weakened or strengthened by 10 %, with all other variables held constant for the year ended 31 December 2019, the net profit of the Group would have decreased or increased by approximately RMB 19 335 000 (2018: RMB 9 084 000).

For companies who adopt CHF as foreign currency, if the CHF had weakened or strengthened by 10 %, with all other variables held constant for the year ended 31 December 2019, the net profit of the Group would have decreased or increased by approximately RMB 3 857 000 (2018: RMB 6 513 000).

For companies who adopt USD as foreign currency, if the USD had weakened or strengthened by 10%, with all other variables held constant for the year ended 31 December 2019, the net profit of the Group would have increased or decreased by approximately RMB 24 495 000 (2018: RMB 28 167 000).

For companies who adopt RMB as foreign currency, if the RMB had weakened or strengthened by 10 %, with all other variables held constant for the year ended 31 December 2019, the net profit of the Group would have increased or decreased by approximately RMB 19 924 000 (2018: RMB 14 500 000).

(b) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings including bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2019 and 31 December 2018, the Group's interest-bearing assets and borrowings classified by floating rate and fixed rate were as follows:

	31 December 2019	31 December 2018
Floating interest rate		
– Short-term borrowings	563 284	924 120
– Long-term borrowings (including current portion of long-term borrowings)	598 078	2 604 698
	1 161 362	3 528 818
Fixed interest rate		
– Short-term borrowings	1 678 016	575 214
– Long-term borrowings (including current portion of long-term borrowings)	343 548	439 439
	2 021 564	1 014 653

To mitigate the impact of interest rate fluctuations, the Group continuously assesses and monitors its exposure to interest rate risk to take measures to control relevant risks.

As at 31 December 2019, if the floating rate had strengthened/weakened by 50 points, while all other variables had been held constant, the Group's net profit for the year would have decreased/increased by approximately RMB 5 807 000 (2018: RMB 17 644 000).

(2) Credit risk

The Group's credit risk mainly arises from cash at bank, notes receivables, accounts receivables, financing receivables, other receivables, debt investments, other debt investments and financial guarantee contracts, etc., and those that have not been included in the scope of impairment assessment. Debt instrument investments and derivative financial assets at fair value through profit or loss are included in the current profit and loss statement. At the balance sheet date, the book value of the Group's financial assets represent its maximum credit risk exposure; there are no off-balance sheet financial guarantees.

The Group's cash at bank funds are mainly deposits with state-owned banks and other large and medium-sized listed banks with good reputations and high credit ratings. The Group believes that it does not have significant credit risk and there will be hardly any losses caused by bank defaults.

In addition, the Group has policies to limit the credit exposure on accounts receivables, other receivables and notes receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantees from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2019, the Group did not hold any guarantee or other credit enhancement arsing from mortgage for the debtor (2018: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and consolidated by the Group's finance department on Group level. The Group's finance department monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Except for financial liabilities held for trading that have been disclosed in note 4 (3), the financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	2 272 140	–	–	–	2 272 140
Notes payables	57 000	–	–	–	57 000
Accounts payables	1 586 229	–	–	–	1 586 229
Other payables	465 382	–	–	–	465 382
Long-term borrowings (Including: current portion of non-current liabilities)	525 985	122 511	367 213	–	1 015 709
	4 906 736	122 511	367 213	–	5 396 460

	31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	1 510 379	–	–	–	1 510 379
Notes payables	100 000	–	–	–	100 000
Accounts payables	1 447 131	–	–	–	1 447 131
Other payables	377 318	–	–	–	377 318
Long-term borrowings (Including: current portion of non-current liabilities)	632 683	1 177 079	1 513 796	–	3 323 558
	4 067 511	1 177 079	1 513 796	–	6 758 386

As at 31 December 2019 and 31 December 2018, the Group had no external financial guarantee.

12 Fair value estimates

The level at which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

(1) Financial instruments measured at fair value on recurring basis

As at 31 December 2019, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	–	6 310	–	6 310
Accounts receivables financing	–	–	7 025	7 025
	–	6 310	7 025	13 335
Financial liabilities				
Financial liabilities held for trading	–	10 478	–	10 478
	–	10 478	–	10 478

As at 31 December 2018, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL	–	4 966	–	4 966
Financial assets available-for-sale	–	–	1 100 000	1 100 000
	–	4 966	1 100 000	1 104 966
Financial liabilities				
Financial liabilities at FVPL	–	5 416	–	5 416
	–	5 416	–	5 416

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. In 2019 and 2018, there was no shift among the first, second and third level.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using a valuation technique. For the valuation of hedging instruments, the discounted cash flow method is used with significant input being the observable exchange rate; for the valuation of currency swap contracts, the discounted cash flow method is used with significant input being the observable forward exchange rate and swap rate of the related currency.

The changes in level 3 financial assets are analysed below:

Financial assets	31 December 2018	Changes in accounting policies	1 January 2019	Increase	Decrease	Transfer into level 3	Transfer out of level 3	Total gains or losses for the current period		31 December 2019	Changes in unrealised gains or losses of assets still held as of 31 December 2019 included in current profits and losses – gains and losses from changes in fair value
								Gains recognised in profit	Gains or losses recognised in other comprehensive income		
Account receivables financing											
– Notes receivables	–	113 322	113 322	400 509	–506 806	–	–	–	–	7 025	–
Financial assets held for trading											
– Breakeven floating income financial products	1 100 000	–	1 100 000	–	–1 100 253	–	–	253	–	–	–
	1 100 000	113 322	1 213 322	400 509	–1 607 059	–	–	253	–	**7 025**	–

Other current assets	1 January 2018	Increase	Decrease	Transfer into level 3	Transfer out of level 3	Total gains or losses for the current period		31 December 2018	Changes in unrealised gains or losses of assets still held as of 31 December 2019 included in current profits and losses - gains and losses from changes in fair value
						Gains recognised in profit	Gains or losses recognised in other comprehensive income		
– Breakeven floating income financial products	–	1 100 000	–	–	–	–	–	1 100 000	–

Gains or losses recognised in profit or loss are included in the income statement under the items of gains on changes in fair value, investment income, asset impairment losses and credit impairment loss respectively.

(2) Assets measured at fair value on a non-recurring basis
As at 31 December 2019 and 31 December 2018, the Group had no assets measured at fair value on a non-recurring basis.

(3) Assets and liabilities not measured at fair value but disclosed
Financial assets and liabilities measured at amortised cost mainly include receivables, short-term borrowings, payables, long-term borrowings and long-term payables. The carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

13 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the dividends payment to the owners, inject capital or dispose the assets to net off the debts.

The total capital of the Group is the total owners' equity listed in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2019 and 31 December 2018, the Group's gearing ratios are as follows:

	31 December 2019	31 December 2018
Gearing ratio	52 %	58 %

14 Notes to the Company financial statements

(1) Cash at bank and on hand

	31 December 2019	31 December 2018
Cash at bank	446 892	63
Other cash balances	10 010	–
	456 902	63

(2) Other receivables

	31 December 2019	31 December 2018
Deposit	871	871
Less: provision for bad debts	–	–
Net book value	871	871

The aging of other receivables is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	–	871
1–2 years	871	–
	871	871

As at 31 December 2019, the Company has no other receivables at stage two and stage three. As at 31 December 2019, the amount of other receivables at stage one is immaterial.

As at 31 December 2018, the Company did not make any provisions for other receivables or bad debts.

In 2018 and 2019, there is no reversal or write-off of provisions for bad debt and no writte-off for other receivables.

(3) Long-term equity investments

	31 December 2019	31 December 2018
Subsidiaries	10 452 842	10 452 842
Less: provision for impairment of long-term equity investments	–	–
Net book value	10 452 842	10 452 842

As at 31 December 2019 and 31 December 2018, the Company's directly holding subsidiary is Saurer Intelligent Machinery Co. Ltd (note 5 (1) (a)), which holds certain long-term equity investments in subsidiaries in Hong Kong and outside of China. Those long-term equity investments are subject to applicable foreign exchange control in Mainland China, Hong Kong and overseas where the investment locates.

(4) Revenue and cost of sales

	2019		2018	
	Main operating revenue	Main operating cost	Main operating revenue	Main operating cost
Sale of machinery and equipment and components	140 045	140 045	–	–

15 Supplementary information by the management

(1) Detailed list of non-recurring gain and loss

	2019	2018
Income from disposal of non-current assets	138	148
Governmental subsidy included in the current profits and losses	27 519	46 305
Paid or received payment for use of state funds recorded in current profits and losses	11 325	5 353
Estimated expenses of employee dismissals caused by plant shutdowns outside China and others	−115 480	–
Income of subsidiary disposal	–	–
Net value of other non-operating income and expense	1 031	−640
Subtotal	−75 467	51 166
Less: impact of income tax	25 360	−8 253
Less: extraordinary profit and loss attributable to minority shareholders	9 685	–
Extraordinary profit and loss attributable to parent company shareholders	−40 422	42 913

Compiling foundation of extraordinary profit and loss detailed statements

According to the regulations of "Standards For Content And Format Of Information Disclosure Of Companies Issuing Securities Publicly No. 1 — Extraordinary profit and loss [2008]" promulgated by CSRC, extraordinary profit and loss arises in various trading and issues that have no direct relation with the normal operations of a company, or that are related to normal operations but may influence reasonable judgment of the Company's operation, performance and profitability due to the special and occasional nature of such trading and issues.

(2) Net assets income and earnings per share

	Weighted average net asset income rate (%)	
	2019	2018
Net profits attributable to shareholders of the parent company	12.69 %	30.58 %
Net profits attributable to shareholders of the parent company excluding extraordinary profit and loss	13.53 %	28.96 %

	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	2019	2018	2019	2018
Net profits attributable to shareholders of the parent company	0.3218	0.4275	0.3218	0.4275
Net profits attributable to shareholder of the parent company excluding extraordinary profit and loss	0.3432	0.4049	0.3432	0.4049

10. Catalogue of documents available for inspection

Catalogue of documents available for inspection	Financial statements bearing the signatures and seals of the Company's legal representative, Chief Financial Officer and the person in charge of accounting.
Catalogue of documents available for inspection	Original of the audit report bearing the seal of PwC and the signature and seal of a certified public accountant.
Catalogue of documents available for inspection	Originals of all documents and announcements publicly disclosed by the Company in newspapers designated by the CSRC within the reporting period.

Approval and submission date of the Board of Directors:

Chairman: Pan Xueping
29 June 2020

Disclaimer

Parts of the Saurer Annual Report 2019 have been translated into English. Please note that the Chinese-language version of the Saurer Annual Report is the binding version.

Caution concerning forward-looking statements
This report contains forward-looking statements. These forward-looking statements reflect the views of the management of Saurer Intelligent Technology Co. Ltd as of the date of publication. The forward-looking statements may involve risks and uncertainties, including technological advances, product demand and market acceptance, the effect of economic conditions, the impact of competitive products and pricing, foreign currency exchange rates, changes in legal requirements, political measures and other risks. All of these forward-looking statements are based on estimates and assumptions made by the Saurer management and are believed to be reasonable, but are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements. Saurer disclaims any intention or obligation to update these forward-looking statements because of new information, future events or otherwise. It should also be noted that past performance is not a guide to future performance.

SAURER AG
Corporate Communications
Bleikenstrasse 11
9630 Wattwil
Switzerland
ir@saurer.com

Saurer Intelligent Technology Co. Ltd
Investor Relations
100 Zunyi Road
Shanghai 200051
China
dlu-china-ir@saurer.com