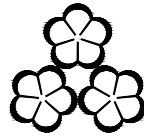


Zhejiang Sanhua Intelligent Controls Co., Ltd.

2021 Annual Report



March 2022

Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Management of Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this report shall be authentic, accurate, complete and free from material misstatement whether due to false record, misleading statement or significant omission, and they will bear both individual and joint legal liabilities.

Zhang Yabo, the Company's legal representative, Yu Yingkui, the person in charge of the accounting work, and Sheng Xiaofeng, the person in charge of accounting department (Accounting Officer) hereby declare and warrant that the financial statements in this report are authentic, accurate and complete.

All directors attended the board meeting to review this report.

This annual report involves forward-looking statements such as future plans and does not constitute the Company's substantive commitment to investors. Investors are recommended to pay attention to investment risks.

The Company describes in detail concerning the possible risks and countermeasures in Section XI “Outlook for the Future Development of the Company” under Section III “Management’s Discussion and Analysis of Operations”. Please pay particular attention to relevant contents.

The profit distribution proposal approved by the board of directors is as follows: Based on provisional 3,569,927,512 shares of capital stock as of March 18, 2022 [note], cash dividend of RMB 1.50 (including tax) will be distributed to all shareholders for every 10 shares. The Company will not distribute bonus shares or convert capital reserves to share capital.

If the total share capital of the Company changes due to the conversion of convertible bonds, share repurchase, exercise of equity incentive scheme, refinancing and listing of new shares before the implementation of the distribution plan, the total distribution amount shall be adjusted accordingly based on the principle of unchanged distribution proportion.

Note: As of March 18, 2022, the share capital of the Company was 3,591,098,972 shares, of which the number of repurchased shares is 21,171,460. According to the provisions of the *Company Law*, the shares held by the listed company through the repurchase account do not enjoy the right to participate in profit distribution or the conversion of capital reserve into share capital.

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Documents Available for Inspection

1. The 2021 annual report signed by the chairman of the board.
2. The financial report signed and sealed by the Company's legal representative, chief finance officer and person in charge of accounting department.
3. Articles of Association.
4. Original copy of all the Company's documents and announcements published on the newspapers designated by CSRC within the reporting period.
5. Other documents available for inspection.

Definitions

Items	Refers to	Definition
The Company, Company	Refers to	Zhejiang Sanhua Intelligent Controls Co., Ltd.
<i>The Articles of Associations</i>	Refers to	<i>Articles of Associations for Zhejiang Sanhua Intelligent Controls Co., Ltd.</i>
The CSRC	Refers to	China Securities Regulatory Commission
SZSE	Refers to	Shenzhen Stock Exchange
Zhejiang Securities Regulatory Bureau	Refers to	Zhejiang Securities Regulatory Bureau of China Securities Regulatory Commission
General Meeting	Refers to	General Meeting of Zhejiang Sanhua Intelligent Controls Co., Ltd.
Board of Directors	Refers to	The Board of Directors of Zhejiang Sanhua Intelligent Controls Co., Ltd.
Board of Supervisors	Refers to	The Board of Supervisors of Zhejiang Sanhua Intelligent Controls Co., Ltd.
Yuan	Refers to	RMB

Section II Corporate Profile and Key Financial Indicators

I. Corporate Information

Stock abbreviation	Sanhua Intelligent Controls	Stock code	002050
Stock Exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	浙江三花智能控制股份有限公司		
Abbr. of the Company name in Chinese (if any)	三花智控		
Name of the Company in English (if any)	ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.		
Abbr. of the Company name in English (if any)	SANHUA		
Legal representative	Zhang Yabo		
Registered Address	Xialiquan, Qixing Street, Xinchang, Zhejiang		
Post Code of Registered Address	312500		
Historical changes of the Company's registered address	N/A		
Office Address	No. 219, Woxi Avenue, Meizhu, Xinchang, Zhejiang, China		
Post Code of Office Address	312532		
Website	http://www.zjshc.com		
E-mail	shc@zjshc.com		

II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Hu Kaicheng	Wang Yutong
Address	No. 12 Baiyang Street, Qiantang New District, Hangzhou, Zhejiang, China	No. 219, Woxi Avenue, Meizhu, Xinchang County, Zhejiang, China.
Tel.	0571-28020008	0575-86255360
Fax	0571-28876605	0575-86563888-8288
E-mail	shc@zjshc.com	shc@zjshc.com

III. Information Disclosure and Place of the Report

The website of the stock exchange where the Company discloses the annual report	Shenzhen Stock Exchange : http://www.szse.cn
Media and website designated by the Company for release of the Annual Report	<i>China Securities Journal, Securities Times</i> CNINFO (http://www.cninfo.com.cn)
Place where the Annual Report is available for inspection	Office of the Board of Directors of the Company

IV. Company Registration and Alteration

Organization code	913300006096907427
Changes in principle business activities since the Company was listed (if any)	No change
Changes of controlling shareholders of the Company (if any)	No change

V. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Pan-China Certified Public Accountants LLP
Business address of the accounting firm	Building B, China Resources Building, 1366 Qianjiang Road, Shangcheng District, Hangzhou City, Zhejiang Province, China
Name of accountants for writing signature	Luo Xunchao, Zhang Xin

Sponsor institution engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable Not applicable

Name of sponsor institution	Office address	Name of sponsor representative	Supervision period
Zheshang Securities Co., Ltd	No. 201, Wuxing Road, Hangzhou, Zhejiang	Wang Yiming, Pan Xun	June 30, 2021 to December 31, 2022

Financial advisor engaged by the Company to perform the duties of continuous supervision during the reporting period

Applicable Not applicable

VI. Key Accounting Data and Financial Indicators

Whether the Company performed a retrospective adjustment or restatement of previous accounting data

Yes No

	2021	2020	YoY Change (%)	2019
Operating Revenue (RMB)	16,020,809,805.52	12,109,833,368.44	32.30%	11,287,489,442.23

Net Profit Attributable to Shareholders of the Listed Company (RMB)	1,684,044,407.47	1,462,158,821.57	15.18%	1,421,204,236.13
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	1,487,491,274.21	1,270,609,746.53	17.07%	1,351,335,040.19
Net Cash Flow Generated by Operational Activities (RMB)	1,555,819,103.29	2,087,343,783.11	-25.46%	1,900,163,604.60
Basic Earnings per Share (RMB/Share)	0.47	0.41	14.63%	0.40
Diluted Earnings per Share (RMB/Share)	0.47	0.41	14.63%	0.40
Weighted Average ROE	15.98%	15.04%	0.94%	16.08%
	At the End of 2021	At the End of 2020	YoY Change (%)	At the End of 2019
Total Assets (RMB)	23,619,966,759.91	17,032,530,730.18	38.68%	14,790,190,170.64
Net Assets Attributable to Shareholders of the Listed Company (RMB)	11,150,308,271.43	10,064,794,519.57	10.79%	9,291,632,928.45

The Company's net profit before and after deducting non-recurring profit and loss in the last three fiscal years, whichever is lower, is negative and the audit report of the last year shows that the Company's ability to continue as a going concern is uncertain

Yes No

The lower of the net profit before and after deducting the non-recurring profit and loss is negative

Yes No

VII. Differences in Accounting Data between Domestic and Overseas Accounting Standards

1. Difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards and China Accounting Standards

Applicable Not applicable

There is no difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards (IFRS) and China Accounting Standards in the reporting period.

2. Difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards

Applicable Not applicable

There is no difference in the financial report of net profits and net assets according to the disclosure of Overseas

Accounting Standards and China Accounting Standards in the reporting period.

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total revenue	3,408,216,862.74	4,265,864,898.95	4,045,798,609.62	4,300,929,434.21
Net profit attributable to shareholders of the Company	360,076,304.91	463,804,916.79	469,290,292.27	390,872,893.50
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	321,171,217.99	398,600,437.79	446,694,527.91	321,025,090.52
Net cash flows from operating activities	189,951,485.75	635,265,137.51	335,389,549.66	395,212,930.37

Whether there is significant difference between the above individual or aggregate financial indicators and that of what disclosed in the quarterly report, half-year report

Yes No

IX. Items and Amounts of Non-recurring Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2021	2020	2019	Note
Profit or loss from disposal of non-current assets (including the write-off for the impairment provision of assets)	-7,164,158.61	-14,770,607.27	-6,087,268.05	
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous application according to the state industrial policy.)	101,910,018.36	134,101,082.00	86,311,151.49	
Capital occupation fees charged to non-financial enterprises included in current profits and losses			61,191.86	
Profits and losses attributed to change in fair value for held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and	123,439,358.54	91,394,679.61	563,966.95	In order to avoid the price risk of raw materials and prevent exchange

<p>derivative financial liabilities; and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, excluding the effective hedging business related to the regular business operation of the Company.</p>				<p>rate risk, the Company and its subsidiaries have carried out derivatives business, including futures contracts and foreign exchange forward contracts. In 2021, the futures income was 31.4482 million yuan and the foreign exchange income was 91.9912 million yuan. In 2020, the futures income was 36.3784 million yuan and the foreign exchange income was 55.0162 million yuan. Meanwhile, the exchange loss was 95.9901 million yuan in 2021 and 112.6759 million yuan in 2020. According to the <i>No. 1 explanatory announcement on information disclosure of public companies- Non-recurring gains and losses</i>, exchange gains and losses are recurring gains and losses, and Futures and forward gains and losses are non-recurring gains and losses.</p>
Other non-operating income and	-3,359,134.55	620,065.25	5,445,213.46	

expenditures except the items mentioned above				
Other gains and losses items that fit the definition of non-recurring gains and losses	765,674.33	1,246,912.65	92,329.55	
Less: Impact of income tax	17,841,108.54	19,272,109.42	13,966,646.08	
Impact of the minority interests (after tax)	1,197,516.27	1,770,947.78	2,550,743.24	
Total	196,553,133.26	191,549,075.04	69,869,195.94	--

Details of other gains and losses items that meet the definition of non-recurring gains and losses:

Applicable Not applicable

The reasons for the non-recurring gains and losses items defined or listed in the *Explanatory Announcement No. 1 of Information Disclosure of Listed Companies – Non-recurring Gains and Losses* are defined as recurring gains and losses items

Applicable Not applicable

In the reporting period, the Company did not define any non-recurring gains and losses items defined and listed in the *Explanatory Announcement No. 1 of Information Disclosure of Listed Companies – Non-recurring Gains and Losses*, as recurring gains and losses items.

Section III Management's Discussion and Analysis of Operations

I. Industry of the Company during the reporting period

The Company shall comply with the disclosure requirements of automobile manufacturing related industries listed in the *No.3 Guidelines for Self-discipline Supervision of Public Companies of Shenzhen Stock Exchange - Industry Information Disclosure*.

1. Industry development

(1) Refrigeration and air conditioning electrical components industry

China is the largest manufacturing base of A/C and refrigerators in the world, and its production and sales volume ranks first globally. In line with the trend of environmental protection in the world, energy-saving inverter and intelligent technology have become the trend, which puts forward a series of new requirements for the market of control components, and also brings new development opportunities. As a leading enterprise in the refrigeration control components industry, the Company will follow the trend, firmly seize this opportunity and develop steadily.

(2) Automotive components industry

The global automobile industry has been developing rapidly, which also drives the market demand of automotive thermal management products to continue to grow substantially. In recent years, the development of new energy vehicles has become a certain trend, which puts forward higher and more updated requirements for thermal management products no matter in hybrid, pure electric or hydrogen energy vehicles. The Company is positioned in the field of new energy vehicle thermal management system, gradually expands from components to module and subsystems, and has become the supplier of Valeo, Volkswagen, Mercedes Benz, BMW, Volvo, Toyota, GM, Geely, BYD, SAIC, NIO and other cooperative partners.

2. Industry status

The Company is the world's largest manufacturer of refrigeration control components and the world's leading manufacturer of automotive thermal management system control components. "Sanhua" refrigeration intelligent control components have become a world-famous brand, and a strategic partner of many automobile enterprises and air-conditioning refrigeration appliance manufacturers in the world. After more than 30 years of development, the Company has established a leading position in the global market of refrigeration and automotive thermal management. The market share of the Company's Electronic Expansion Valve, Four-way Reversing Valve, Solenoid Valve, Microchannel Heat Exchanger, Automotive Electronic Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Omega Pump ranks first globally. The market share of the Company's Service Valve, Vehicle Thermal Expansion Valve and Receiver Drier is in the leading position in the world.

II. The Principal Business of the Company during the Reporting Period

The Company shall comply with the disclosure requirements of automobile manufacturing related industries listed

in the No.3 Guidelines for Self-discipline Supervision of Public Companies of Shenzhen Stock Exchange - Industry Information Disclosure.

The Company adheres to the "Focus on Leading, Innovation, and Transcendence" business path, concentrating on the research and application of heat pump technology and thermal management system products, focusing on the development of environmental thermal management solutions for heat exchange and temperature intelligent control. According to the different stages and characteristics of strategic business and their development, the Company's business is mainly divided into refrigeration and air conditioning electrical components business and automotive components business. Refrigeration and air conditioning electrical parts business is committed to the professional operation of building HVAC and electrical equipment. Its main products include Four-way Reversing Valve, Electronic Expansion Valve, Solenoid Valve, Microchannel Heat Exchanger, Omega Pump, etc., which are widely used in A/C, refrigerator, cold chain logistics, dishwasher and other fields. The automotive components business focuses on in-depth research in the field of automotive thermal management. Its main products include Thermal Expansion Valve, Electronic Expansion Valve, Electronic Water Pump, and Thermal Management Integrated Module for new energy vehicle, etc., which are widely used in both new energy vehicles and traditional fuel vehicles.

During the reporting period, the Company's main business and its business model have not changed.

Manufacturing, production and operation of vehicles during the reporting period

Applicable Not applicable

Manufacturing, production and operation of vehicle components during the reporting period

Applicable Not applicable

	Production output			Sales volume		
	2021	2020	YoY Change (%)	2021	2020	YoY Change (%)
Classified by Components and Parts (Unit: million PCs)						
New energy vehicle thermal management products	19.4666	7.7423	151.43%	18.8118	7.0355	167.39%
Traditional fuel vehicle thermal management products	109.1905	85.3787	27.89%	108.2491	84.6391	27.89%
Classified by Regions (Unit: million PCs)						
Domestic	84.2232	56.8080	48.26%	83.1957	55.9441	48.71%
Overseas	44.4339	36.3129	22.36%	43.8652	35.7305	22.77%

Explanation on why the related data varied by more than 30% on a YOY basis

Applicable Not applicable

This is mainly due to the continuous upsurge of the new energy vehicle market, which drives the rapid growth of the production and sales of new energy vehicle thermal management products.

Sale model of vehicle components

The Company's customers are mainly domestic and foreign vehicle manufacturers and tier 1 suppliers. The sale mode is mainly direct sale.

Whether the Company carries out auto finance business

Applicable Not applicable

Whether the Company carries out business related to new energy vehicles

Applicable Not applicable

Production and operation of new energy vehicles parts

Unit: million PCs

Product category	Production capacity	Production volume	Sales volume	Revenue (RMB)
New energy vehicle thermal management products	26.00	19.4666	18.8118	4,003,834,979.86

Subsidy income of new energy vehicles

Not applicable

III. Core Competitiveness Analysis

The Company shall comply with the disclosure requirements of automobile manufacturing related industries listed in the *No.3 Guidelines for Self-discipline Supervision of Public Companies of Shenzhen Stock Exchange - Industry Information Disclosure*.

1. Clear strategic layout

The Company adheres to the "Focus on Leading, Innovation, and Transcendence" business path, takes the research and application of heat pump technology and thermal management system products as the core, firmly grasps the development theme of energy conservation, environmental protection and intelligent control, upgrades from "mechanical parts development" to "system control technology solution development of electronic control integration". The Company's products series are expanded from household A/C and refrigerator components to the field of commercial A/C and commercial refrigeration, and extending to the direction of inverter control technology and system integration and upgrading. Meanwhile, after the injection of automotive business, it gives full play to the synergy effect with the original business, continues to deepen the research and development of new energy vehicle thermal management system components, and actively explores the deeper application of thermal management components and subsystems in the automotive field, so as to provide global customers with competitive environmental intelligent control solutions.

2. Technology leading, customer oriented

As a national high-tech enterprise, the Company has always adhered to the technological route of independent development and innovation. For decades, it has focused on the field of intelligent control and vigorously cultivated core technologies with independent intellectual property rights. It has been authorized with 2,802 patents both domestic and abroad, including 1,366 invention patents. All products, services and quality of the

Company take meeting the needs of customers as the first priority.

3. Quality assurance, scale economy effect

The Company's products cover refrigeration A/C electrical components and automotive components industry. The market share of the Company's Electronic Expansion Valve, Four-way Reversing Valve, Solenoid Valve, Microchannel Heat Exchanger, Automotive Electronic Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Omega Pump ranks first globally. The market share of Service Valve, Vehicle Thermal Expansion Valve and Receiver Drier is in the leading position in the world. The Company has established a complete and strict quality assurance system, achieved ISO9001, IATF16949, QC080000 quality system certification. The Company won the National Quality Award, Zhejiang Quality Award, and won the high comments from JCI, Daikin, Carrier, Midea, Gree, Haier, Toyota, Benz, Volkswagen, Valeo and other well-known enterprises at home and abroad.

4. Advantages of global marketing network and production base

Since the 1990s, the Company has focused on expanding the international market, and has established overseas subsidiaries in Japan, South Korea, Singapore, the United States, Mexico, Germany and other places to build a global marketing network. At the same time, it has established overseas production bases in the United States, Poland, Mexico, Vietnam, India and other places, and gradually it has ability to cope with globalization. And in practice, we have trained a number of management talents who can meet the needs of business development in different countries and regions.

IV. Main Business Analysis

1. Overview

In 2021, under the background of the continuous impact of the overseas epidemic, the sharp rise in international shipping prices, the continuous rise in the price of bulk raw materials, the appreciation of the RMB exchange rate against the US dollar and other factors, the challenges of economic development are unprecedented. However, in the medium and long term, the upgrading of industrial structure, consumption diversification, the guidance of national policies on the development of green and intelligent industries and the upgrading of product standards in the household appliance industry will bring new opportunities and growth engine. Specific to the industry in which the Company operates, the refrigeration and air conditioning electrical parts business is driven by the upgrading of household appliance consumption concept, and it still maintains sustained and stable growth. The automotive parts business has driven the rapid growth of performance due to the upsurge of the new energy vehicle market.

During the reporting period, the total revenue is RMB 16.02 billion, a year-on-year increase of 32.30%; the net income is RMB 1.99 billion, a year-on-year increase of 16.74%; the net profit attributable to shareholders of the listed Company is RMB 1.68 billion, a year-on-year increase of 15.18%. The revenue of refrigeration and air conditioning electrical components business is RMB 11.22 billion, a year-on-year increase of 16.36%; the revenue of automotive components business is RMB 4.80 billion, a year-on-year increase of 94.50%.

1. Focus on operation and deepen industrial layout

(1). Refrigeration and air conditioning electrical components business

The refrigeration and air conditioning electrical parts business seizes the development opportunities of energy efficiency upgrading, refrigerant switching, consumption upgrading, VRF and other related business products, continue to expand customers, strengthen the acquisition and transformation of business opportunities, and improve product sales. At the same time, it actively expands to kitchen electrical parts, further broaden the Company's potential development fields, and continuously improve its sustainable profitability and market competitiveness. Relying on the increasing of domestic dishwasher penetration rate and the transformation of internal supply chain, Aweco business has achieved continuous positive profitability in 2021. After the relocation of the new plant in Sanhua, Vietnam, it has been recognized by important customers in the United States, and the cost of some products has been lower than that in China. In addition, the construction of the plant in Daming city will be accelerated, which lays a solid foundation for the development of commercial fields brought by the consumption upgrading and industrial upgrading of the Chinese market in the future.

(2). Automotive components business

The automotive components business adheres to positioning strategic customers, orderly promotes the production line construction of the Mexican factory and Shaoxing Binhai factory, so as to meet the increasing capacity requirements of customers. By the end of 2021, all the projects from raised funds investment have been tested and put into operation. On the premise of meeting the projects promotion of current customers, the Company actively develops competitive products and techniques. During the reporting period, the Company continued to expand new customers and achieved comprehensive business cooperation with domestic emerging vehicle makers, traditional fuel vehicle makers and joint venture vehicle enterprises, which laid the foundation for the subsequent sustained rapid growth. In terms of internal management, take first-class enterprises as benchmarks, sort out and establish a global quality management system, and improve the quality management of factories at home and abroad. Under the challenge of rising raw material prices and freight charges, we will spare no effort to promote the cost reduction and efficiency increase of all employees, and gradually promote the linkage of product prices with downstream customers.

2. Continue to promote investment and construction, and improve the profitability of the Company

The Company's convertible bonds were listed and traded in Shenzhen Stock Exchange on June 30, 2021, raising RMB 3 billion, which is mainly used for "Construction project of 65 million sets of commercial refrigeration and air conditioning intelligent control components per year" and "Technical transformation project of 50.5 million sets of high-efficiency and energy-saving refrigeration and air conditioning control components per year". The implementation of these projects will help promote the development of the Company's products towards a more efficient and energy-saving direction, further improve the Company's business scale and competitive advantage, optimize the business structure, improve the Company's sustainable profitability, and lay a foundation for the Company to achieve the medium and long-term strategic development goals.

3. Strengthen the creation of product strength and improve the patent layout of strategic products

During the reporting period, the Company invested 751 million yuan in R & D, an increase of 44.9% year-on-year. This continuous R & D investment was used to build the product strength. And the Company participated in market competition with new products and new technologies through continuous optimization iteration. In terms of patent layout, we will continue to implement "high-quality patents and high-value patents" through specialized promotion of the patent layout of key products. By the end of the report period, 2,802 patents have been authorized at home and abroad, including 1,366 invention patents.

4. Pay attention to the construction of talent team and establish sustained and long-term incentive mechanism

The Company continued to deepen the work of "strengthening the talents, streamlining and high efficiency", promote each business unit to optimize the talent development and elimination mechanism, and comprehensively apply the results of talent review. At the same time, during the reporting period, the Company carried out Scientific and Technological Achievement Award and Operation and Management Achievement Award, encouraged outstanding talents to create greater value in the future, and further established and improved the Company's long-term incentive mechanism.

5. Attach great importance to the maintenance of investor relations, strengthen the awareness of service and return to shareholders

During the reporting period, in order to safeguard the interests of shareholders and enhance the confidence of investors, the Company carried out share repurchase with its own funds to protect the long-term interests of the Company and shareholders. Meanwhile, the Company strengthened and improved the construction of internal control system, standardized the operation of the three committees, improved the Company's information disclosure, investor relationship management and other aspects. And ensured smooth communication between investors and listed company through interactive platform, investor call answering, on-site reception and other means.

2. Operating incomes and operating costs

(1) Operating income structure

Unit: RMB

	2021		2020		YoY Change (%)
	Amount	Proportion to operating revenue	Amount	Proportion to operating revenue	
Total Revenue	16,020,809,805.52	100%	12,109,833,368.44	100%	32.30%
Classified by Industry					
General Equipment Manufacturing Industry	16,020,809,805.52	100.00%	12,109,833,368.44	100.00%	32.30%
Classified by Products					
Refrigeration A/C Electrical Components	11,218,320,924.79	70.02%	9,640,647,193.31	79.61%	16.36%
Automotive Components	4,802,488,880.73	29.98%	2,469,186,175.13	20.39%	94.50%
Classified by Region					
Domestic	8,112,471,456.27	50.64%	5,864,589,812.78	48.43%	38.33%
Overseas	7,908,338,349.25	49.36%	6,245,243,555.66	51.57%	26.63%
Classified by Sales Model					

Direct Sale	16,020,809,805.52	100.00%	12,109,833,368.44	100.00%	32.30%
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(2) Industries, products, regions or sale models accounting for more than 10% of the Company's operating income or operating profit

Applicable Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross margin	YoY Change (%) of operating income	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Classified by Industry						
General Equipment Manufacturing Industry	16,020,809,805.52	11,907,350,969.11	25.68%	32.30%	36.27%	-2.16%
Classified by Products						
Refrigeration A/C Electrical Components	11,218,320,924.79	8,250,209,698.67	26.46%	16.36%	18.84%	-1.53%
Automotive Components	4,802,488,880.73	3,657,141,270.44	23.85%	94.50%	103.63%	-3.41%
Classified by Region						
Domestic	8,112,471,456.27	6,153,997,773.09	24.14%	38.33%	41.95%	-1.93%
Overseas	7,908,338,349.25	5,753,353,196.02	27.25%	26.63%	30.68%	-2.25%
Classified by Sales Model						
Direct Sale	16,020,809,805.52	11,907,350,969.11	25.68%	32.30%	36.27%	-2.16%

Adjusted statistics of principal business are based on the caliber at the end of the reporting period of last year, if the statistics caliber of principal business has been changed during the reporting period

Applicable Not applicable

(3) If revenue from physical products sales greater than revenue from providing services

Yes No

Industry	Item	Unit	2021	2020	YoY Change (%)
General	Sales	Yuan	16,020,809,805.52	12,109,833,368.44	32.30%

Equipment Manufacturing Industry	Production	Yuan	17,250,026,781.56	12,170,122,424.44	41.74%
	Inventory	Yuan	3,718,213,579.16	2,402,338,998.74	54.77%

Explanation on why the related data varied by more than 30% on a YOY basis

Applicable Not applicable

It is mainly due to the increase of production and inventories in warehouse driven by the growth of sales.

(4) Fulfillment of signed significant sales and procurement contracts by the reporting period

Applicable Not applicable

(5) Operating cost structure

Classification based on industry and products

Unit: RMB

Industry	Item	2021		2020		YoY Change (%)
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
General Equipment Manufacturing Industry	Material	8,798,731,493.26	73.89%	6,445,946,206.35	73.77%	36.50%
General Equipment Manufacturing Industry	Labor	1,645,068,024.73	13.82%	1,274,879,076.04	14.59%	29.04%
General Equipment Manufacturing Industry	Depreciation	344,128,341.18	2.89%	254,799,059.70	2.92%	35.06%
General Equipment Manufacturing Industry	Freight	514,826,171.07	4.32%	284,652,271.01	3.26%	80.86%
General Equipment Manufacturing Industry	Energy Source	264,446,475.24	2.22%	188,350,845.76	2.16%	40.40%
General Equipment Manufacturing Industry	Other	340,150,463.63	2.86%	289,593,579.50	3.30%	17.46%

Unit: RMB

Product	Item	2021		2020		YoY Change (%)
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Refrigeration A/C Electrical Components	Material	6,057,972,672. 72	50.88%	5,186,890,211. 38	59.36%	16.79%
Refrigeration A/C Electrical Components	Labor	1,229,719,787. 71	10.33%	1,059,871,851. 73	12.13%	16.03%
Refrigeration A/C Electrical Components	Depreciation	241,554,717.50	2.03%	201,479,294.12	2.31%	19.89%
Refrigeration A/C Electrical Components	Freight	381,394,362.19	3.20%	224,442,230.91	2.57%	69.93%
Refrigeration A/C Electrical Components	Energy Source	170,046,647.87	1.43%	140,848,963.04	1.61%	20.73%
Refrigeration A/C Electrical Components	Other	169,521,510.68	1.42%	128,686,216.03	1.47%	31.73%
Automotive Components	Material	2,740,758,820. 54	23.02%	1,259,055,994. 97	14.41%	117.68%
Automotive Components	Labor	415,348,237.02	3.49%	215,007,224.31	2.46%	93.18%
Automotive Components	Depreciation	102,573,623.68	0.86%	53,319,765.58	0.61%	92.37%
Automotive Components	Freight	133,431,808.88	1.12%	60,210,040.10	0.69%	121.61%
Automotive Components	Energy Source	94,399,827.37	0.79%	47,501,882.72	0.54%	98.73%
Automotive Components	Other	170,628,952.95	1.43%	160,907,363.47	1.84%	6.04%

(6) Any change in consolidation scope during the reporting period√Yes No

(I). Business combination under different control

1. Business combination under different control in this reporting period

(1) Basic information

Name of the acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition	Equity acquisition method
Zhejiang Sanhua Plate Exchange Technology Co., Ltd	2021-12-14	RMB 28.00 million	70%	Equity transfer agreement

(Continued)

Name of the acquiree	Date of equity acquisition	Determination basis of purchase date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
Zhejiang Sanhua Plate Exchange Technology Co., Ltd	2021-12-14	Complete the equity transfer and make payment	0.00	0.00

(2) Other instructions

In December 2021, the Company acquired 70% equity of Zhejiang Sanhua Plate Exchange Technology Co., Ltd. (hereinafter referred to as Sanhua Plate Exchange) from Su Jun. The pricing of this equity transaction is based on the assessed value, the basic transfer price is 28 million yuan, and the assessment payment of consideration is 7 million yuan.

If the net profit of the Sanhua Plate Exchange in 2022 realize 6.4 million yuan, the Company will pay another 3.5 million yuan. Otherwise, the Company will not need to pay any more. If the net profit of Sanhua Plate Exchange in 2023 realize 8 million yuan, the Company will pay another 3.5 million yuan. Otherwise, the Company will not need to pay any more.

According to the profit forecast data and the judgment of the Company's management, it is difficult for Sanhua Plate Exchange to achieve the assessment net profit, and the assessment payment of consideration is estimated at zero yuan.

2. Cost of M&A and goodwill

Items	Amount
Cost of M&A	28,000,000.00
Cash	28,000,000.00
Less: fair value of identifiable net assets obtained	20,408,169.39
Goodwill	7,591,830.61

3. Identifiable assets and liabilities of the acquiree on the acquisition date

(1) Details

Item	Sanhua Plate Exchange	
	Fair value on the purchase date	Book value on purchase date
Assets	41,750,357.62	25,060,423.80
Accounts receivable	2,456,829.86	2,456,829.86
Inventory	7,730,397.40	7,730,397.40
Other current assets	1,769,614.51	1,769,614.51
Fixed assets	6,672,716.01	4,214,515.28

Assets with right of use	4,019,018.35	4,019,018.35
Intangible assets	12,917,600.00	
Long term deferred expenses	6,068,825.10	4,754,692.01
Deferred tax assets	115,356.39	115,356.39
Liabilities	12,595,829.92	10,092,339.85
Accounts payable	5,547,165.87	5,547,165.87
Salary payable	526,155.63	526,155.63
Lease liabilities	4,019,018.35	4,019,018.35
Deferred tax liability	2,503,490.07	
Net assets	29,154,527.70	14,968,083.95
Less: Minority interests	8,746,358.31	4,490,425.19
Net assets acquired	20,408,169.39	10,477,658.76

(2) Determination method of fair value of identifiable assets and liabilities

The fair value of identifiable assets and liabilities of Sanhua Plate Exchange is determined at the assessed value.

(II). Changes in consolidation scope due to other reasons

Name of subsidiaries	Equity acquisition method	Date of equity acquisition	Actual contribution at the end of the period	Proportion of capital contribution
Zhejiang Sanhua Automotive Components Trading Co., Ltd	New investment	2021-08-31	0.00	100%
Zhejiang Sanhua Heat Exchanger Co., Ltd	New investment	2021-12-13	0.00	100%

(7) Significant change or adjustment of the Company's business, products or services during the reporting period:

Applicable Not applicable

(8) Major customers and suppliers:

Major customers of the Company

Sales to top five customers (RMB)	5,603,027,061.52
Total sales to top five customers as a percentage of the total sales for the year (%)	34.98%
Total sales to the related parties in top five customers as a percentage of the total sales of the year (%)	0.00%

Information on top five customers

No.	Name of Customer	Sales Amount (RMB)	Percentage of total sales for the year
1	First	1,799,438,899.34	11.23%

2	Second	1,061,623,336.82	6.63%
3	Third	1,060,089,878.28	6.62%
4	Fourth	1,023,667,724.20	6.39%
5	Fifth	658,207,222.88	4.11%
Total	--	5,603,027,061.52	34.98%

Other information of major customers

Applicable Not applicable

Major suppliers of the Company

Total purchases from top five suppliers (RMB)	1,460,941,015.24
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	14.80%
Total purchases from the related parties in the top five suppliers as a percentage of the total purchases for the year (%)	0.00%

Information on top five suppliers of the Company

No.	Name of Supplier	Purchase Amount (RMB)	Percentage of total purchase for the year
1	First	565,773,118.04	5.73%
2	Second	329,541,125.17	3.34%
3	Third	251,506,989.10	2.55%
4	Fourth	157,097,558.68	1.59%
5	Fifth	157,022,224.25	1.59%
Total	--	1,460,941,015.24	14.80%

Other information on major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2021	2020	YoY Change (%)	Note of significant change
Sales expenses	449,226,532.55	365,125,043.08	23.03%	It is mainly due to the increase of employees' salary, storage and handling fee, etc
Administrative expenses	875,802,861.33	764,084,428.88	14.62%	
Financial expenses	84,108,848.11	128,860,093.64	-34.73%	Mainly due to the increase of interest income
R&D expenses	751,138,559.24	518,401,363.63	44.90%	It is mainly due to the increase of

				employees' salary, material and power cost, mold manufacturing cost, etc
--	--	--	--	--

4. R&D Investment

√Applicable □Not applicable

Name of main R & D projects	Project purpose	Progress of the project	Objectives to be achieved	Expected impact on the future development of the Company
High Power Coolant Pump Development	Development of high power coolant pumps (high power level)	Completed	Development of high power coolant pumps to cover market demand	To extend portfolio of coolant pumps, enhance its competitiveness and increase more market share
Valve Position Control Development	Development of position control for automotive refrigerant valves and coolant valves	Completed	Achieve low-cost and high-precision position control for valves	To improve product competitiveness, meet customer demands and increase market share
Development of Heat Pump Module with Integrated Control of Valves and Sensors	Development of heat pump modules based on valves integration	Ongoing	Improve productivity and increase product reliability	To expand thermal management system market in the new energy vehicles to achieve new market growth of heat pump modules
New Integrated Module Development and System Application Research	Development of new heat pump module	Completed	Extend system operation temperature to extreme low end and reduce the energy consumption of air conditioning system	To enrich product diversity of new energy vehicle thermal management systems and expand market opportunities
CO2 Refrigerant Valve Development	Development of key components for new energy vehicle thermal management systems	Completed	Enhance product competitiveness	To expand CO2 refrigerant product market in the new energy vehicles
Develop E-type electronic expansion valve	Develop standardized platform for EEV products	Completed	Realize noise optimization	To enrich the product lines; enhance the product competitiveness applicable to refrigerating AC area; raise the market sharing
Develop Q05-type gas proportional valve	Develop new products applied in kitchen appliances	Completed	Realize the product miniaturization; improve the performance of voltage stabilization	Explore the new growth point of kitchen appliance market
Aluminium wire	Develop a new type of	Completed	Realize the application of new	Improve product cost

and chain pole motor development	motor for washing heating pumps, enrich the types of heating pumps and meet the demands of different customers		materials and new technologies	competitiveness and market share
New Pressure Controller Development	Enhance the market competitiveness of Pressure Controller	Completed	Develop competitive Pressure Control Valve	Enhance the market competitiveness of Pressure Controller, expand the Company's market share
Head Pressure Control Valve Development	New development of Head Pressure Control Valve product line	Ongoing	Develop competitive Head Pressure Control Valve with high reliability	Enrich the company's product line, expand the company's market share
Automotive Eletromagnet Switch Development	Expand product line in automotive field	Completed	Improve the reliability of Automotive Eletromagnet	Improve the company's business engagement with strategic customers
Development of low cost and high efficient microchannel evaporator for IDC	Develop microchannel evaporator for computer room and indirect evaporative cooling air conditioner	Ongoing	Improve capacity and water drainage performance, realize the MCHE evaporator application for IDC	Explore new growth of IDC evaporator

R & D personnel of the Company

	2021	2020	Change proportion
Number of R & D personnel (person)	1,890	1,576	19.92%
Proportion of R & D personnel	13.05%	12.06%	0.99%
Academic structure of R & D personnel	—	—	—
Junior college and below	466	425	9.65%
Bachelor degree	1,104	878	25.74%
Master degree and above	320	273	17.22%
Age composition of R & D personnel	—	—	—
Under the age of 30	748	525	42.48%
Age between 30 and 40	821	761	7.88%
Over the age of 40	321	290	10.69%

R & D investment of the Company

	2021	2020	YoY Change (%)
Amount of R&D expenses	751,138,559.24	518,401,363.63	44.90%

(RMB)			
R&D investment as a percentage of operating income	4.69%	4.28%	0.41%
Capitalized R&D expenses (RMB)	0.00	0.00	0.00%
Capitalized R&D expenses as a percentage of R&D expenses	0.00%	0.00%	0.00%

Reasons and effects of major changes in the composition of R & D personnel of the company

Applicable Not applicable

Reason of significant change of total R&D expenses as a percentage of total revenue compared to last year

Applicable Not applicable

Reason and explanation of its reasonableness of significant change of the capitalized R&D expenses

Applicable Not applicable

5. Cash flow

Unit: RMB

Items	2021	2020	YoY Change (%)
Subtotal of cash inflows from operating activities	16,425,564,998.54	12,367,638,678.57	32.81%
Subtotal of cash outflows from operating activities	14,869,745,895.25	10,280,294,895.46	44.64%
Net cash flows from operating activities	1,555,819,103.29	2,087,343,783.11	-25.46%
Subtotal of cash inflows from investing activities	805,822,215.02	644,636,918.39	25.00%
Subtotal of cash outflows from investing activities	5,855,480,452.10	1,439,811,450.15	306.68%
Net cash flows from investing activities	-5,049,658,237.08	-795,174,531.76	-535.04%
Subtotal of cash inflows from financing activities	4,431,276,476.92	2,163,516,795.02	104.82%
Subtotal of cash outflows from financing activities	1,607,793,271.80	2,559,032,808.73	-37.17%
Net cash flows from financing activities	2,823,483,205.12	-395,516,013.71	813.87%
Net increase in cash and cash equivalents	-710,141,813.45	846,361,023.53	-183.91%

Explanation of why the related data varied significantly on a YoY basis

Applicable Not applicable

1. The net cash flow from investing activities decreased by 535.04%, mainly due to the purchase of large certificates of deposit.
2. The net cash flow from financing activities increased by 813.87%, mainly due to the issuance of convertible bonds.
3. The cash and cash equivalents decreased by 183.91%, mainly due to the purchase of large certificates of deposit.

Explanation of reasons leading to the material difference between cash flow from operating activities during the reporting period and net profit for the year

Applicable Not applicable

V. Non-Core Business Analysis

Applicable Not applicable

Unit: RMB

	Amount	Proportion to net profit	Note of Change	Sustainability
Investment Income	141,572,602.13	7.16%	Gains and losses of futures contract settlement, foreign exchange forward contract settlement, bank financial product, etc.	No
Gains and Losses from Change of Fair Value	3,221,397.38	0.16%	Floating profit and loss of foreign exchange instruments, futures instruments, bank financial products, etc.	No
Non-operating Revenue	4,792,550.68	0.24%	Income from nonpayment, compensation and liquidated damages, gains from retirement of fixed assets, etc.	No
Non-operating Expenditures	14,928,195.40	0.76%	Loss on retirement of fixed assets, compensation expenditure, donation, etc.	No
Credit Impairment Loss	-56,834,285.92	-2.88%	Bad debt loss, etc.	No
Assets Impairment Loss	-93,213,670.21	-4.72%	Loss on impairment of inventories, fixed assets, goodwill, etc.	No
Gains on	-387,648.44	-0.02%	Gains on disposal of fixed	No

Disposal of Properties			assets	
Other Gains	122,787,760.00	6.21%	Government subsidies, value-added tax rebate for civil affairs and welfare enterprises, value-added tax rebate for software products, etc.	The government grants of VAT refund of civil welfare enterprises and software product VAT exceeding tax burden are sustainable, while the rest are not sustainable

VI. Analysis of Assets and Liabilities

1. Material changes of assets

Unit: RMB

	December 31 st 2021		January 1 st 2021		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and Bank Balances	6,707,721,861.13	28.40%	3,489,687,568.14	20.49%	7.91%	Mainly due to the increase of funds raised by issuing Sanhua convertible bonds
Account Receivable	3,516,292,868.39	14.89%	2,355,613,299.57	13.83%	1.06%	
Contract assets		0.00%		0.00%	0.00%	
Inventories	3,637,853,809.47	15.40%	2,307,761,706.46	13.55%	1.85%	
Investment property	8,531,303.62	0.04%	10,067,588.96	0.06%	-0.02%	
Long-term Equity Investment	22,680,930.51	0.10%	15,219,616.68	0.09%	0.01%	
Fixed Assets	4,232,706,801.07	17.92%	3,719,643,719.40	21.84%	-3.92%	
Construction in Progress	1,343,528,875.40	5.69%	628,730,529.07	3.69%	2.00%	
Assets with right of use	215,324,024.26	0.91%	202,831,869.22	1.19%	-0.28%	
Short-term borrowings	738,190,910.54	3.13%	383,088,296.60	2.25%	0.88%	

Contractual liabilities	79,816,249.22	0.34%	42,581,607.67	0.25%	0.09%	
Long-term borrowings	801,461,958.89	3.39%	1,707,918,994.87	10.03%	-6.64%	Mainly due to the transfer of some guaranteed loans into non-current liabilities due within one year
Lease liabilities	157,981,678.16	0.67%	149,779,815.53	0.88%	-0.21%	
Non-current liabilities due within one year	1,763,342,887.58	7.47%	153,273,858.59	0.90%	6.57%	Mainly due to the increase of guaranteed loans due within one year.
Bonds payable	2,652,035,619.50	11.23%		0.00%	11.23%	Mainly due to the increase in the issuance of Sanhua convertible bonds

Whether the proportion of overseas assets is relatively high

Applicable Not applicable

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Items	Opening balance	Profit and loss of fair value change in the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	Current purchase amount	Current sale amount	Other changes	Closing balance
Financial Assets								
1. Held-for-trading financial assets (Excluding derivative financial assets)	752,224,861.78	-596,487.04			4,255,000.00	646,500,000.00		109,383,374.74
2. Derivative financial assets	58,330,486.53	-3,690,121.50						54,640,365.03
Subtotal of financial assets	810,555,348.31	-4,286,608.54			4,255,000.00	646,500,000.00		164,023,739.77
Total	810,555,348.31	-4,286,608.54			4,255,000.00	646,500,000.00		164,023,739.77
Financial	7,939,957.91	-7,939,957.91						0.00

liabilities								
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Whether there were any material changes on the measurement attributes of major assets of the Company during the reporting period:

Yes No

3. Assets right restrictions as of the end of reporting period

Items	Closing Book value	Reasons for being restricted
Cash and Bank Balances	14,584,887.96	Margin deposited
	66,852,328.10	Margin deposited in futures institutions
Note Receivable	872,096,928.77	Pledge for financing
Accounts receivable	80,207,552.58	Evidence of supply chain finance that has been endorsed, paid or discounted but has not expired
Total	1,033,741,697.41	-

VII. Analysis of Investment

1. Overview

Applicable Not applicable

Investment during the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year (RMB)	YoY Change (%)
398,750,500.00	277,394,000.00	43.75%

2. Significant equity investment during the reporting period

Applicable Not applicable

3. Significant non-equity investment during the reporting period

Applicable Not applicable

4. Financial asset portfolio

(1) Securities Investments

Applicable Not applicable

No such case in the reporting period.

(2) Derivatives Investments

Applicable Not applicable

Name of derivatives investment operator	Relation with related party	Whether it is a related transaction	Types of derivatives investment	Initial amount of derivatives investment	Starting date	Termination date	Initial investment amount	Amount purchased during the reporting period	Amount sold during the reporting period	Amount of provision for impairment accrued (if any)	Investment amount at the end of the period	Proportion of investment amount in the company's net assets at the end of the reporting period	Actual profit and loss during the reporting period
Futures companies and banks	Non-related parties	No	Futures instruments, foreign exchange instruments, etc.										
Total					--	--							
Sources of funds for derivatives investment				Own fund									
Litigation involved (if applicable)				N/A									
Disclosure date of board of directors' announcement on the approval of derivatives investment (if any)				N/A									
Disclosure date of shareholder meeting's announcement on the approval of derivatives investment (if any)				N/A									
Risk analysis and description of control measures for derivatives positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				In order to avoid the price risk of raw materials and prevent exchange rate risk, the Company and its subsidiaries have carried out derivatives business, including futures instruments and foreign exchange instruments. The Company and its subsidiaries strictly implement the relevant provisions of the <i>Management measures for the operation of futures hedging business</i> and the <i>Management system for foreign exchange hedging business</i> .									
Changes in market prices or product fair value of invested derivatives during the reporting period, and the analysis of the fair value of derivatives should disclose the				N/A									

specific methods used and the setting of related assumptions and parameters.	
Explanation of whether the Company's derivatives accounting policies and specific accounting principles have changed significantly during the reporting period compared with the previous reporting period	N/A
Independent directors' special opinions on the Company's derivatives investment and risk control	N/A

5. Usage of raised funds

Applicable Not applicable

(1). Overall usage of raised fund

Applicable Not applicable

Unit: RMB in 10 thousand

Year	Method	Total amount of raised funds	Total amount of raised funds invested in the report period	Accumulated amount of raised funds invested	Total amount of raised funds with use alteration during the reporting period	Accumulated amount of raised funds with use alteration	Proportion of accumulated amount of raised funds with use alteration to the total amount of raised funds	Total amount of unused raised funds	Raised funds has not been used	Raised funds has not been used for two years
2017	Non-public offering	132,231	7,182.74	132,606.88				2,611.02	Deposited in the special account of raised funds or permanently replenish	

									of working capital.
2021	Public offering	298,753.1	112,860.66	112,860.66				187,153.72	Deposited in the special account for raised funds and the subscription of large amount certificates of deposit.
Total	--	430,984.1	120,043.4	245,467.54				189,764.74	--

Description of Overall Usage of Raised Funds

(I) Year 2017

1. The actual amount of raised fund and date of transfer in

With the approval of China Securities Regulatory Commission (CSRC) [2017] No. 1392, the Company non-public issued 88,154,000 common shares (A shares), with a total raised capital of RMB 1,322,310,000.00. After deducting the issuance expenses of RMB 13,078,480.00, the net amount of raised funds is RMB 1,309,231,520.00. The above-mentioned raised funds were transferred in on September 1st, 2017, and it has been verified by Tianjian accounting firm, which has issued the *Capital Verification Report (TJY [2017] No. 327)*.

As the implementation subjects are Zhejiang Sanhua Automotive Components Co., Ltd. (hereinafter referred to as Sanhua Auto) and its subsidiary Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (hereinafter referred to as Shaoxing Auto), the Company has allocated the raised funds of RMB 1,301,310,000.00 to Sanhua Auto in the form of capital increase. Sanhua Auto synchronously allocated the raised fund of RMB 503,620,000.00 to Shaoxing Auto in the form of capital increase.

2. Usage and balance of raised funds

Items	Index	Amount (Unit: RMB in 10 thousand)
Net amount of raised funds	A	132,231.00
Accumulated amount as of the beginning of the period	Project investment	125,424.14
	Net income from raised funds	9,824.59
	Replenish working capital	0.00
Amount incurred in this reporting period	Project investment	7,182.74
	Net income from raised funds	275.93

	Replenish working capital	C3	7,113.62
Accumulated amount by the end of the period	Project investment	D1=B1+C1	132,606.88
	Net income from raised funds	D2=B2+C2	10,100.52
	Replenish working capital	D2=B3+C3	7,113.62
Calculated balance of raised funds		E	2,611.02
Actual balance of raised funds		F	2,611.02
Difference		G=E-F	0.00

Note: the net income from raised funds refers to the net amount of interest income and wealth management income after deducting bank handling charges, the same below.

(II) Year 2021

1. The actual amount of raised fund and date of transfer in

In June 2021, with the approval of China Securities Regulatory Commission (CSRC) [2021] No. 168, the Company publicly issued 30 million convertible corporate bonds (Sanhua convertible bond) with a par value of RMB 100, issued at face value, raising RMB 3 billion in total. The net amount of raised funds after deducting the issuance expenses of 12,468,991.59 yuan is 2,987,531,008.41 yuan. The above-mentioned receipt of raised funds has been verified by Tianjian accounting firm, who issued the *Capital Verification Report (TJY [2021] No. 277)*.

Since Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (hereinafter referred to as "Sanhua Commercial") is one of the implementation subjects, the Company has allocated 1,487,000,000.00 yuan of the raised funds to Sanhua Commercial in the form of capital increase.

2. Usage and balance of raised funds

Items	Index	Amount (Unit: RMB in 10 thousand)	
Net amount of funds raised in the current period	A	298,753.10	
Amount incurred in this reporting period	Project investment	B1	112,860.65
	Net income from raised funds	B2	1,261.27
Calculated balance of raised funds	C=A-B1+B2	187,153.72	
Actual balance of raised funds	D	187,153.72	
Difference	E=C-D	0.00	

(2). Statement of Committed Investment Projects of Raised Funds

Applicable Not applicable

Unit: RMB in 10 thousand

Committed investment projects and allocation of over-raised funds	Whether project has been (or partially) altered	Total committed investment of raised funds	Total investment after alteration (1)	Investment in the current year	Accumulative investment at the end of the period (2)	Investment progress at the end of the period (%) (3)=(2)/(1)	Date of asset ready for intended use	Benefits achieved in the current year	Whether expected benefits have been achieved	Whether feasibility of project has changed significantly
Committed investment projects										
Construction project of new energy vehicle parts with an annual output of 11.5 million sets	No	50,362	50,362	4,860.69	52,325.55	103.90%	December 31, 2021	8,554.11	Yes	No
Technical transformation project of thermal management system modules of new energy vehicles with an annual output of 7.3 million sets	No	45,495	45,495	2,193.42	49,343.68	108.46%	January 31, 2021		N/A	No
Technical transformation project of automotive air conditioning control parts with an annual output of 12.70 million sets	No	20,874	20,874	128.63	19,193.15	91.95%	March 31, 2020		N/A	No
Expansion of product testing room and production auxiliary room project	No	13,400	13,400		9,686.65	72.29%	January 31, 2019		N/A	No
Payment of intermediary fees	No	2,100	2,100		2,057.85	97.99%			N/A	No
Construction project of commercial refrigeration and air conditioning intelligent control components with an annual output of 65 million sets	No	148,700	148,700	25,505.89	25,505.89	17.15%	May 31, 2025		N/A	No

Technical transformation project of high-efficiency and energy-saving refrigeration and air conditioning control components with an annual output of 50.5 million sets	No	69,800	69,800	6,081.84	6,081.84	8.71%	August 31, 2024		N/A	No
Supplementary of working capital	No	81,500	81,500	81,272.93	81,272.93	99.72%			N/A	No
Subtotal of committed investment projects	--	432,231	432,231	120,043.4	245,467.54	--	--	8,554.11	--	--
Investment of over raised funds										
Total	--	432,231	432,231	120,043.4	245,467.54	--	--	8,554.11	--	--
Circumstances and reasons for not reaching the planned progress or expected income (by specific project)	<p>Funds raised in 2017:</p> <p>(1) Upon deliberation and approval by the board of directors on April 1, 2019, the date of scheduled serviceability status of "7.3 million sets of new energy vehicle thermal management system components project" and "12.7 million sets of vehicle air conditioning control components project" has been extended from January 2019 to January 2021, and other contents of the project remain unchanged. The specific reasons for the slowdown of the construction progress of the above two projects are as follows:</p> <p>The Company adopts the strategy of prudent use and reasonable investment of the raised funds in combination with the existing product structure and market trend. As the new equipment tends to be more intelligent and systematic, the Company has selected the equipment according to the latest technical requirements and product models, so that the investment progress of the new equipment of the project is later than expected.</p> <p>In March 2020, "12.7 million sets of automotive air conditioning control parts project" has been completed and accepted. In January 2021, the "technical transformation project of thermal management system components for new energy vehicles with an annual output of 7.3 million sets" has been completed and accepted.</p> <p>(2) Upon deliberation and approval by the board of directors on April 27, 2020, the date of scheduled serviceability status of "construction project of new energy vehicle parts with an annual output of 11.5 million sets" has been extended from December 2019 to December 2021, while other contents of the project remain unchanged. The specific reasons for the slowdown of the construction progress of the project are as follows:</p>									

	<p>The Company adopts the strategy of prudent use and reasonable investment of the raised funds in combination with the changing situation of the existing market. In combination with customer feedback and production scheduling plan, the Company will gradually release the production capacity according to the actual customer demand. In order to ensure that the investment progress can meet the actual production progress demand, the Company will adjust the equipment procurement time of the raised investment project and extend the investment period of the raised capital investment project according to the customer's time node requirements. In December 2021, the "construction project of new energy auto parts with an annual output of 11.5 million sets" has been completed and accepted.</p> <p>Funds raised in 2021: N/A</p>
Significant changes in the feasibility of projects	<p>Funds raised in 2017: N/A</p> <p>Funds raised in 2021: N/A</p>
Amount, usage and use progress of over-raised Funds	N/A
Change in implementation location of investment projects of Raised Funds	N/A
Adjustment to implementation method of investment projects of Raised Funds	N/A
Advance investment and replacement of projects invested with raised funds	<p>Applicable</p> <p>Funds raised in 2017: In 2017, the Company replaced the initial investment of 140.5585 million yuan with raised funds.</p> <p>Funds raised in 2021: In 2021, the Company replaced the initial investment amount of 179.3857 million yuan with raised funds.</p>
Temporary supplement of working capital with idle raised funds	N/A
The amount and reasons of the balance of raised funds in the project implementation	<p>Applicable</p> <p>Funds raised in 2017: Net income was generated from raised funds.</p> <p>Funds raised in 2021: N/A</p>
Applications of unused raised funds	<p>Funds raised in 2017: Deposited in the special account for raised funds or permanently replenished working capital.</p> <p>Funds raised in 2021: Deposited in the special account for raised funds and the subscription of large</p>

	amount certificates of deposit.
Problems or other situations in the use and disclosure of raised funds	N/A

(3). Statement of Altered Investment Projects of Raised Funds

Applicable Not applicable

There was no change in the projects of raised funds in the reporting period of the Company.

VIII. Disposal of Significant Assets and Equity

1. Disposal of significant assets

Applicable Not applicable

During the reporting period, there was no disposal of significant assets

2. Sale of significant equity

Applicable Not applicable

IX. Analysis of Major Subsidiaries and Investees

Applicable Not applicable

Information about major subsidiaries, and investees that contribute above 10% of the Company's net Profit

Unit : RMB

Company name	Company type	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	250 million	3,946,847,321.16	3,412,317,413.01	2,188,044,976.98	277,974,054.00	247,300,069.95
Sanhua (Hangzhou) Micro Channel Heat Exchanger	Subsidiary	Refrigeration and A/C electrical components manufacturing	360 million	1,894,543,722.92	1,122,885,863.25	1,578,706,848.06	100,446,659.51	77,592,200.27

Co.,Ltd.		ing and marketing						
Zhejiang Sanhua Trading Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components marketing	50 million	2,795,262,530.97	155,587,385.38	3,998,424,476.58	40,167,121.12	28,630,862.79
Zhejiang Sanhua Automotive Components Co., Ltd	Subsidiary	Automotive components manufacturing and marketing	1,460 million	6,112,493,450.31	3,585,008,236.50	4,802,488,880.73	651,942,837.99	579,885,823.63
Sanhua International Inc.(Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	37.55 million USD	1,731,520,770.46	344,934,477.67	3,328,087,769.01	126,255,761.41	95,720,965.43
Sanhua International Singapore PTE. Ltd. (Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	\$150.579833 million	3,154,827,708.76	1,005,412,510.81	4,970,111,788.18	119,383,036.78	96,565,287.41

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Corporate name	Method of acquisition and disposal of	Impact on overall operation and
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	subsidiaries during the reporting period	performance
Zhejiang Sanhua Plate Exchange Technology Co., Ltd	Equity acquisition	No significant impact
Zhejiang Sanhua Automotive Trading Co., Ltd	New investment	No significant impact
Zhejiang Sanhua Heat Exchanger Co., Ltd	New investment	No significant impact

X. Structural Entities Controlled by the Company

Applicable Not applicable

XI. Outlook for the Future Development of the Company

1. Development strategy

The Company adheres to the business strategy of "Focusing on leading, innovation and transcendence" and firmly grasps the product development theme of energy conservation, environmental protection and intelligent control. With the research and application of heat pump technology and thermal management system products as the core, we continuously deepen and expand the global business layout through continuous innovation of products and technologies. It transformed from "cost leading" to "technology leading", from "mechanical parts development" to "electronic control integrated system control technology solution development" in order to provide competitive environmental intelligent control solutions for global high-quality customers. Sanhua has become a global leader in the climate intelligent control system industry.

2. Business plan for 2022

(1) Refrigeration air conditioning electrical parts business

The refrigeration and air conditioning electrical parts business will seize the opportunities of energy efficiency upgrading, refrigerant switching, VRF and other related business products, continue to expand the customer base, strengthen the acquisition and transformation of business opportunities, and improve operation sales. The Company promotes intelligent manufacturing and lean production, increases special procurement management, deeply promotes team building, and constantly improves product competitiveness. Continue to integrate and improve the operation and management of Aweco at home and abroad, increase the construction of overseas factories in Vietnam and Mexico, improve the overall operation efficiency of overseas manufacturing and marketing, give full play to the advantages of overseas factories and effectively deal with challenges such as trade barriers and rising prices of international logistics, so as to create greater benefits. At the same time, we will accelerate the relocation of overall commercial plant in Daming City, and lay a solid foundation in various commercial fields of consumption upgrading and industrial upgrading of the Chinese market in the future.

(2) Automotive components business

Under the development opportunity of new energy vehicle thermal management industry, automotive components business will insist the direction of system integration, increase R & D investments, and maintain the leading technology of the industry. At the same time, in the process of rapid growth of new energy thermal management, we always pay attention to the changes of market demand and competition pattern, constantly accelerate the

construction of information technology and intellectualization, increase the construction and management of supply chain, pay attention to cost control, actively respond to the needs of customers, and ensure the product quality and delivery of projects. In addition, in the process of global development, we will actively promote the construction of Mexico and Binhai, increase the layout of production capacity and the construction of talent team, so as to grow rapidly in global automotive electrification and intellectualization.

3. Main risks for future development

(1) Risk of price fluctuation of raw materials

The raw materials required by the Company are copper and aluminum, which account for a large proportion of the cost composition of the products. Therefore, the fluctuation of the market price of raw materials will bring large cost pressure to the Company. The Company will reduce the adverse impact of raw material price fluctuations through the establishment of linkage pricing mechanism, hedging operation of commodity futures, and timely negotiation with customers.

(2) The risk of rising labor cost

The labor costs are rising year by year, which reduces the profit margin of the Company to a certain extent. In the future, the Company will continue to improve the level of intelligent manufacturing by continuously promoting lean production, process improvement and technical transformation.

(3) Trade and exchange rate risk

The Company's export volume is large, involving North America, Europe, Japan, Southeast Asia and other regions. Due to the changes in regional trade policies, the Company's daily operation will be affected. The Company deals with interregional trade risks through transferring production capacity to foreign countries. In addition, the fluctuation of exchange rate will also have a certain impact on the profit. According to the actual situation, the Company deals with and reduces this risk by means of forward foreign exchange settlement and establishing overseas production bases in the United States, Poland, Mexico, Vietnam, India and other places.

XII. Reception of activities including research, communication and interviews during the report period

√ Applicable □ Not applicable

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	Main contents of discussion and materials provided	Index of basic situation of the research
January 6, 2021	Hangzhou	On-site research	Institution	HSBC Qianhai, Chen Jiasong and other 9 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
March 26, 2021	Conference	Telephone	Institution	Schroeder Fund,	Introduction of	http://irm.cninfo.com.cn

	Room	communication		Zhang Xiaodong and other 187 investors	the company's operation and reply to investors' questions	n/ssessgs/S002050
April 13, 2021	Hangzhou	On-site research	Institution	Capital Securities, Wang Xiaosheng and other 13 Investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
April 16, 2021	Conference Room	Other	Other	Investors participated in online performance presentation	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
April 28, 2021	Hangzhou	On-site research	Institution	CSC, Huang Wentao and other 15 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
June 21, 2021	Hangzhou	On-site research	Institution	BOC Fund, Zhang Fei and other 14 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
June 29, 2021	Hangzhou	On-site research	Institution	Springs, Luo Yida and other 40 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
July 8, 2021	Hangzhou	On-site research	Institution	Minsheng securities, 17 investors including Xu Hao	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
August 11, 2021	Conference	Telephone	Institution	Capital Group,	Introduction of	http://irm.cninfo.com.cn/ssessgs/S002050

	Room	communication		Tian Xiaosu and other 306 investors	the company's operation and reply to investors' questions	n/ssessgs/S002050
August 24, 2021	Conference Room	Telephone communication	Institution	AIA, Wen Jie Chan and other 43 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
September 15, 2021	Hangzhou	On-site research	Institution	Zheshang Securities, Zhang Zixian and other 4 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
September 22, 2021	Hangzhou	On-site research	Institution	Huatai Bairui, Li Yiyang and other 21 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
October 25, 2021	Conference Room	Telephone communication	Institution	Gao Yi assets, Chen Junbin and other 289 investors	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050

Section IV Corporate Governance

I. Basic situation of corporate governance

During the reporting period, the Company strictly abided by the *Company Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies in China*, *Stock Listing Rules of the Shenzhen Stock Exchange*, *Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies* and other applicable laws and regulations of China Securities Regulatory Commission and Shenzhen Stock Exchange. We continue to improve the corporate governance structure, establish and improve the internal control system, strengthen the management of information disclosure, actively carry out the activities of investor relations, standardize the operation of the Company, and improve the level of corporate governance. During the reporting period, the Company revised the *Articles of Association* and further planned the corporate governance system. As of the end of the report period, the actual situation of corporate governance conforms to the regulatory documents of CSRC on the governance of listed companies.

1. Shareholders and general meeting of shareholders

The Company convenes the general meeting of shareholders in strict accordance with the requirements of the *Normative Opinions of the General Meeting of Shareholders*, the *Articles of Association* and the *Rules of Procedure of the Shareholders' Meeting*. When the shareholders' meeting deliberates related matters, the related shareholders shall avoid voting. The related transactions shall be fair and reasonable without any damage to the interests of shareholders. Treat all shareholders equally, ensure that all shareholders, especially minor shareholders, have equal status and fully exercise their rights. The shareholders' meetings held during the reporting period were convened by the board of directors and lawyers were invited to attend the meeting on site.

2. Directors and the board of directors

The Company elect directors in strict accordance with the *Articles of Association* and *Rules of Procedure for the Board of Directors*; the number and composition of the board of directors meet the requirements of laws and regulations and the *Articles of Association*. The board of directors convenes meetings in accordance with the *Company Law* and the *Rules of Procedure of the Board of Directors*. All directors exercise their rights diligently, attend the board of directors and shareholders' meeting and actively participate in relevant training.

3. Supervisors and board of supervisors

The board of supervisors elects the supervisors in strict accordance with the *Company Law* and the *Articles of Association*; the composition and number of the board of supervisors meet the requirements of laws and regulations. The Company's supervisors conscientiously perform their duties in accordance with the *Rules of Procedure of the Board of Supervisors*, and effectively supervise and express their opinions on the Company's major issues, related party transactions, financial situation, and the legality and compliance of the Company's directors and senior managers in performing their duties.

4. Relationship between controlling shareholders and listed companies

The controlling shareholders can strictly regulate their own behaviors. There is no direct or indirect intervention beyond the provisions of general meeting of shareholders. The Company and its controlling shareholders are

mutually independent of each other in personnel, assets, finance, institutions and business. The board of directors, board of supervisors and internal institutions of the Company operate independently. There is no such situation that the controlling shareholders occupy the funds of the listed company for non-operating purposes.

5. Information disclosure and investor relationship management

During the reporting period, the Company designated *China Securities Journal*, *Securities times*, *Shanghai Securities News* and CNINFO as the information disclosure media, and disclosed information truthfully, accurately and timely in strict accordance with relevant laws and regulations, so as to ensure that all shareholders of the Company have fair access to the relevant information. In addition, the Company designated the secretary of the board of directors as the person in charge of investor relationship management. Daily management of investor relations includes answering investors' questions through telephone, email, interactive platform etc., strengthening the communication with investors so as to fully guarantee the investors' right to know.

6. Performance evaluation and incentive mechanism

The Company has established a comprehensive employee performance evaluation and incentive mechanism. The appointment of senior managers is open and transparent, and conforms to the relevant laws, regulations and the *Articles of Association*. In the future, the Company will explore more forms of incentive methods, form a multi-level incentive mechanism, improve the performance evaluation standards, better mobilize the work enthusiasm of management personnel, and attract and stabilize excellent management talents and technical and business backbones.

7. Stakeholders

The Company can fully respect and safeguard the legitimate rights and interests of stakeholders, and realize the coordination and balance of interests of shareholders, employees and society. The Company adheres to the relevant laws and regulations, constantly improves the corporate governance system, and effectively protects the interests of investors.

Whether the actual status of corporate governance significantly deviates from the regulatory documents issued by the China Securities Regulatory Commission regarding the governance of listed companies

Yes No

II. Company's Independence in Businesses, Management, Assets, Institutions and Finance from Controlling Shareholders

The Company is separated from the controlling shareholder, the actual controller and the controlled enterprises in business, personnel, assets, institutions and finance, and has the ability of independent operation.

1. Business independence

The main business of the Company is outstanding, and it has its own corresponding system in production, procurement and sales. It is independent of the controlling shareholder, has a complete business structure, and does not rely on the shareholders or any other related parties. The shareholders exercise their right through participating in the general meeting of shareholders in accordance with the law. There is no such situation that the shareholders interfere in the operation beyond the provision of general meeting.

2. Personnel independence

The directors, supervisors and senior management of the Company are elected or appointed in accordance with the legal election procedure stipulated in the *Company Law* and the *Articles of Association*. The Company's personnel, labor and wages are completely independent. The salary payment, welfare expenses and other expenses of the staff are strictly separated from the controlling shareholder.

3. Asset completeness

The Company has tangible assets, such as land, buildings, machinery and equipment, vehicles, office facilities, test facilities and intangible assets, such as trademarks, patents. It has an independent procurement and sales system and an independent and complete asset structure.

4. Institution independence

In accordance with the relevant provisions of the *Company Law* and the *Articles of Association*, the Company has established the institutions like general meeting of shareholders, the board of directors, the board of supervisors and other authorities, and formulated the corresponding rules of procedure. The Company's production and operation sites are separated from the controlling shareholders, and a comprehensive organizational system has been established. The board of directors, the board of supervisors and other internal institutions operate independently. There is no such situation that the controlling shareholder interferes in the business activities in the name of the listed company.

5. Finance independence

The Company has an independent financial department, equipped with full-time financial personnel, and established an independent accounting system and financial management system that can independently make financial decisions. The Company has separate accounts and pays taxes independently.

III. Horizontal competition

Applicable Not applicable

IV. Annual General Meeting and Extraordinary General Meetings convened during the Reporting Period

1. Annual General Meeting convened during the reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
The 1st extraordinary general meeting of shareholders in 2021	Interim general meeting	69.04%	February 25, 2021	February 26, 2021	Announcement of the 1st Extraordinary General Meeting of Shareholders in 2021 (2021-012) was published in the <i>Securities Times</i> ,

					<i>China Securities Journal</i> and CNINFO.
Annual general meeting of shareholders in 2020	Annual General Meeting	69.96%	April 16, 2021	April 17, 2021	Announcement of the Annual General Meeting of Shareholders in 2020 (2021-029) was published in the <i>Securities Times</i> , <i>China Securities Journal</i> and CNINFO.
The 2nd extraordinary general meeting of shareholders in 2021	Interim general meeting	67.48%	June 24, 2021	June 25, 2021	Announcement of the 2nd Extraordinary General Meeting of Shareholders in 2021 (2021-055) was published in the <i>Securities Times</i> , <i>China Securities Journal</i> and CNINFO.
The 3rd extraordinary general meeting of shareholders in 2021	Interim general meeting	69.02%	August 3, 2021	August 4, 2021	Announcement of the 3rd Extraordinary General Meeting of Shareholders in 2021 (2021-070) was published in the <i>Securities Times</i> , <i>China Securities Journal</i> and CNINFO.
The 4th extraordinary general meeting of shareholders in 2020	Interim general meeting	73.55%	November 16, 2021	November 17, 2021	Announcement of the 4th Extraordinary General Meeting of Shareholders in 2021 (2021-097) was published in the <i>Securities Times</i> ,

						<i>China Securities Journal</i> and CNINFO.
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2. Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights:

Applicable Not applicable

V. Information of directors, supervisors, senior management

1. Basic information

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (Shares)	Shares decreased during the Period (Shares)	Other changes (Shares)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
Zhang Yabo	Chairman of the board, CEO	Incumbent	Male	48	December 13, 2012	January 25, 2025	52,031,200				52,031,200	
Wang Dayong	Director, President	Incumbent	Male	53	December 13, 2012	January 25, 2025	256,750				256,750	
Ren Jintu	Director	Incumbent	Male	60	January 26, 2022	January 25, 2025						
Yu Shuli	Director	Resigned	Male	74	April 28, 2006	January 26, 2022						
Ni Xiaoming	Director	Incumbent	Male	54	May 6, 2011	January 25, 2025	256,750				256,750	
Chen Yuzhong	Director, chief engineer	Incumbent	Male	56	November 29, 2011	January 25, 2025	256,750				256,750	
Zhang Shaobo	Director	Incumbent	Male	43	May 18, 2015	January 25, 2025						
Ji Hua	Independent director	Resigned	Male	54	May 18, 2015	August 3, 2021						

Bao Ensi	Independent director	Incumbent	Male	54	August 3, 2021	January 25, 2025						
Shi Jianhui	Independent director	Incumbent	Male	50	May 19, 2020	January 25, 2025						
Zhu Hongjun	Independent director	Resigned	Male	46	June 8, 2020	February 26, 2021						
Pan Yalan	Independent director	Incumbent	Female	57	February 26, 2021	January 25, 2025						
Weng Weifeng	Convener of the board of supervisors	Resigned	Male	56	June 8, 2014	August 3, 2021						
Zhao Yajun	Convener of the board of supervisors	Incumbent	Male	51	November 29, 2011	January 25, 2025						
Mo Yang	Supervisor	Incumbent	Male	46	August 3, 2021	January 25, 2025	10,068	4,500			14,568	
Chen Xiaoming	Supervisor	Incumbent	Male	53	March 26, 2011	January 25, 2025	11,100				11,100	
Hu Kaicheng	Vice president, Secretary of the board of directors	Incumbent	Male	47	January 26, 2015	January 25, 2025	256,750				256,750	
Yu Yingkui	Vice president, CFO	Incumbent	Male	48	September 30, 2011	January 25, 2025	288,057				288,057	
Total	--	--	--	--	--	--	53,367,425	4,500	0		53,371,925	--

On January 26, 2022, Mr. Yu Shuli resigned upon expiration of his term of office. The general meeting of shareholders agreed to appoint Mr. Ren Jintu as the director of the Company.

During the reporting period, whether there was any resignation of directors and supervisors and dismissal of senior managers during their term of office

Applicable Not applicable

1. Mr. Zhu Hongjun resigned the position as an independent director of the sixth board of directors and chairman of the audit committee of the Company, because of job switching he no longer meets the requirements for the appointment qualification of independent directors listed in the *Opinions on further standardizing the part-time (post holding) of Party and government leading cadres in Enterprises* of the Organization Department of the CPC Central Committee. After resignation, he no longer held any position in the Company.
2. Mr. Weng Weifeng resigned his position as the convener and supervisor of the board of supervisors due to job switching. After resignation, he no longer held any position in the Company.
3. Mr. Ji Hua resigned upon expiration of six-year term of office as an independent director.

Changes of Directors, Supervisors and Senior Management

Applicable Not applicable

Name	Position	Type	Date	Reasons
Yu Shuli	Director	Resigned upon expiration of term of office	January 26, 2022	Resigned upon expiration of term of office
Ren Jintu	Director	Elected	January 26, 2022	Elected by the Board of Directors
Ji Hua	Independent director	Resigned upon expiration of term of office	August 3, 2021	Resigned upon expiration of term of office
Bao Ensi	Independent director	Elected	August 3, 2021	Elected by the Board of Directors
Zhu Hongjun	Independent director	Resigned	February 26, 2021	Resigned
Pan Yalan	Independent director	Elected	February 26, 2021	Elected by the Board of Directors
Weng Weifeng	Convener of the board of supervisors	Resigned	August 3, 2021	Resigned
Mo Yang	Supervisor	Elected	August 3, 2021	Elected by the Board of Supervisor

2. Positions and Incumbency

The professional background, main work experience and main responsibilities of the current directors, supervisors and senior managers of the company

Mr. Zhang Yabo: Born in 1974, master of Business Administration of CEIBS. Graduated from Shanghai Jiao Tong

University in July, 1996. From May 2007 to September 2009, he served as the vice president of Sanhua Holding Group Co., Ltd.; from May 2007 up to present, he has been appointed as the director and vice chairman of the board of directors of Sanhua Holding Group Co., Ltd.; from September 2009 to December 2012, he served as the general manager of the Company; from October 2009 up to present, he has been appointed as the director of the Company; from December 2012 up to present, he has served as the chairman and CEO of the Company.

Mr. Wang Dayong: Born in 1969, senior manager, master of Business Administration (EMBA), senior economist and engineer. He served as chief of planning section, Secretary of general manager, director of manufacturing department, director of refrigeration valve business department, assistant to general manager, assistant to President, vice president and director of Sanhua Holding Group. He served as a supervisor of the Company from December 2001 to April 2006, a director of the Company from April 2006 to May 2011. He currently serves as a director of Sanhua Holding Group, and a director and President of the Company since December 2012.

Mr. Ren Jintu: Born in 1962, college degree, senior accountant. From 1980 to 1994, he successively served as deputy factory director, financial director and deputy general manager of Xinchang Refrigeration Parts General Factory and Zhejiang Sanhua Group Co., Ltd; From 2001 to 2006, he served as the director and general manager of the Company; From 2005 to 2015, he served as vice president of Sanhua Holding Group Co., Ltd. and general manager of Shanghai Jingyi Real Estate Co., Ltd; He is currently a director of Sanhua Holding Group Co., Ltd; He served as a director of the Company since January 2022.

Mr. Ni Xiaoming: Born in 1968, master's degree, senior economist. From November 2005 to July 2009, he served as the general manager of Sanhua International (USA) Co., Ltd. and the deputy general manager of sales of Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd.; August 2009, he served as the deputy general manager of Sanhua Danfoss (Hangzhou) Microchannel Heat Exchanger Co., Ltd.; since May 2010, he has served as the general manager of Sanhua (Hangzhou) Micro Channel Heat Exchanger Co.,Ltd., as well as the director of Sanhua Holding Group Co., Ltd.; He has been a director of the Company since May, 2011.

Mr. Chen Yuzhong: Born in 1966, master's degree, engineer. He was the chief engineer of the Company from December 2001 to May 2011; he was the deputy general manager of the Company from May 2011 to December 2012; he has been the chief engineer of the Company since December 2012; he has been the general manager of Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd. since August 2015; he is also the director of Sanhua Holding Group Co., Ltd.; and he has been the director of the Company since November 2011.

Mr. Zhang shaobo: Born 1979, master's degree, graduated from the China Europe Institute of Business School. Since November 2012, he has served as general manager of Sanhua Real Estate Group and Zhejiang Sanhua Real Estate Co., Ltd.; since July 2013, he has served as general manager of Hangzhou Sanhua International Building Co., Ltd.; since May 2017, he has served as executive director and general manager of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.; he currently serves as a director of Sanhua Holding Group Co., Ltd.; from May 2015 up to present, he has served as the director of the Company.

Mr. Bao Ensi: Born in 1968, doctor's degree, senior accountant. He has successively served as director of China Securities Regulatory Commission and full-time member of Stock Issuance Audit Committee; Head of Finance Department of China Financial Futures Exchange, expert of investor education center, vice chairman of Beijing

Houji Capital Management Company. He is currently the assistant to the chairman of Beijing Houji Capital Management Company; He also serves as an independent director of Aerospace Era Electronic Technology Co., Ltd. and Fujian Yanjing Huiquan Beer Co., Ltd. Mr. Bao Ensi has obtained the Qualification Certificate of Independent Director recognized by Shenzhen Stock Exchange. He has been an independent director of the Company since August 2021.

Mr. Shi Jianhui, Born in 1972, he achieved a master's degree in EMBA from Changjiang Business School and Shanghai Advanced Finance College. He used to be the chairman / CEO of Minshi Group Co., Ltd. and he currently serves as the CEO of Xiaozhi Investment Management Partnership in Meishan Bonded Port Area, Ningbo, Zhejiang Province. He has been appointed as an independent director of the Company since June 2020.

Ms. Pan Yalan: Born in 1965, master degree, a member of the League of Civil Society. She participated in work in August 1987. She is professor of Accounting College of Hangzhou University of Electronic Technology, tutor of graduate students, and "151" talents in Zhejiang Province in the new century (third level). Currently she is a member of the CPPCC of Zhejiang Province, member of the Zhejiang Provincial Committee of the Democratic League, a member of the Zhejiang Provincial Finance Association, a standing director of Zhejiang Provincial Taxation Society and a special auditor of Zhejiang Audit Department. She has been appointed as an independent director of the Company since February 2021.

Mr. Zhao Yajun: Born in 1971, master's degree, graduated from school of Business Administration of Zhejiang University, with senior accountant title. From 1996 to 2003, he worked in Zhejiang Tianjian accounting firm; from January 2004 to February 2011, he served as deputy director of Finance Department of Sanhua Holding Group Co., Ltd.; from February 2011 to February 2014, he served as director of Finance Department of Sanhua Holding Group Co., Ltd.; from March 2014 up to present, he has served as deputy director of finance of Sanhua Holding Group Co., Ltd. He has been a supervisor of the Company since November 2011.

Mr. Mo Yang: Born in 1976, master's degree, majoring in political economics of Zhejiang University. He was a teacher of the Economic Branch of the City College of Zhejiang University from April 2002 to June 2004; From July 2004 to April 2006, he served as assistant to the executive deputy general manager of Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd; From August 2005 to December 2019, he successively served as the secretary of the president, the secretary of the chairman of the board of directors, the vice minister of human resources department and the director of the president's office of Sanhua Holding Group Co., Ltd; From December 2019 to now, he has served as the director of the board of directors office in Sanhua Holding Group Co., Ltd. He has been a supervisor of the Company since August 2021.

Mr. Chen Xiaoming: From October 2008 to October 2011, he served as director of quality management department of Zhejiang Sanhua Intelligent Controls Co., Ltd.; in November 2011, he served as management representative and director of Quality Department of Changzhou Ranco four-way valve Co., Ltd.; in August 2013, he served as director of quality department and vice director of four-way valve business department of Wuhu Sanhua Automatic Control Components Co., Ltd.; in January 2016, he served as director of Quality Department of Wuhu Sanhua Automatic Control Components Co., Ltd; in December 2016, he served as director of four-way valve department and stop valve department of Wuhu Sanhua Automatic Control Components Co., Ltd.; from August 2017 up to present, he has served as Manufacturing Director of Wuhu Sanhua Automatic Control

Components Co., Ltd., since March 2011, he has been appointed as supervisor of the Company.

Mr. Hu Kaicheng: Born in 1975, master's degree, bachelor's degree of Tongji University, SAIF EMBA of Shanghai Jiao Tong University. From August 2006 to August 2009, he served as the director of supplier management, procurement director of Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd.; from September 2009 to December 2010, he served in Sanhua Holding Group Co., Ltd.; from January 2011 to October 2014, he served as the procurement director of the Company; from October 2014 up to present, he served as the vice president of the Company; from January 2015 up to present, he served as the Secretary of the board of directors of the Company.

Mr. Yu Yingkui: Born in 1974, bachelor degree, accounting major of Shanghai University of Finance and Economics. From April 2001 to December 2003, he successively served as the chief accountant of the financial department of Zhejiang Sanhua Holding Group Co., Ltd. and Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd.; from December 2003 to November 2007, he served as the deputy general manager of Shenyang Durui Wheel Hub Co., Ltd.; from November 2007 up to present, he has been the director of the financial department of the Company; from September 2011 up to present, he has been the chief financial officer of the Company; from January 2016 up to present, he has been the vice president of the Company.

Position held in shareholders' entities

√Applicable □ Not applicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Zhang Yabo	Sanhua Holding Group Co., Ltd	Vice chairman (director)	July 11, 2000		No
Wang Dayong	Sanhua Holding Group Co., Ltd	Director	July 11, 2000		No
Ren Jintu	Sanhua Holding Group Co., Ltd	Director	July 11, 2000		Yes
Ren Jintu	Zhejiang Sanhua lneng Industrial Group Co., Ltd	Director	March 15, 2011		No
Ni Xiaoming	Sanhua Holding Group Co., Ltd	Director	July 11, 2000		No
Chen Yuzhong	Sanhua Holding Group Co., Ltd	Director	November 26, 2014		No
Zhang Shaobo	Sanhua Holding Group Co., Ltd	Director	August 7, 2003		Yes
Zhang Shaobo	Zhejiang Sanhua lneng Industrial Group Co., Ltd	Director, general manager	August 7, 2003		No
Weng Weifeng	Sanhua Holding Group Co., Ltd	Director	February 25, 2019	September 8, 2021	Yes
Zhao Yajun	Sanhua Holding Group Co., Ltd	Deputy chief	March 1, 2014		Yes

		financial officer			
Zhao Yajun	Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Supervisor	July 1, 2019		No
Mo Yang	Sanhua Holding Group Co., Ltd	Supervisor	November 26, 2014		Yes
Description of the position in shareholders' entities	No				

Positions held in other entities

√Applicable □ Not applicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Zhang Yabo	Hangzhou Sanhua Research Institute Co., Ltd	Chairman	February 10, 2017		No
Zhang Yabo	Hangzhou Fumo New Material Technology Co., Ltd	Director	July 1, 2016		No
Zhang Yabo	Xinchang Huaxin Investment Co., Ltd	Chairman	March 16, 2016		No
Zhang Yabo	Wuhu Aldoc Technology Co., Ltd	Director	February 3, 2016		No
Zhang Yabo	Hangzhou Zhicheng Investment Management Co., Ltd	Executive director and general manager	July 23, 2007		No
Zhang Yabo	Hangzhou Zhishen Investment Management Co., Ltd	Supervisor	July 23, 2007		No
Zhang Yabo	Zhejiang Haoyuan Technology Co., Ltd	Director	May 4, 2018		No
Zhang Yabo	Sanhua Trading Singapore Pte Ltd	Director	October 13, 2017		No
Wang Dayong	Xinchang Huayong Enterprise Management Co., Ltd	Executive director	November 11, 2021		No
Wang Dayong	Hangzhou Fufan Investment Management Co., Ltd	Director	April 28, 2016		No
Wang Dayong	Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd	Director	August 20, 2019		No

Ren Jintu	Hangzhou Xinji Industrial Co., Ltd	Executive director and general manager	January 9, 2007		No
Ren Jintu	Hangzhou Fufan Investment Management Co., Ltd	Director and general manager	July 9, 2010		No
Ren Jintu	Inner Mongolia Xiqi Mining Co., Ltd	Manager, executive director	September 11, 2012		No
Ren Jintu	Xinchang United Investment Management Co., Ltd	Supervisor	April 29, 2015		No
Ren Jintu	Hangzhou Sanhua International Building Co., Ltd	Supervisor	July 31, 2013		No
Ren Jintu	Xinchang Private Financing Service Center Co., Ltd	Supervisory board chairman	April 8, 2018		No
Ren Jintu	Ningbo Fulda Intelligent Technology Co., Ltd	Director	April 8, 2021		No
Zhang Shaobo	Shanghai Sanhua Electric Co., Ltd	Executive director	April 10, 2017		No
Zhang Shaobo	Hangzhou Zhiwo Investment Management Co., Ltd	General manager	June 16, 2014		No
Zhang Shaobo	Hangzhou Zhishen Investment Management Co., Ltd	Executive director, general manager	July 23, 2007		No
Zhang Shaobo	Hangzhou Fuxiang Property Management Co., Ltd	Chairman	January 3, 2016		No
Zhang Shaobo	Xinchang Sanhua Property Management Co., Ltd	Chairman	March 29, 2011		No
Zhang Shaobo	Tianjin Minghao Management Consulting Co., Ltd	Executive director, general manager	May 25, 2017		No
Zhang Shaobo	Hangzhou Sanhua International Building Co., Ltd	Executive director, general manager	July 31, 2013		No
Zhang Shaobo	Xinchang Private Financing Service Center	Director	March 26, 2014		No

	Co., Ltd				
Zhang Shaobo	Inner Mongolia Xiqi Mining Co., Ltd	Supervisor	September 11, 2012		No
Zhang Shaobo	Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd	Executive director, general manager	May 31, 2017		No
Zhang Shaobo	Hangzhou Fufan Investment Management Co., Ltd	Chairman	July 9, 2010		No
Zhang Shaobo	Xinchang United Investment Management Co., Ltd	Director	December 31, 2008		No
Zhang Shaobo	Hangzhou Kaisida Technology Co., Ltd	Executive director	June 15, 2020		No
Zhang Shaobo	Tianjin Sanhua Industrial Park Management Co., Ltd	Executive director, general manager	May 9, 2019		No
Zhang Shaobo	Hangzhou Huaqin Investment Management Co., Ltd	Supervisor	December 25, 2006		No
Zhang Shaobo	Hangzhou Mifeng Catering Management Co., Ltd	Supervisor	March 31, 2015		No
Zhang Shaobo	Shanghai Tihu catering Co., Ltd	Director	September 26, 2017		No
Zhang Shaobo	Ningbo Fulda Intelligent Technology Co., Ltd	Director	December 26, 2019		No
Zhang Shaobo	Zhejiang Sanhua Ecological Agriculture Co., Ltd	Executive director, general manager	September 11, 2018		No
Zhang Shaobo	Hangzhou Zhicheng Investment Management Co., Ltd	General manager	November 4, 2020		No
Zhang Shaobo	Hangzhou Zhiyong Enterprise Management Co., Ltd	Executive director, general manager	April 27, 2018		No
Zhang Shaobo	Zhejiang Huateng Industrial Co., Ltd	Chairman	December 22, 2021		No
Bao Ensi	Aerospace Times Electronic Technology Co., Ltd	Director	August 9, 2017		Yes

Bao Ensi	Beijing Shoushang Group Co., Ltd	Director	June 10, 2015		Yes
Bao Ensi	Fujian Yanjing Huiquan Beer Co., Ltd	Director	May 29, 2015		Yes
Pan Yalan	Zhejiang Lin'an Rural Commercial Bank Co., Ltd	Independent director	March 16, 2020		Yes
Pan Yalan	Zhejiang Newspaper Digital Culture Group Co., Ltd	Independent director	December 22, 2021		Yes
Weng Weifeng	Shenyang Sanhua Daika wheel Hub Co., Ltd	Director	June 4, 2013		No
Weng Weifeng	Shenyang Durui Wheel Hub Co., Ltd	Director	May 10, 2013		No
Weng Weifeng	Ningbo Fulda Intelligent Technology Co., Ltd	Chairman	December 26, 2019		Yes
Weng Weifeng	Shanghai Fuyulong Automobile Technology Co., Ltd	Chairman	December 26, 2019		No
Weng Weifeng	Shanghai Futailong Automotive Electronic Technology Co., Ltd	Chairman	July 15, 2020		No
Weng Weifeng	Tianjin Sanhua Industrial Park Management Co., Ltd	Supervisor	October 10, 2018		No
Weng Weifeng	Tianjin Sanhua Fuda Intelligent Technology Co., Ltd	Chairman	November 2, 2018		No
Zhao Yajun	Shanghai Sanhua Electric Co., Ltd	Supervisor	April 12, 2011		No
Zhao Yajun	Hangzhou Tongchan Machinery Co., Ltd	Supervisor	May 31, 2011		No
Zhao Yajun	Xinchang Private Financing Service Center Co., Ltd	Supervisor	March 26, 2014		No
Zhao Yajun	Xinchang United Investment Management Co., Ltd	Supervisor	January 1, 2012		No
Zhao Yajun	Zhejiang Xiezhong Automobile New Energy Technology Development Co., Ltd	Supervisor	May 25, 2018		No
Zhao Yajun	Wuhu Aldoc Technology Co., Ltd	Supervisor	July 31, 2018		No
Zhao Yajun	Zhejiang Haoyuan Technology Co., Ltd	Supervisor	May 4, 2018		No
Zhao Yajun	Xinchang Huaxin Investment Co., Ltd	Director	March 21, 2017		No
Zhao Yajun	Shanghai Fuyulong Automobile Technology Co., Ltd	Supervisor	December 26, 2019		No
Zhao Yajun	Tianjin Sanhua Fuda Intelligent Technology Co., Ltd	Supervisor	November 2, 2018		No
Zhao Yajun	Nanjing Xiezhong Automobile New Energy Technology Development Co., Ltd	Supervisor	February 28, 2019		No
Zhao Yajun	Ningbo Fuerda Intelligent Technology Co., Ltd	Supervisor	April 8, 2021		No

Yu Yingkui	Zhejiang Huateng Investment Co., Ltd	Director	April 19, 2010		No
Yu Yingkui	Chongqing Tainuo Machinery Co., Ltd	Director	December 8, 2016		No
Yu Yingkui	Nanchang Sanhua Jinlifeng Machinery Co., Ltd	Director	July 12, 2017		No
Yu Yingkui	Xinchang Private Financing Service Center Co., Ltd	Director	October 23, 2015		No
Yu Yingkui	Ningbo Jinlifeng Machinery Co., Ltd	Director	July 2, 2020		No
Yu Yingkui	Sanhua Trading Singapore Pte Ltd	Director	October 13, 2017		No
Description of the position in other entities	No				

Incumbent and resigned directors, supervisors and senior management personnel during the reporting period that have been imposed administrative penalties by the CSRC during the last three years.

Applicable Not applicable

3. Remuneration of directors, supervisors and senior management personnel

The remuneration of senior managers shall be assessed by the remuneration and assessment committee of the board of directors according to the job responsibilities and the performance assessment standards and procedures. After completion of the main business performance indicators, the annual remuneration of the senior managers shall be proposed. The amount of remuneration for this year shall be within the range determined by the board of directors. The Company shall bear the travel expenses incurred by the independent directors for attending meetings. The amount of remuneration of directors and supervisors in this year is within the remuneration range determined by the general meeting of shareholders.

Remuneration of directors, supervisors and senior management personnel

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Zhang Yabo	Director, Chairman, CEO	Male	48	Incumbent	233.29	No
Wang Dayong	Director, President	Male	53	Incumbent	210.97	No
Ren Jintu	Director	Male	60	Incumbent	0	Yes
Yu Shuli	Director	Male	74	Resigned	8	No
Ni Xiaoming	Director	Male	54	Incumbent	130.24	No

Chen Yuzhong	Director, chief engineer	Male	56	Incumbent	222.83	No
Zhang Shaobo	Director	Male	43	Incumbent	0	Yes
Ji Hua	Independent director	Male	54	Resigned	6.42	No
Bao Ensi	Independent director	Male	54	Incumbent	4.34	No
Shi Jianhui	Independent director	Male	50	Incumbent	10.8	No
Zhu Hongjun	Independent director	Male	46	Resigned	0	No
Pan Yalan	Independent director	Female	57	Incumbent	9.08	No
Weng Weifeng	Convener of the board of supervisors	Male	56	Resigned	0	Yes
Zhao Yajun	Convener of the board of supervisors	Male	51	Incumbent	0	Yes
Mo Yang	Supervisor	Male	46	Incumbent	0	Yes
Chen Xiaoming	Supervisor	Male	53	Incumbent	29.64	No
Hu Kaicheng	Secretary of the board of directors, vice president	Male	47	Incumbent	81.35	No
Yu Yingkui	CFO, vice president	Male	48	Incumbent	109.27	No
Total	--	--	--	--	1,056.23	--

VI. Performance of duties by directors during the reporting period

1. Board of directors in the reporting period

Meeting	Convened Date	Disclosure Date	Disclosure Index
The 14th interim meeting of the 6th board of directors	February 9, 2021	February 10, 2021	http://www.cninfo.com.cn
The 15th meeting of the 6th board of directors	March 25, 2021	March 27, 2021	http://www.cninfo.com.cn
The 16th interim meeting of the	April 22, 2021	April 23, 2021	http://www.cninfo.com.cn

6th board of directors			
The 17th interim meeting of the 6th board of directors	May 27, 2021	May 28, 2021	http://www.cninfo.com.cn
The 18th interim meeting of the 6th board of directors	June 8, 2021	June 9, 2021	http://www.cninfo.com.cn
The 19th interim meeting of the 6th board of directors	June 23, 2021	June 24, 2021	http://www.cninfo.com.cn
The 20th interim meeting of the 6th board of directors	July 16, 2021	July 17, 2021	http://www.cninfo.com.cn
The 21st interim meeting of the 6th board of directors	August 11, 2021	August 12, 2021	http://www.cninfo.com.cn
The 22nd meeting of the 6th board of directors	October 25, 2021	October 26, 2021	http://www.cninfo.com.cn

2. Attendance of directors in board meetings and general meetings

Attendance of directors in board meetings and general meetings							
Name of Director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence by telecommunication (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence of directors in general meetings (times)
Zhang Yabo	9	1	8	0	0	N/A	3
Wang Dayong	9	1	8	0	0	N/A	5
Ren Jintu	0	0	0	0	0	N/A	
Yu Shuli	9	1	8	0	0	N/A	1
Ni Xiaoming	9	1	8	0	0	N/A	
Chen Yuzhong	9	0	9	0	0	N/A	4
Zhang Shaobo	9	0	9	0	0	N/A	
Ji Hua	7	1	6	0	0	N/A	
Bao Ensi	2	0	2	0	0	N/A	
Shi Jianhui	9	1	8	0	0	N/A	
Zhu Hongjun	1	0	1	0	0	N/A	
Pan Yalan	8	1	7	0	0	N/A	3

Explanation of not attending the board of directors in person for two consecutive times

Not applicable

3. Objections raised by directors to relevant matters of the Company

Were there any objections on related issues of the Company from independent directors?

Yes No

4. Other details about the performance of duties by directors

Were there any suggestions from directors accepted by the Company?

Yes No

During the reporting period, the directors strictly complied with the relevant laws, regulations and the *Articles of Association*, performed their duties conscientiously, paid close attention to the Company's operation, regularly reviewed the Company's announcements, got access to the information of operation and development periodically, deeply discussed the opportunities and challenges in the operation and development, and timely prompted risks. Directors put forward reasonable opinions and suggestions from their professional perspectives, which enhanced the scientific decision-making of the board of directors. Meanwhile, directors provided independent and fair opinions on related transactions, profit distribution, equity incentive and convertible bonds during the reporting period. In order to improve the supervision mechanism of the Company and safeguard the legal rights of all shareholders, the Company shall adopt the opinions of directors.

VII. Performance of duties by special committees under the Board during the Reporting Period

Committee	Member	Number of meetings	Date of meetings	Meeting content	Important opinions and suggestions	Other performance of duties	Details of objections (if any)
Audit Committee	Independent director Pan Yalan; Independent director Shi Jianhui; Director Yu Shuli	6	March 22, 2021	1. Deliberation of the 2020 annual report and its summary; 2. Specific report on annual deposit and actual use of raised funds in 2020; 3. Proposal on the prediction of the Company's daily related party transactions in			

				2021; 4. Proposal on appointment of the audit institution in 2021; 5. Proposal on permanent replenishment of working capital with surplus raised funds.			
			April 20, 2022	Report of the first quarter in 2021			
			June 22, 2021	1. Proposal on using the raised funds to replace the its own funds invested in advance; 2. Proposal on capital increase to wholly-owned subsidiaries with raised funds.			
			July 15, 2021	Proposal on using some idle raised funds to purchase bank financial products.			
			August 6, 2021	1. Semi-annual report of the Company in 2021; 2. Specific report on the annual deposit			

				and actual use of the raised funds in the half year of 2021.			
			October 14, 2021	1. Third quarter report of the Company in 2021; 2. Proposal on using some idle raised funds to purchase bank financial products; 3. Proposal on using the raised funds to replace issuance expenses which was paid by its own funds			
Nomination Committee	Independent director Ji Hua; Chairman Zhang Yabo; Independent director Shi Jianhui	2	February 4, 2021	Proposal on examining the qualifications of candidates for the sixth board of director.			
			October 14, 2021	Proposal on examining the qualifications of candidates for the sixth board of director.			
Remuneration and Assessment Committee	Independent director Shi Jianhui; Independent director Ji Hua; Director Yu	1	May 28, 2021	1. Proposal on adjusting the repurchase price of restricted stock incentive plan			

	Shuli			<p>in 2018;</p> <p>2. Proposal on adjusting the exercise price of 2018 stock appreciation right incentive plan;</p> <p>3. Proposal on adjusting the repurchase price of restricted stock incentive plan in 2020;</p> <p>4. Proposal on the achievement of restriction lifting in the first vesting period of the restricted stock incentive plan in 2020;</p> <p>5. Proposal on cancellation of some stock appreciation rights;</p> <p>6. Proposal on repurchase and cancellation of some restricted shares.</p>			
Remuneration and Assessment Committee	Independent director Shi Jianhui; Independent director Bao Ensi; Director Yu Shuli		1 October 14, 2021	<p>1. Proposal on cancellation of some stock appreciation rights;</p> <p>2. Proposal on the achievement of</p>			

				exercise conditions in the third vesting period of 2018 stock appreciation right incentive plan; 3. Proposal on the achievement of restriction lifting in the third vesting period of the restricted stock incentive plan in 2018; 4. Proposal on repurchase and cancellation of some restricted shares.			
Strategic Committee	Chairman Zhang Yabo; Director Wang Dayong; Director Ni Xiaoming; Director Chen Yuzhong; Independent director Shi Jianhui; Director Zhang Shaobo		1 March 25, 2021	Deliberation of the development plan of the Company in 2021.			
Executive Committee	Director Wang Dayong; Director Ni Xiaoming; Director Chen Yuzhong		0				

VIII. Performance of duties by the Supervisory Committee

Were there any risks to the Company identified by Supervisory Committee when performing its duties during the Reporting Period?

Yes No

IX. Staff in the Company

1. Statistics of employees, professional structure of the staff, and educational background

Number of incumbent employees in the parent company	4,270
Number of incumbent employees in major subsidiaries	10,208
Number of incumbent employees	14,478
Number of employees receiving salaries in current period	14,478
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	0
Professional structure	
Tier	Number of employees
Production staff	9,657
Sales staff	533
Engineers	1,890
Financial staff	272
Administrative Staff	2,126
Total	14,478
Educational background	
Educational background	Number of employees
Master and above	564
Bachelor	2,549
College, technical secondary school	3,738
Others	7,627
Total	14,478

2. Staff remuneration policy

The Company has established a salary incentive system according to the business development strategy and human resources strategy. Based on the market salary level and the value, ability and performance results, the Company has established a comprehensive salary system with the structure of basic salary, reward bonus and long-term incentive, and has formed relevant salary incentive systems to ensure the scientificity of employees' value contribution and their return of income. Thus, it stimulates employees' enthusiasm and work innovation ability, and promotes the continuous high-quality development of the Company.

Every year, the Company carries out the estimation of college students and professional talents, which has played

an important role in motivating new college students and employees at all levels. And regular review market compensation to ensure competitiveness of the Company's overall salary system. In addition, the Company carries out R & D Achievement Award, Quality Award, Management Achievement Award, Patent Award, Cost Reduction Award, Lean Improvement Award and other awards every year, which effectively encourage talents' innovation. The Company's phase I equity incentive plan in 2018 and phase II restricted stock incentive plan in 2020 played an incentive and retention role for the key talents and laid a foundation for sustainable development.

3. Staff training plans

Based on the development plan from 2021 to 2025, the Company implements the talents strategy of "Internal training first and external recruitment second", which will be dedicated to optimizing the talent management mechanism. In order to identify talents, the Company established talent standards at all levels and gradually improve the evaluation system. Some talents development projects are launched, such as Leadership Project, International talent training program, Technology manufacturing talent training project, etc.

Through continuous learning, further enhance the internal lecturer team and the development of internal curriculum resources. The Company strengthens its global competitiveness of talents through five aspects which is power of culture, power of internal drive, power of external drive, power of resource construction and power of continuous learning.

4. Labor outsourcing

Applicable Not applicable

X. Profit distribution of ordinary shares and capitalization of capital reserves

Profit distribution policy of ordinary shares in the reporting period, especially the formulation, implementation and adjustment of cash dividend policy

Applicable Not applicable

During the reporting period, the Company was profitable and the distributable profits to ordinary shareholders of the parent company was positive, but the Company did not propose a cash dividend distribution plan of ordinary shares.

Applicable Not applicable

Profit distribution and capitalizing of capital reserves proposal for the current reporting period

Applicable Not applicable

Bonus share issued per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	1.50
Total capital share basis for the distribution proposal (share)	3,569,927,512
Total cash dividend (RMB) (tax inclusive)	535,489,126.80

Cash dividend amount in other ways (such as share repurchase) (RMB)	200,011,001.49
Total cash dividends (including other ways) (RMB)	735,500,128.29
Distributable profits (RMB)	768,646,528.98
Percentage of cash dividends in the total distributed profit (%)	100%
Cash dividends	
Other	
Detailed description of profit distribution or capital reserves conversion plan	
<p>Based on provisional 3,569,927,512 shares of capital stock as of March 18, 2022 [note], cash dividend of RMB 1.50 (including tax) will be distributed to all shareholders for every 10 shares. The Company will not distribute bonus shares or convert capital reserves to share capital.</p> <p>If the total share capital of the Company changes due to the conversion of convertible bonds, share repurchase, exercise of equity incentive scheme, refinancing and listing of new shares before the implementation of the distribution plan, the total distribution amount shall be adjusted accordingly based on the principle of unchanged distribution proportion.</p> <p>Note: As of March 18, 2022, the share capital of the Company was 3,591,098,972 shares, of which the number of repurchased shares is 21,171,460. According to the provisions of the <i>Company Law</i>, the shares held by the listed company through the repurchase account do not enjoy the right to participate in profit distribution or the conversion of capital reserve into share capital.</p>	

XI. The Implementation of an Equity Incentive Plan, Employee Stock Incentive Plan, or Other Incentive Plans

Applicable Not applicable

1. Equity incentive plan

In order to further improve the Company's corporate governance structure, promote the Company to establish and improve the incentive mechanism, attract and retain excellent talents, and effectively mobilize the enthusiasm of the core talents, the Company launched phase I and phase II equity incentive schemes.

1. In 2018, the Company launched the 2018 restricted stock incentive plan and stock appreciation right incentive plan, granting 10.33 million restricted shares to 753 incentive objects and 355,000 stock appreciation rights to 22 incentive objects. The grant date of this equity incentive plan is September 18, 2018. The grant price of restricted shares and stock appreciation rights is RMB 8.37 per share, and the listing date is November 6, 2018.

(1) On October 24, 2019, the Company held the 5th interim meeting of the sixth board of directors and the 5th interim meeting of the sixth board of supervisors respectively in which *Resolution on adjusting the*

repurchase price and repurchase quantity of restricted stock incentive plan in 2018, Resolution on the achievement of exercise conditions, adjustment of exercise price, quantity and cancellation of some stock appreciation rights in the first vesting period of 2018 stock appreciation rights incentive plan, Resolution on repurchase and cancellation of some restricted stocks, Resolution on the achievement of the unlocking conditions of first vesting period of 2018 restricted stock incentive plan were approved.

The unlocking date of the restricted shares was November 6, 2019, and the number of incentive objects qualified for unlocking was 720. A total of 3.9195 million shares were released, accounting for 0.1417% of the Company's total share capital. There were 19 incentive objects meeting the conditions for the exercise of the stock appreciation right, and the number of exercisable shares was 95,550.

- (2) On November 11, 2019, the first extraordinary general meeting of shareholders of 2019 was held, in which the *Resolution on repurchase and cancellation of some restricted stocks* was approved. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects in 2018 restricted stock incentive plan, totaling of 291,200 shares.
- (3) On October 20, 2020, the Company held the 13th interim meeting of the sixth board of directors and the 12th interim meeting of the sixth board of supervisors respectively in which *Resolution on adjusting the repurchase price and repurchase quantity of restricted stock incentive plan in 2018, Resolution on the achievement of exercise conditions, adjustment of exercise price, quantity and cancellation of some stock appreciation rights in the second vesting period of 2018 stock appreciation rights incentive plan, Resolution on repurchase and cancellation of some restricted stocks, Resolution on the achievement of the unlocking conditions of second vesting period of 2018 restricted stock incentive plan* were approved.
The unlocking date of the restricted shares was November 6, 2020, and the number of incentive objects qualified for unlocking was 702. A total of 4.9889 million shares were released, accounting for 0.1389% of the Company's total share capital. There were 18 incentive objects meeting the conditions for the exercise of the stock appreciation right, and the number of exercisable shares was 131,820.
- (4) On November 5, 2020, the fourth extraordinary general meeting of shareholders of 2020 was held, in which *Resolution of repurchase and cancellation of some restricted stocks* was approved. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects in the 2018 restricted stock incentive plan, totaling of 336,310 shares.
- (5) On June 24, 2021, the second extraordinary general meeting of shareholders in 2021 was held, in which *Proposal on Repurchase and Cancellation of Some Restricted Shares* was approved. The Company repurchased and cancelled 145,340 restricted shares held by unqualified incentive objects in the restricted stock incentive plan in 2018.
- (6) On October 25, 2021, the Company held the 22nd Meeting of the 6th board of directors and the 21st Meeting of the 6th board of supervisors respectively, in which *Proposal on repurchase and cancellation of some restricted shares, Proposal on the achievement of lifting the restrictions during the third vesting period of the restricted stock incentive plan in 2018, Proposal on cancellation of some stock appreciation rights and Proposal on achievement of exercise conditions in the third vesting period of 2018 stock appreciation rights incentive plan*. The listing date of the restricted shares was November 8, 2021. The number of shareholders who were qualified to unlock was 676. A total of 6.4659 million shares were released, accounting for 0.18% of the total share capital of the Company. The total number of incentive objects meeting the exercise conditions of stock appreciation right was 16, and the number of exercisable rights was 135,200 shares.

(7) On November 16, 2021, the fourth extraordinary general meeting of shareholders in 2021 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was passed. The Company repurchased and cancelled a total of 47,320 restricted shares held by unqualified incentive objects in the restricted stock incentive plan in 2018.

2. In 2020, the Company launched the 2020 restricted stock incentive plan, granting 12.04 million restricted shares to 914 incentive objects. The grant date of this equity incentive plan was February 24, 2020. The grant price of restricted shares was RMB 9.85 per share, and the listing date was March 20, 2020.

(1) On November 5, 2020, the fourth extraordinary general meeting of shareholders of 2020 was held, in which the *Resolution on repurchase and cancellation of some restricted stocks* was approved. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects in 2020 restricted stock incentive plan, totaling of 104,000 shares.

(2) On June 8, 2021, the Company held the 18th interim meeting of the 6th board of directors and the 16th interim meeting of the 6th board of supervisors respectively, in which *Proposal on adjusting the repurchase price of 2020 restricted stock incentive plan*, *Proposal on repurchase and cancellation of some restricted stocks* and *Proposal on the achievement of lifting the restrictions during the first vesting period of the restricted stock incentive plan in 2020* were approved. The listing date of the restricted shares was June 18, 2021. The number of shareholders meeting the unlocking condition was 883. A total of 4,596,150 shares were released, accounting for 0.1280% of the total share capital.

(3) On June 24, 2021, the second extraordinary general meeting of shareholders in 2021 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 229,450 restricted shares held by unqualified incentive objects in the 2020 restricted stock incentive plan.

(4) On November 16, 2021, the fourth extraordinary general meeting of shareholders in 2021 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 113,750 restricted shares held by unqualified incentive objects in the 2020 restricted stock incentive plan.

Share incentives for directors and senior executives in the reporting period

√ Applicable □ Not applicable

Unit: share

Name	Title	Number of stock options held at the beginning of the year	Number of newly granted stock options in the reporting period	Number of exercisable shares in the reporting period	Number of exercised shares in the reporting period	Exercise price of exercised shares during the reporting period (yuan / share)	Number of stock options held at the end of the period	Market price at the end of the report period (yuan / share)	Restricted Shares held at the beginning of the period	Shares vested in the current period	Shares newly granted in the current period	Price for restricted shares granted (RMB per share)	Restricted Shares held at period-end
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Wang Dayong	Director, General manager							25.3	197,600	106,600			91,000
Ni Xiaoming	Director							25.3	197,600	106,600			91,000
Chen Yuzhong	Director, chief engineer							25.3	197,600	106,600			91,000
Hu Kaicheng	Vice president, Secretary of the board of directors							25.3	197,600	106,600			91,000
Yu Yingkui	Vice president, CFO							25.3	197,600	106,600			91,000
Total	--	0	0	0	0	--	0	--	988,000	533,000	0	--	455,000
Note (if any)													

1. At the beginning of each year, the number of locked shares of senior executives is recalculated according to 75% of the total number of shares held by them. The number of unlocked shares in current period is 25% of the total shares at the beginning of the year.

2. On June 18, 2021, the first vesting period of the 2020 restricted stock incentive plan matured. 39,000 restricted shares owned by the each director and senior manager, totalling of 195,000 restricted shares, were released.

3. On November 8, 2021, the third vesting period of the 2018 restricted stock incentive plan matured. 67,600 restricted shares owned by the each director and senior manager, totalling of 338,000 restricted shares, were released.

Assessment and incentive mechanism for the senior management

√Applicable □Not applicable

In order to encourage senior managers better perform their duties and clarify their rights and obligations, the Company has established a fairly sophisticated performance evaluation standard and remuneration system, according to which senior managers' performance and annual business indicators would be assessed.

The senior managers of the Company are responsible to the board of directors and undertake the business objectives issued by the board. The remuneration and assessment committee of the board formulate the remuneration plan based on evaluation of senior managers' ability, performance and completion of business targets.

2. Implementation of employee stock incentive plan

Applicable Not applicable

3. Other incentive plan

Applicable Not applicable

XII. Construction and implementation of internal control**1. Construction and implementation of internal control**

In accordance with the requirements of the *Company Law* and other relevant regulations and normative documents, the Company has set up an internal control system in combination with its own business characteristics, which is composed of the general meeting of shareholders, the board of directors, the board of supervisors, the management, each controlling subsidiary and its functional departments. Thus, it formed a relatively effective division of responsibilities and balances.

The Company continues to strengthen the control of high-risk areas such as sales business, procurement business, major investments, acquisition and merger, asset security and information system management, and has established corresponding control policies and procedures.

During the reporting period, the Company revised and formulated rules and regulations such as *Measures for the registration of insiders* and *Management system of environmental information disclosure and emergencies*, further improved insider information management, strengthened the confidentiality of insider information, maintained the fairness of information disclosure, and further standardized environmental information disclosure, and improved its ability to respond to environmental emergencies.

Meanwhile, the Company timely organized directors, supervisors and senior managers to participate in relevant training organized by regulatory authorities, which improves the management's awareness of standardized operation, ensures the effective implementation of internal control system, effectively improves the standard operation level and promotes the healthy and sustainable development of the Company.

The Company's internal audit department shall regularly inspect and supervise the establishment and implementation of this internal control system as well as the authenticity and completeness of its financial information. During the reporting period, the Company established effective internal control over the businesses included in the evaluation scope. It has achieved its internal control target in terms of the authenticity of operating results, business compliance and the effectiveness of internal control.

2. Any significant internal control deficiencies during the reporting period

Yes No

XIII. Management and control of subsidiaries during the reporting period

Corporate name	Integration plan	Integration progress	Problems encountered in integration	Solutions taken	Solution progress	Follow up solution plan
Zhejiang Sanhua Plate Exchange Technology Co., Ltd	/	Completed	/	/	/	/

XIV. Self-evaluation report on internal control or Internal control audit report**1. Self-evaluation report on internal control**

Disclosure date of full text of self-evaluation report on internal control	March 25, 2022	
Disclosure index of full text of self-evaluation report on internal control	<i>Self-evaluation Report on Internal Control of the Company in 2021</i> http://www.cninfo.com.cn	
Proportion of assets evaluated in total assets	100.00%	
Proportion of revenue evaluated in total revenue per consolidated financial statement	100.00%	
Recognition standard of deficiencies		
Nature	Financial report level	Non-financial report level
Qualitative criteria	<p>Significant deficiency:</p> <p>1. Fraud of directors, supervisors and senior managers; 2. Major misstatement in the current financial report found by the CPA but not identified by the internal control of the Company; 3. The Company has major violations of laws and regulations in financial accounting, asset management, capital operation, information disclosure, product quality, safety production, environmental protection and other aspects, causing major losses and adverse effects to the Company, or subject to major administrative supervision and punishment; 4. Supervision of the audit committee and internal control department is ineffective on the Company's external</p>	<p>Significant deficiency: The possibility of defects is high, which will significantly reduce the work efficiency or effect, or significantly increase the uncertainty of the effect, or make it significantly deviate from the expected goal.</p> <p>Important defects : Defects are more likely to occur, which will seriously reduce the work efficiency or effect, or seriously increase the uncertainty of the effect, or make it seriously deviate from the expected goal.</p> <p>General defects : The probability of defects is small, which will reduce the efficiency or effect, increase the uncertainty of the effect, or make it deviate from the expected goal.</p>

	<p>financial report and internal control.</p> <p>Significant deficiency: (1). Failure to select and apply accounting policies in accordance with GAAP; (2). Failure to establish anti-fraud procedures and control measures; (3). It cannot reasonably guarantee the truthfulness and completeness of the financial statements due to one or more defects in control process; (4). There is no corresponding control mechanism or no compensatory control for the accounting treatment of non-routine or special transactions.</p> <p>General deficiency: General defects other than the above-mentioned.</p>	
Quantitative criteria	<p>The quantitative standard is based on the percentage of potential misstatements of pre-tax profit.</p> <p>Significant deficiency: This defect alone or together with other defects may cause the misstatement of financial report to exceed 10% of the profit before tax.</p> <p>Important defects: This defect alone or together with other defects may cause the misstatement of financial report to exceed 5% but less than 10% of the profit before tax.</p> <p>General defects: This defect alone or together with other defects may cause the misstatement of financial report less than 5% of the profit before tax.</p>	<p>The quantitative standard is based on the percentage of potential misstatements of pre-tax profit.</p> <p>Significant deficiency: This defect alone or together with other defects may cause the misstatement of financial report to exceed 10% of the profit before tax.</p> <p>Important defects: This defect alone or together with other defects may cause the misstatement of financial report to exceed 5% but less than 10% of the profit before tax.</p> <p>General defects: This defect alone or together with other defects may cause the misstatement of financial report less than 5% of the profit before tax.</p>
Number of significant deficiencies in financial report level		0
Number of significant deficiencies in non-financial report level		0
Number of important deficiencies in financial report level		0
Number of important deficiencies in non-financial report level		0

2. Audit report or assurance report on internal control

Applicable Not applicable

XV. Governance problem rectification of the Company

According to self-examination, the Company has no material violations affecting the level of corporate governance. The Company has established a relatively complete and reasonable corporate governance structure and internal control system in accordance with the *Company Law*, *Securities Law*, *Guidelines for Governance of Listed Companies* and other relevant laws and regulations. However, with the continuous development of the Company's business scale and the changes of external macroeconomic and market environment, the Company needs to further improve its internal control system, continue to strengthen its own construction, effectively improve the Company's standardized operation level and the effectiveness of corporate governance. The Company will continuously improve the governance quality by improving the abilities of scientific decisions making, stable operation, and standardize development.

Section V Environmental and Social Responsibility

I. Material environmental issues

Whether the Company or the Company's subsidiaries are critical pollutant enterprises disclosed by National Environmental Protection Department

Yes

Name of Company or subsidiary	Name of main pollutants and characteristic pollutants	Emission mode	Number of outlets	Distribution of emission outlets	Emission concentration	Emission standards	Total emissions	Approved total emission	Over standard emission
Zhejiang Sanhua Intelligent Controls Co., Ltd	COD	Nanotube	1	North	$\leq 500\text{mg/L}$	The limitation of COD in GB8978-1996 <i>Integrated Wastewater Emission Standard</i> is 500mg / L	42.79T	61.867 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Ammonia Nitrogen	Nanotube	1	North	$\leq 35\text{mg/L}$	The limitation listed in DB33/887-2013 <i>Indirect Emission Limits of Nitrogen and Phosphorus Pollutants from Industrial Wastewater</i> is 35mg / L	4.28T	6.186 T /year	Not exceeding the standard
Zhejiang Sanhua	SO ₂	Direct emission	1	North	$\leq 50\text{mg/m}^3$	The limitation	0.678T	2.15 T /year	Not exceeding

Intelligent Controls Co., Ltd						listed in GB13271-2014 Emission Standard of Air Pollutants for Boilers is 50mg/m ³			the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Nitrogen Oxide	Direct emission	1	North	$\leq 50\text{mg}/\text{m}^3$	According to the low Nitrogen emission requirements of local government, the limit value of gas-fired boiler is 50mg / m ³	3.17T	10.06 T /year	Not exceeding the standard
Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd	COD	Nanotube	1	South	$\leq 500\text{mg}/\text{l}$	The limitation from GB8979-1996 is 500mg / L	2.377T	9.205 T /year	Not exceeding the standard
Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd	Total Copper	Nanotube	1	South	$\leq 2.0\text{mg}/\text{l}$	The limitation from GB8979-1996 is 2.0mg/l	0.079T	/	Not exceeding the standard

Construction and operation of pollution control facilities

Adhering to the advanced management concept, the Company takes "developing energy-saving and low-carbon economy, creating a green quality environment" as its own responsibility, constantly surpasses, and becomes an important creator and contributor of human green quality living environment with limited resources and unlimited wisdom.

1. In terms of waste water treatment, the Company responded to the construction of "five water treatment", "eliminating inferior V-type water" and "zero direct discharge of sewage" in the whole province. The

Company renovated the rainwater and sewage outlets in the factory area, implemented the separation of rainwater and sewage, and installed cut-off valves and video monitoring equipment at the Company's rainwater discharge outlets, and collected and treated the early rainwater. There are two wastewater treatment stations in the factory. The sewage treatment stations have been equipped with standardized sewage outlets and set up discharge outlet signs. Online monitoring device, solenoid valve flowmeter and card swiping sewage system are installed at the discharge outlet, which has been connected with the environmental protection department. The monitoring indicators include pH, COD, total copper, total zinc and flow. Wastewater treatment: The Company has entrusted a third-party professional treatment unit for treatment. The discharge indicators of the Company's internal control wastewater are stricter than the environmental discharge standard. The final treated wastewater is discharged into the sewage collection pipe network of the industrial zone and sent to Shengxin sewage treatment plant for retreatment.

2. Waste gas treatment: The Company has acid pickling, electroplating waste gas, welding dust, ultrasonic cleaning and other waste gas. All kinds of waste gas discharge cylinders are equipped with corresponding waste gas treatment devices. The acid pickling and electroplating waste gas absorption and treatment tower is installed with automatic dosing system, and the waste gas is discharged to air after treatment. At the same time, in order to win the blue-sky defense activity, the Company carried out low Nitrogen emission transformation of the Company's gas boilers in accordance with the requirements of relevant official departments in 2019. In 2021, the transformation and upgrading of VOCs treatment facilities in industrial enterprises have been implemented. At the same time, the process has been improved, and the water cleaning is used to replace the organic solvent cleaning, so as to reduce the generation of VOCs.
3. Solid waste and soil treatment: all kinds of hazardous waste of the Company are entrusted to the third qualified party for disposal, the general solid waste with utilization value is recycled, the domestic waste is cleared and transported by the environmental sanitation station, and the construction waste is cleaned and transported by the construction unit. The Company also tests the soil and groundwater every year and publishes them on the corresponding website. In March 2020, Sanhua Refrigeration Group carried out a special site investigation on soil and groundwater in Xialiquan plant area, and prepared an investigation report. No pollution was found. In July 2020, the Company became one of the first "waste free factories" in Shaoxing.
4. Noise control: The Company's existing main noise is workshop production noise, air compressor room, waste gas and waste water treatment equipment noise. Equipment layout is reasonable, and trees are planted around the workshop. Noise at factory meets the standard.
5. The "three wastes" pollution control facilities of the Company are in normal and stable operation. The pollutants are discharged based on the standard, and there is no environmental pollution event.

Environmental Impact Assessment (EIA) of construction projects and other administrative permits for environmental protection

1. Since 2010, the Company has invested in the construction of Meizhu Sanhua Industrial Estate in Xinchang County, and has obtained 25 EIA replies. All the projects have passed. In August 2020, the Company obtained the

national emission permit.

2. Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd. has invested in Xialiquan of Xinchang County since 2013, and has obtained 6 EIA replies. All the projects have passed.

Emergency Response Plan

1. The Company re-prepared the Emergency Response Plan in April 2021, and filed with Xinchang Environmental Protection Bureau on June 10, 2021 (Record No. 330624-2021-06-M).

2. In order to manage environmental emergencies and reduce the environmental hazards caused by sudden environmental pollution accidents, Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd. re-compiled *Emergency Response Plan for Environmental Pollution Accidents of Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd. (simplified version)* in October 2018, which was filed with Xinchang County Environmental Protection Bureau on October 29, 2018 (Record No. 3306242018013).

Environmental self-monitoring program

The Company formulated *Self-monitoring Scheme of Zhejiang Sanhua Intelligent Control Co., Ltd.* according to the requirements of the superior environmental protection department, combined with the actual production situation and the actual needs of environmental management of the Company. The sewage station of the Company is equipped with a laboratory, and the detection is conducted by a specially assigned person. On line automatic monitoring equipment such as pH, COD, TOC, total copper, total zinc, flow rate etc. are installed at the Company's total wastewater discharge outlet, so as to achieve the combination of automatic monitoring and manual testing. For the pollution factors such as suspended matters, total Phosphorus, Ammonia Nitrogen, total Iron and Petroleum, the Company entrusts a third-party testing agency to carry out regular monitoring. The monitoring results are published regularly on the enterprise self-monitoring information disclosure platform of Zhejiang Province.

Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd. has good pollutant emission monitoring and management ability, and can timely inform the environmental protection administrative department and the public of the monitoring information. According to the actual production situation and the actual needs of environmental management, the environmental protection laboratory of wastewater treatment station is set up, and the detection is carried out by specially assigned person daily. On line automatic monitoring equipment such as pH, COD, TOC, total copper and flow rate are installed at the total wastewater discharge outlet of the Company. The combination of automatic monitoring and manual testing effectively ensures the timeliness and effectiveness of monitoring. At the same time, a third-party testing Company is entrusted to carry out regular monitoring. The monitoring results are published regularly on the enterprise self-monitoring information disclosure platform of Zhejiang Province.

Administrative penalties for environmental problems during the reporting period

Not applicable

Other environmental information that should be disclosed

Not applicable

Measures and effects in reducing carbon emissions during the reporting period

√ Applicable □ Not applicable

1. The Company continues to promote the application of smart energy IOT platform, and effectively controls the use efficiency of all energy within the scope through real-time display of digital information, traceability, technical transformation and energy conservation and consumption reduction analysis.
2. The industrial zone uses distributed photovoltaic to replace the original purchased electricity in a large area to achieve clean energy, and adopts waste heat recovery technology to achieve lower energy consumption and higher resource utilization efficiency.
3. The Company improves and reduces energy consumption and improves energy efficiency through the improvement of manufacturing and technological process. Reduce energy consumption and carbon emission by troubleshooting of air leakage point of compressed air pipeline of equipment, upgrading and transformation of air compressor, emission reduction of triple supply and nitrogen recycling.

Other environmental information

Not applicable

II. Social responsibility

During the reporting period, the Company actively fulfilled its social responsibilities. The Company takes "People-oriented, Continuous innovation, Employee satisfaction, Customer satisfaction, Supplier satisfaction, Shareholder satisfaction and Social satisfaction" as its core values. While continuously creating value for shareholders, it also actively undertakes the responsibility to employees, customers, society and other stakeholders. The Company fully respects and protects the legitimate rights and interests of relevant stakeholders, adheres to paying equal attention to economic benefits, social benefits and environmental benefits, and realizes the sustainable development of society and the Company.

(1) Maintain the continuous and stable growth of revenue, care about the return of shareholders

Since listing, the Company has established a corporate governance organization composed of the general meeting of shareholders, the board of directors and the board of supervisors, and formed a complete internal control system in strict accordance with the requirements of the *Company Law*, the *Listing Rules of Shenzhen Stock Exchange* and the *Articles of Association*. During the reporting period, the Company continuously improved the governance structure and internal control system to raise the standard operation level, and fully protected the legitimate rights and interests of all shareholders. The general meeting of shareholders, the board of directors and the board of supervisors exercise their functions and powers within the scope of relevant laws and regulations. The convening, proposal, notice and resolution procedures of previous meetings are in line with laws and regulations. There is no case of ultra vires approval or implementation before approval, so as to ensure that the rights of all shareholders are not infringed, especially minor shareholders.

Information disclosure, the Company has been strictly in compliance with the relevant provisions of CSRC and Shenzhen Stock Exchange, and has fulfilled the obligation of truthfulness, accuracy, timeliness and completeness. The Company enhances the interaction with investors by means of investor hotline, interactive platform and reception of investors, so that investors can have a more in-depth understanding of the Company's development,

production and operation. It promotes the Company to establish a long-term and stable relationship with investors, and safeguard the legitimate rights and interests of minor investors effectively. At the same time, the Company pays special attention to the management of insider information, and actively prevents the occurrence of insider trading. During the reporting period, the Company does not have insider trading or damage the interests of shareholders.

The Company attaches great importance to the return to shareholders. According to the relevant provisions of China Securities Regulatory Commission on cash dividends and sustainable development, the Company has formulated and strictly implemented the continuous dividend return plan for shareholders since listing, and insisted on sharing the Company's operation achievements with shareholders.

(2) Safeguard the legitimate rights and interests of employees and improve their comprehensive ability

The Company always adheres to the people-oriented core values, takes improving the working environment of employees, realizing their self-worth, improving their quality of life and promoting their career growth which is also treated as the important part of the Company's development strategy. It regards employees as the Company's primary resources, earnestly protects their rights and interests, and strives to realize the common development of employees and the enterprise, so as to enhance the cohesion of the enterprise.

Abiding by the *Labor Law*, *Labor Contract Law*, *Law on the Protection of Women's Rights and Interests* and other relevant laws and regulations, the Company establishes a series of labor management systems, signs labor contracts with employees according to law, pays employees' wages in full timely, and pays various social insurance for employees. The Company has a sound vacation system. Employees not only enjoy national statutory holidays according to law, but also enjoy gifts from the Company on various important public festivals such as Spring Festival, Mid-Autumn Festival, International Women's Day, etc.

The Company has established a reasonable human resource management system and a scientific performance appraisal system. In order to implement the principle of equality between men and women, the Company links the performance appraisal of management cadres at all levels with the Company's business objectives. In order to motivate the employees, stimulate their sense of responsibility and mission, managements' KPI aligned with the Company's operation target and related income evaluation system was implemented. In addition, the Company has established a perfect staff training system, designed training courses for each employee, and encouraged employees to study in their spare time to improve their own quality and comprehensive ability.

At the same time, the Company has always attached importance to and adhered to the construction of enterprise culture, creating a healthy, positive and cooperative working atmosphere. The Company actively cares for the life of employees, sends greetings to employees who have encounter sudden disasters. And it establishes the "Sanhua--One family" fund to help employees in difficulties and increase their sense of belonging to the enterprise. The Company also carries out sports, job skills competitions, festival parties and other recreational activities to show the good spirit of employees, and it builds a communication platform for employees, which effectively stimulate the sense of collective honor and team cohesion.

(3) Safeguard the rights and interests of suppliers and treat customers with integrity

In line with the principle of "Communication with integrity and sharing value", the Company pays attention to the

relationship with suppliers and customers, constantly strengthens the communication and cooperation with all parties, and earnestly protects their legitimate rights and interests.

For suppliers, the Company always adheres to the business values of “Honesty, Fairness, Mutual Benefit, and Collaborative Development”, strictly complies with contracts signed with suppliers, establishes and strictly implements the procurement standards and evaluation system, carries out stable and effective management of procurement, so as to effectively protect the legitimate rights and interests of suppliers. The Company continues to strengthen the internal control and audit supervision of the supply chain, resolutely eradicate black box operation, commercial bribery and improper transactions, strive to provide a good competitive environment for suppliers, and promote the long-term and stable cooperation between the Company and suppliers.

For customers, the Company always maintains the concept of "Customer first, grow together with customers", attaches great importance to customer relationship management, takes customers' satisfaction as the standard to measure the Company's operation, and is committed to providing customers with high-quality products and services. Over the years, the Company has established a good corporate image and gained a good reputation from all walks of life.

(4) Energy saving, innovative production and environmental protection

The Company takes the vision of "Developing energy saving and low-carbon economy, creating a quality and green environment", while pursuing economic benefits. It pays attention to environmental protection and energy conservation and consumption reduction, takes the construction of resource saving and environment-friendly enterprises as an important part of sustainable development strategy, actively promotes the strategic transformation from "Cost leading" to "Technology leading", and continuously develops independent intellectual property rights, new products and new technologies, such as energy saving, environmental protection, material saving, consumption reduction. At the same time, the Company has successfully developed the inverter controller and other system solutions, which will further improve the energy conservation and environmental protection of air conditioning system.

The Company emphasizes safety production and environmental protection, and adheres to the principle of "Prevention first, combination of prevention and control". While realizing its own development, it actively shoulders the social responsibility of environmental protection, and strives to promote the sustainable development of society and environment. The Company strictly abides by related national laws and regulations. On the one hand, the Company has established strict rules in effectively guiding the safety and environmental protection of each subsidiary company; on the other hand, the Company continuously optimizes the production process, continuously carries out the overhaul and technical transformation of environmental protection facilities, actively deepens the three wastes treatment and clean production level. In addition, the Company has prepared an effective comprehensive emergency plan for environmental risks and various specific emergency. Equipped with a sound emergency management team and various emergency facilities, equipment and materials, regular emergency training and drills are carried out, so as to minimize the occurrence of environmental pollution safety accidents.

(5) Shoulder social responsibility and participate in social charity

The Company takes "Public welfare society, building a harmonious society" as an important responsibility. With its continuous development, it has also made positive contributions to the infrastructure construction,

environmental protection, poverty alleviation and community construction of Shaoxing. During the reporting period, the Company actively undertakes its due responsibilities and obligations, and strives to create a good corporate image.

III. Achievements of poverty alleviation and rural revitalization

In the reporting year of the Company, there has been no targeted poverty alleviation activity, or follow-up targeted poverty alleviation plan.

Section VI Significant Events

I. Performance of commitments

1. Complete and incomplete commitments of the Company and its actual controller, shareholders, related parties, acquirers, and other related parties for the commitments by the end of the reporting period.

√ Applicable □ Not applicable

Commitments	Commitment party	Nature	Details of commitments	Date of commitments	Term of commitments	Performance
Commitment from reformation of shareholding	Zhang Yabo, controlling shareholder Sanhua Holding Group Co., Ltd.	Other commitment	When the number of shares sold through listing and trading in Shenzhen Stock Exchange reaches 1% of the total number of shares of the Company, it shall make an announcement within two working days from the date of the occurrence of the fact.	November 21 st 2005	Long term	Strict performance
Commitments from assets reorganization	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	Zhang Daocai and Sanhua holding group, the controlling shareholder of the Company, promise that there will not be any competition with Sanhua intelligent controls in the business scope being or already carried out in the future.	January 5 th , 2009	Long term	Strict performance
	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions	Sanhua Holding Group promises: after the completion of this transaction, Sanhua Holding Group and Sanhua intelligent controls will sign an agreement according to law, perform legal procedures, fulfill the obligation of information disclosure and handle significant matters for approval in accordance with relevant laws, regulations, and articles of association of Sanhua intelligent controls. In the process of implementation of related party transactions, we	January 5 th , 2009	Long term	Strict performance

		tions and capital occupation	will follow the principle of legality and reasonableness, ensure the fairness of prices and procedures, and make certain that the legitimate interests of Sanhua intelligent controls and other shareholders will not be damaged through related party transactions.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	<p>In order to avoid horizontal competition with Sanhua intelligent controls, Zhang Daocai, Zhang Yabo, Zhang Shaobo, Sanhua Holding Group the controlling shareholder of the Company, and Sanhua Lvneng Industry, the trading partner made the following commitments:</p> <p>1. I (or the Company) will not directly or indirectly engage in or participate in the business that constitutes potential direct or indirect competition with Sanhua Intelligent Controls and its subordinate enterprises; guarantee that legal and effective measures shall be taken to urge other enterprises controlled by me (or the Company) not to engage in or participate in any business competing with Sanhua Intelligent Controls and its subordinate enterprises.</p> <p>2. If Sanhua Intelligent Controls further expands its business scope, I (or the Company) and other controlled enterprises will not compete with Sanhua Intelligent Controls' expanded business; if it is possible to compete with Sanhua Intelligent Controls' business after expansion, I (or the Company) and other controlled enterprises will withdraw from Sanhua Intelligent Controls in the following ways of competition: A. Stop the businesses that compete or may compete with Sanhua Intelligent Controls; B. Inject the competitive business into Sanhua Intelligent Controls; C. Transfer the competitive business to an unrelated third party.</p> <p>3. If I (or the Company) and other enterprises controlled by me (or the Company) have any business opportunities to engage in and participate in any activities that may compete with Sanhua Intelligent Controls' business</p>	July 24 th , 2015	Long term	Strict performance

			<p>operation, they shall immediately inform Sanhua Intelligent Controls of the above business opportunities. If Sanhua Intelligent Controls makes an affirmative reply to take advantage of the business opportunity within a reasonable period specified in the notice, it shall do its best to give the business opportunity to Sanhua Intelligent Controls.</p> <p>4. In case of breach of the above commitment, I (or the Company) is willing to bear all responsibilities arising therefrom and fully compensate all direct or indirect losses caused to Sanhua Intelligent Controls.</p>			
	<p>Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.</p>	<p>Comm itment on horizo ntal compe tition, related party transac tions and capital occupa tion</p>	<p>In order to standardize the related party transactions with Sanhua Intelligent Controls, Zhang Daocai, Zhang Yabo, Zhang Shaobo, Sanhua Holding Group the controlling shareholder of the Company and Sanhua Lvneng Industrial the trading partner made the following commitments:</p> <p>1. I (or the Company) and the controlled enterprises will reduce the related party transactions with Sanhua intelligent controls as far as possible, and will not use their own status as shareholders of Sanhua intelligent controls to seek for superior rights in terms of business cooperation and other aspects compared with other third parties;</p> <p>2. I (or the Company) will not take advantage of the right to enter into a transaction with Sanhua intellectual controls using the position as a shareholder.</p> <p>3. If there are necessary and unavoidable related party transactions, I (or the Company) and the controlled enterprises will sign agreements with Sanhua intelligent controls in accordance with the principles of fairness, follow legal procedures, and perform the information disclosure obligations in accordance with the requirements of relevant laws, regulatory documents and the articles of association. It shall also perform relevant internal decision-making and approval procedures to</p>	<p>July 24th, 2015</p>	<p>Long term</p>	<p>Strict performance</p>

			ensure that it will not conduct transactions with Sanhua intelligent controls on terms that are obviously unfair compared with the market price, and will not use such transactions to engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other shareholders.			
Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd.	Other Commitment		Zhang Daocai, Zhang Yabo, Zhang Shaobo and Sanhua holding Group, the controlling shareholder of the Company, made the following commitments: after the completion of the transaction, Sanhua intelligent controls will continue to improve the corporate governance structure and independent operation of the Company management system in accordance with the requirements of relevant laws and regulations and the articles of Association, and continue to maintain the independence of Sanhua intelligent controls in business, assets, finance, institutions, personnel, etc. to protect the interests of all shareholders.	July 24 th , 2015	Long term	Strict performance
Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation		<p>1. I (or the Company) and the controlled enterprises will reduce the related party transactions with Sanhua intelligent controls as far as possible, and will not use the position as a shareholder of Sanhua intellectual controls to seek the superior rights for business cooperation with Sanhua intelligent controls compared with other third parties;</p> <p>2. I (or the Company) will not use my position as a shareholder of Sanhua intellectual controls to seek for the priority right to cooperate with Sanhua intellectual controls;</p> <p>3. If there are necessary and unavoidable related party transactions, I (or the Company) and the controlled enterprises will sign agreements with Sanhua intelligent controls in accordance with the principles of fairness, follow legal procedures, and perform the information disclosure obligations in accordance with the requirements of relevant laws, regulatory documents and the articles of association. It shall also perform relevant internal</p>	September 18 th , 2017	Long term	Strict performance

			decision-making and approval procedures to ensure that it will not conduct transactions with Sanhua intelligent controls on terms that are obviously unfair compared with the market price, and will not use such transactions to engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other shareholders.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	<p>1. I (or the Company) will not directly or indirectly engage in or participate in any business that may constitute potential direct or indirect competition with Sanhua intelligent controls and its subordinate enterprises; guaranteed that legal and effective measures will be taken to urge other enterprises controlled by me (or the Company) not to engage in or participate in any business that is competitive with Sanhua intelligent controls and its subordinate enterprises Business.</p> <p>2. If Sanhua intelligent controls further expands its business scope, I (or the Company) and other enterprises controlled by me (or the Company) will not compete with Sanhua intelligent controls' expanded business; if it is possible to compete with Sanhua intelligent controls' business after expansion, I (or the Company) and other enterprises controlled by me (or the Company) will withdraw from Sanhua intelligent controls in the following ways of competition: A. stop the businesses that compete or may compete with Sanhua intelligent controls; B. inject the competitive business into Sanhua intelligent controls; C. transfer the competitive business to an unrelated third party.</p> <p>3. If I (or the Company) and other enterprises controlled by me (or the Company) have any business opportunities to engage in and participate in any activities that may compete with Sanhua intelligent controls' business operation, they shall immediately inform Sanhua intelligent controls of the above business opportunities. If Sanhua intelligent controls makes an affirmative reply to take</p>	September 18 th , 2017	Long term	Strict performance

			<p>advantage of the business opportunity within a reasonable period specified in the notice, it shall do its best to give the business opportunity to Sanhua intelligent controls.</p> <p>4. In case of breach of the above commitment, I (or the Company) is willing to bear all responsibilities arising therefrom and fully compensate all direct or indirect losses caused to Sanhua intelligent controls.</p>			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Other commitment	<p>After the completion of the transaction, the listed Company will continue to improve the corporate governance structure and independent operation of the Company management system in accordance with the requirements of relevant laws and regulations and the articles of association, continue to maintain the independence of the listed Company in business, assets, finance, institutions, personnel and other aspects, and effectively protect the interests of all shareholders.</p>	September 18 th , 2017	Long term	Strict performance
Commitment from initial public offering or refinancing	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	<p>The commitment made at the time of IPO, it shall not engage in the same production, operation or business as the Company in the future. In order to avoid business competition with the Company and clarify the non-competition obligations, Sanhua Holding Group, on behalf of itself and its subsidiaries with more than 50% equity, makes a commitment to Sanhua intelligent controls to avoid possible horizontal competition.</p>	June 7 th 2005	Long term	Strict performance
Are the commitments fulfilled on time	Yes					

2. Where any profit forecast was made for any of the Company's assets or projects and the current reporting period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the profit forecast and why:

Applicable Not applicable

II. The Company's funds used by the controlling shareholder or its related parties for non-operating purposes.

Applicable Not applicable

No such case during the reporting period.

III. Illegal external guarantee

Applicable Not applicable

No illegal external guarantees during the reporting period.

IV. Explanation Given by the Board of Directors Regarding the "Non-standard Auditor's Report" Issued by the CPA Firm for the Reporting Period

Applicable Not applicable

V. Explanation Given by the Board of Directors, Board of Supervisors and Independent Directors(if any) Regarding the "Non-standard Auditor's Report" Issued by the CPA Firm for the Reporting Period

Applicable Not applicable

VI. For changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

Applicable Not applicable

Description of changes in accounting policies

1. New lease standard

The Company has implemented the revised *No. 21 Accounting Standards for Business Enterprises - Leasing* (hereinafter referred to as the "new leasing standards") from January 1, 2021 (hereinafter referred to as the "first implementation date").

(1) As for the existing contract before the first execution date, the Company chooses not to reevaluate whether it is a lease or includes a lease.

(2) For the lease contract in which the Company is the lessee, the Company implements the new leasing standard since the first implementation date, and the Company adjusts the amount of retained earnings at the beginning of the reporting period and other relevant items in the financial statements according to the cumulative impact of the implementation of the new lease standard, and it does not adjust the information of the comparable period. The specific treatment is as follows:

For the financial lease before the first implementation date, the Company shall measure the right of use assets and lease liabilities respectively according to the original book value of the financial lease in assets and the financial lease payable on the first implementation date.

For the operating lease before the first implementation date, the Company shall measure the lease liability at the present value discounted by the company's incremental loan interest rate on the first implementation date according to the remaining lease payment on the first implementation date, and measure the right to use asset according to the amount equal to the lease liability and make necessary adjustments according to the prepaid rent.

A. The main impact of the implementation of the new leasing standards on the Company's financial statements on January 1, 2021 is as follows:

Items	Balance sheet		
	December 31, 2020	Impact of adjustment of new lease standards	January 1, 2021
Fixed assets	3,839,408,059.45	-119,764,340.05	3,719,643,719.40
Assets with right of use		+202,831,869.22	202,831,869.22
Non-current liabilities due within one year	130,553,923.87	+22,719,934.72	153,273,858.59
Lease liabilities		+149,779,815.53	149,779,815.53
Long term accounts payable	90,336,083.27	-89,432,221.08	903,862.19

B. Simplified treatment of operating leases before the first implementation date

For lease contracts completed within 12 months after the first implementation date, the Company adopts a simplified method and does not recognize the assets with right of use and lease liabilities. The above simplified treatment has no significant impacts on its financial statements.

(3) For the operating lease contracts of low value assets existing before the first implementation date, the Company adopts a simplified method, does not recognize the assets with right of use and lease liabilities, and carries out accounting treatment in accordance with the new lease standards from the first implementation date.

(4) In terms of the lease contract with the Company as the lessor, it shall be subject to accounting treatment in accordance with the new lease standards from the first implementation date.

2. Q & A on the implementation of accounting standards for business enterprises

In November 2021, the accounting department of the Ministry of Finance issued the *Q&A on the implementation of accounting standards for business enterprises (the fifth batch)*. This article points out that: In general, the transportation activities that take place in order to perform the customer's contract before the control of the enterprise's goods or services is transferred to the customer do not constitute a single performance obligation, and the relevant transportation costs should be regarded as the contract performance costs. The Company adopts the

same basis as the recognition of revenue from goods or services to amortize and record it into the current profit and loss. The contract performance cost shall be carried forward and included in the title of "main business cost" or "other business cost" when recognizing the revenue of goods or services, and shall be listed in the item of "operating cost" in the income statement.

Due to the implementation of the *Q&A on the implementation of accounting standards for business enterprises (the fifth batch)*, the Company retroactively corrected the recording of sales freight and miscellaneous expenses in 2020, and reclassified the item from "sales expenses" to "operating costs". The adjustment impact of the accounting policy change on the financial statements of 2020 is shown in the table below:

Item	Income statement for the year of 2020		
	Before adjustment	Adjustment	After adjustment
Consolidated income statement			
Operating costs	8,500,391,322.27	+237,829,716.09	8,738,221,038.36
Selling expenses	602,954,759.17	-237,829,716.09	365,125,043.08
Income statement of parent company			
Operating costs	3,383,660,538.43	+22,580,796.28	3,406,241,334.71
Selling expenses	51,140,200.18	-22,580,796.28	28,559,403.90

VII. Explanation for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

√ Applicable □ Not applicable

(I). Business combination under different control

1. Business combination under different control in this reporting period

(1) Basic information

Name of the acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition	Equity acquisition method
Zhejiang Sanhua Plate Exchange Technology Co., Ltd	2021-12-14	RMB 28.00 million	70%	Equity transfer agreement

(Continued)

Name of the acquiree	Date of equity acquisition	Determination basis of purchase date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
Zhejiang Sanhua Plate Exchange Technology Co., Ltd	2021-12-14	Complete the equity transfer and make payment	0.00	0.00

(2) Other instructions

In December 2021, the Company acquired 70% equity of Zhejiang Sanhua Plate Exchange Technology Co., Ltd. (hereinafter referred to as Sanhua Plate Exchange) from Su Jun. The pricing of this equity transaction is based on the assessed value, the basic transfer price is 28 million yuan, and the assessment payment of consideration is 7 million yuan.

If the net profit of the Sanhua Plate Exchange in 2022 realize 6.4 million yuan, the Company will pay another 3.5

million yuan. Otherwise, the Company will not need to pay any more. If the net profit of Sanhua Plate Exchange in 2023 realize 8 million yuan, the Company will pay another 3.5 million yuan. Otherwise, the Company will not need to pay any more.

According to the profit forecast data and the judgment of the Company's management, it is difficult for Sanhua Plate Exchange to achieve the assessment net profit, and the assessment payment of consideration is estimated at zero yuan.

2. Cost of M&A and goodwill

Items	Amount
Cost of M&A	28,000,000.00
Cash	28,000,000.00
Less: fair value of identifiable net assets obtained	20,408,169.39
Goodwill	7,591,830.61

3. Identifiable assets and liabilities of the acquiree on the acquisition date

(1) Details

Item	Sanhua Plate Exchange	
	Fair value on the purchase date	Book value on purchase date
Assets	41,750,357.62	25,060,423.80
Accounts receivable	2,456,829.86	2,456,829.86
Inventory	7,730,397.40	7,730,397.40
Other current assets	1,769,614.51	1,769,614.51
Fixed assets	6,672,716.01	4,214,515.28
Assets with right of use	4,019,018.35	4,019,018.35
Intangible assets	12,917,600.00	
Long term deferred expenses	6,068,825.10	4,754,692.01
Deferred tax assets	115,356.39	115,356.39
Liabilities	12,595,829.92	10,092,339.85
Accounts payable	5,547,165.87	5,547,165.87
Salary payable	526,155.63	526,155.63
Lease liabilities	4,019,018.35	4,019,018.35
Deferred tax liability	2,503,490.07	
Net assets	29,154,527.70	14,968,083.95
Less: Minority interests	8,746,358.31	4,490,425.19
Net assets acquired	20,408,169.39	10,477,658.76

(2) Determination method of fair value of identifiable assets and liabilities

The fair value of identifiable assets and liabilities of Sanhua Plate Exchange is determined at the assessed value.

(II). Changes in consolidation scope due to other reasons

Name of subsidiaries	Equity acquisition method	Date of equity acquisition	Actual contribution at the end of the	Proportion of capital contribution
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			period	
Zhejiang Sanhua Automotive Components Trading Co., Ltd	New investment	2021-08-31	0.00	100%
Zhejiang Sanhua Heat Exchanger Co., Ltd	New investment	2021-12-13	0.00	100%

VIII. Engagement and disengagement of the CPA firm

CPA firm engaged at present

Name of the domestic CPA firm	Pan-China Certified Public Accountants LLP
Remuneration of domestic accounting firms (in 10,000 yuan)	245.28
Consecutive years of the audit service provided by the domestic CPA firm	21
Name of the certified public accountants from the domestic CPA firm	Luo Xunchao, Zhang Xin
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	Luo Xunchao has been in service for 3 consecutive years Zhang Xin has been in service for 1 year

Whether the CPA firm was changed in the current period

Yes No

Engagement of internal control audit CPA firm, financial advisor or sponsor

Applicable Not applicable

During the reporting period, the Company did not change accounting firm or engage an internal control audit accounting firm. This year, the Company hired Zheshang Securities Co., Ltd. due to the issuance of convertible bonds, and paid a total of 11 million yuan (including tax).

IX. Listing suspension and termination after disclosure of this annual report

Applicable Not applicable

X. Bankruptcy and Restructuring

Applicable Not applicable

No such case during the reporting period.

XI. Material Litigation and Arbitration

Applicable Not applicable

No such case during the reporting period.

XII. Punishments and Rectifications

Applicable Not applicable

No such case during the reporting period.

XIII. Integrity of the Company and Its Controlling Shareholders and Actual Controllers

Applicable Not applicable

XIV. Significant Related-party Transaction

1. Related-party transactions arising from routine operation

Applicable Not applicable

No such case in the reporting period.

2. Related-party transactions regarding purchase and disposal of assets or equity

Applicable Not applicable

No such case in the reporting period.

3. Significant related-party transactions arising from joint investments on external parties

Applicable Not applicable

No such case in the reporting period.

4. Related credit and debt transactions

Applicable Not applicable

No such case in the reporting period.

5. Transactions with related financial companies

Applicable Not applicable

No such case in the reporting period.

6. Transactions between financial companies controlled by the Company and related parties

Applicable Not applicable

No such case in the reporting period.

7. Other significant related party transactions

Applicable Not applicable

No such case in the reporting period.

XV. Significant Contracts and Their Execution

1. Matters on trusteeship, contracting, and leasing

(1) Trusteeship

Applicable Not applicable

No such case in the reporting period.

(2) Contracting

Applicable Not applicable

No such case in the reporting period.

(3) Leasing

Applicable Not applicable

Illustration of lease

For details of related information about leasing, please refer to “Section X financial report”.

Items with profit and loss exceeding 10% of the total profit of the Company in the report period

Applicable Not applicable

During the reporting period, there is no leasing project with profit and loss of more than 10% of the total profit of the Company during the reporting period.

2. Significant guarantees

Applicable Not applicable

Unit: RMB in 10 thousand

External Guarantees from the Company and its Subsidiaries (Excluding Guarantees to the Subsidiaries)										
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter guarantee (if any)	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Company's Guarantees to Subsidiaries										
Guaranteed Party	Announcement Date of Disclosure of the	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter guarantee (if any)	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not

	Guarantee Amount									
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	February 10, 2020	9,385.61	Joint liability guarantee			2020.02.10-2021.02.09	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	September 14, 2020	7,219.7	Joint liability guarantee			2020.09.14-2021.09.13	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	November 2, 2020	7,219.7	Joint liability guarantee			2020.11.02-2021.11.01	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	June 12, 2020	7,500	Joint liability guarantee			2020.06.12-2022.12.25	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	July 5, 2019	10,829.55	Joint liability guarantee			2019.07.05-2022.06.20	No	Yes
SANHUA INTERNATIONAL, INC.	April 3, 2019	30,000	December 9, 2019	19,764.67	Joint liability guarantee			2019.12.09-2022.12.09	No	Yes
SANHUA INTERNATIONAL, INC.	April 29, 2020	50,000	June 24, 2020	9,563.55	Joint liability guarantee			2020.06.24-2021.06.23	Yes	Yes
SANHUA INTERNATIONAL	March 27, 2021	180,000	June 8, 2021	1,443.94	Joint liability			2021.06.08-2021.12.12	Yes	Yes

IONAL SINGAPO RE PTE. LTD.					guarantee			.08		
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	April 29, 2020	150,000	February 10, 2021	9,385.61	Joint liability guarantee			2021.02.1 0-2022.02 .10	No	Yes
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	October 26, 2021	180,000	November 2, 2021	7,219.7	Joint liability guarantee			2021.11.0 2-2022.4. 22	No	Yes
SANHUA INTERNAT IONAL,IN C.	March 27, 2021	50,000	June 24, 2021	9,563.55	Joint liability guarantee			2021.06.2 4-2022.06 .16	No	Yes
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	March 27, 2021	180,000	September 14, 2021	7,219.7	Joint liability guarantee			2021.09.1 4-2022.08 .30	No	Yes
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	March 27, 2021	180,000	October 25, 2021	6,375.7	Joint liability guarantee			2021.10.2 5-2022.01 .25	No	Yes
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	October 26, 2021	180,000	November 23, 2021	6,375.7	Joint liability guarantee			2021.11.2 3-2022.2. 22	No	Yes
SANHUA INTERNAT IONAL SINGAPO	October 26, 2021	180,000	November 24, 2021	6,375.7	Joint liability guarantee			2021.11.2 4-2022.2. 24	No	Yes

RE PTE. LTD.											
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)		285,000	Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2)							53,959.6	
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)		285,000	Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (B4)							90,609.88	
Subsidiaries' Guarantees to Subsidiaries											
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter guarantee (if any)	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not	
The total amount of the Company's guarantees (the total of the above three items)											
Total Amount of Guarantees Approved during the Reporting Period (A1+B1+C1)		285,000	Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)							53,959.6	
Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)		285,000	Total Balance of Guarantees Actually Paid at the End of the Reporting Period (A4+B4+C4)							90,609.88	
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets											8.13%
Of which:											
Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)											29,328.22
Total Amount of the Above Three Guarantees (D+E+F)											29,328.22

3. Entrusting others to manage cash assets**(1) Entrusted financing**

√Applicable □ Not applicable

Entrusted financing during the reporting period

Unit: RMB in 10 thousand

Specific type	Capital source	Amount	Balance before maturity	Overdue uncollected amount	Accrued impairment amount of overdue unrecovered financial management
Bank financial products	Own funds	70,048.5	10,824		
Bank financial products	Raised funds	5,000	0		
Total		75,048.5	10,824		

Details of high-risk entrusted financial management with large single amount, low security or poor liquidity

√Applicable □ Not applicable

Name of trustee	Type of trustee	Product type	Amount	Capital source	Start date	Termination date	Capital investment	Determination of return	Reference annualized rate of return	Expected return (if any)	Actual profit and loss in the reporting period	Actual recovery of profit and loss in the reporting period	Amount of provision for impairment (if any)	Through legal procedures or not	Future entrusted financial management plan or not	Event overview and relevant index (if any)
Industrial and Commercial Bank of China Xinchang sub branch	Bank	Legal person "Tianlibao" net worth financial products	20,000	Own funds	December 30, 2020	February 19, 2021		Floating income without guarantee of principal	2.62%		7.19	7.19		Yes	-	
Industrial and Commercial Bank of China Xinchang sub branch	Bank	"E-SMART" net worth legal person RMB financial products without	5,000	Own funds	December 31, 2020	January 4, 2021		Floating income without guarantee of principal	3.03%		1.66	1.66		Yes	-	

		fixed term														
Bank of Communications Co., Ltd. Shaoxing Xinchang sub branch	Bank	Bank of communications Yuntong wealth fixed-term structured deposit for 89 days (linked exchange rate appreciation)	10,000	Own funds	February 10, 2021	April 9, 2021		Floating income with guarantee of principal	3.50%		85.34	80.51		Yes	-	
BNP Paribas Shanghai Branch	Bank	structured deposits with Guarantee of RMB Principal and daily interest in the range of the euro against the US	10,000	Own funds	June 29, 2021	August 26, 2021		Floating income with guarantee of principal	3.80%		1,695.57	1,599.59		Yes	-	

		dollar														
China Constructi on Bank Xinchang sub branch	Bank	China Constructi on Bank Zhejiang Branch customize d unit structured deposit No. 302 in 2021	20,000	Own funds	July 2, 2021	Decemb er 31, 2021		Floating income with guarant ee of principa l	3.80%		341.48	322.15		Yes	-	
China Constructi on Bank Xinchang sub branch	Bank	China Constructi on Bank Zhejiang Branch customize d unit structured deposit No. 303 in 2021	10,000	Own funds	July 2, 2021	June 30, 2022		Floating income with guarant ee of principa l	3.80%					Yes	-	
Bank of Hangzhou Xinchang sub branch	Bank	Ji Tianyi No. 1904	5,000	Own funds	Septem ber 15, 2021	Decemb er 15, 2021		Floating income without guarant ee of principa	3.80%		53.98	53.98		Yes	-	

								1								
Bank of Hangzhou Xinchang sub branch	Bank	Ji Tianyi No. 1904	5,000	Own funds	September 15, 2021	December 15, 2021		Floating income without guarantee of principal	3.80%		53.98	53.98		Yes	-	
Guangzhou Development Bank Hangzhou Xiaoshan sub branch	Bank	Xinjiaxin No. 16	9,500	Own funds	October 22, 2020	January 22, 2021		Floating income with guarantee of principal	3.30%		78.16	73.74		Yes	-	
Hang Seng Bank Hangzhou Branch	Bank	Heng Huiying	5,000	Own funds	October 23, 2020	January 22, 2021		Floating income with guarantee of principal	3.35%		42.34	39.94		Yes	-	
China CITIC Bank Hangzhou Branch	Bank	Structured deposit	5,000	Own funds	December 31, 2020	February 1, 2021		Income with guarantee of principal	3.55%		16.05	15.14		Yes	-	

Total	104,500								2,375.75				
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Note: The accumulated financial management is 1.595 billion yuan during the reporting period. The above mentioned are the specific circumstances of the single significant financial management (single amount of more than 50 million yuan)

The principal of entrusted financial management is expected uncollectible or there are other situations that may lead to impairment

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

No such case in the reporting period.

4. Significant contracts in operation

Applicable Not applicable

No such case in the reporting period.

XVI. Other Significant Events

Applicable Not applicable

1. Issuance of convertible bond

The 17th interim meeting of the sixth board of directors of the Company approved the *Proposal on further clarifying the specific plan of the company's public issuance of convertible corporate bonds*, the *Proposal on the listing of convertible corporate bonds* and other relevant proposals. On June 1, 2021, the Company issued convertible bonds, and the original shareholders applied online on the priority placement date. On June 7, the raised funds were transferred to the Company's account, and the bond registration was completed in Shenzhen Branch of China Securities Depository and Clearing Corporation on June 11. With the approval of Shenzhen Stock Exchange, Sanhua convertible bonds were listed and traded on June 30, 2021. The securities are referred to as "Sanhua convertible bonds", the securities code is "127036", and the number of listed bonds is 30 million. From December 7, 2021, "Sanhua convertible bonds" started the stock conversion period. See the relevant announcement disclosed on CNINFO for details.

By the end of the reporting period, "Sanhua convertible bonds" had decreased by 532,100 yuan (5,321 pieces) due to share conversion, and the number of shares converted was 24,610.

2. Repurchase of shares of the Company

July 16, 2021, the 20th extraordinary meeting of the 6th board of directors deliberated and approved the *Proposal on share repurchase scheme of the Company*, which agreed the Company to buy back part of the Company's shares through centralized bidding through the secondary market with its own funds for subsequent implementation of equity incentive or employee stock ownership plan. The total capital of this repurchase shall not be less than 200 million yuan and not more than 400 million yuan, the repurchase price shall not exceed 30.00 yuan / share, and the repurchase period shall be within 12 months from the date approved by the board of directors of the Company. See the relevant announcement disclosed by the Company on CNINFO for details.

By the end of the reporting period, the number of shares repurchased by the Company through the special securities account for stock repurchase through centralized bidding transaction was 8,293,764 shares, accounting for 0.23% of the Company's current total share capital. The highest transaction price was 27.31 yuan / share, the lowest transaction price was 22.55 yuan / share, and the total value of was 200,011,001.49 yuan (excluding transaction costs).

XVII. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VII Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: Share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
1. Shares subject to conditional restriction(s)	61,268,305	1.71%				-10,918,144	-10,918,144	50,350,161	1.40%
1) Shares held by states									
2) Shared held by state-owned enterprises									
3) Other domestic shares	60,838,005	1.70%				-10,765,394	-10,765,394	50,072,611	1.39%
Of which: Shares held by domestic legal person									
Shares held by domestic natural person	60,838,005	1.70%				-10,765,394	-10,765,394	50,072,611	1.39%
4) Foreign shares	430,300	0.01%				-152,750	-152,750	277,550	0.01%
Shares held by foreign natural person	430,300	0.01%				-152,750	-152,750	277,550	0.01%
2. Shares without restriction	3,530,333,163	98.29%				10,567,964	10,567,964	3,540,901,127	98.60%
1) RMB common shares	3,530,333,163	98.29%				10,567,964	10,567,964	3,540,901,127	98.60%
3. Total	3,591,601,468	100.00%				-350,180	-350,180	3,591,251,288	100.00%

Reason for the changes in share capital

√ Applicable □ Not applicable

1. At the beginning of each year, the number of locked shares of the executives is re-calculated according to 75% of the total number of shares held by the executives.

2. The Company repurchased and cancelled 374,790 restricted shares held by unqualified incentive objects. After

this, the total share capital of the Company was reduced from 3,591,601,468 shares to 3,591,226,678 shares.

3. On June 18, 2021, the first phase of the restricted stock incentive plan in 2020 matured, and 4.5961 million restricted shares of 883 incentive objects meeting the conditions were listed for circulation.

4. On November 8, 2021, the third phase of the restricted stock incentive plan in 2018 matured, and 6.4659 million restricted shares of 676 incentive objects meeting the conditions were listed for circulation.

5. From December 7, 2021 to December 31, 2021, "Sanhua convertible bonds" decreased by RMB 532,100 (5,321 pieces) due to share conversion, and the number of converted shares was 24,610.

Approval for changes in share capital

Applicable Not applicable

1. On June 8, 2021, the 18th interim meeting of the sixth board of directors and the 16th interim meeting of the sixth board of supervisors deliberated and approved the *Proposal on adjusting the repurchase price of restricted stock incentive plan in 2020* and *Proposal on the achievement of lifting of restrictions in the first vesting period of the restricted stock incentive plan in 2020*. There were 883 incentive objects eligible for unlocking, and the number of released shares was 4.5961 million shares.

2. On June 24, 2021, the second extraordinary general meeting of shareholders in 2021 deliberated and approved the *Proposal on repurchase and cancellation of partial restricted shares*. The Company repurchased and cancelled 374,790 shares held by the incentive objects that are not qualified for unlocking. After completion of repurchase and cancellation, the total number of shares of the Company was reduced from 3,591,601,468 to 3,591,226,678.

3. On October 25, 2021, the 22th interim meeting of the sixth board of directors and the 21th interim meeting of the sixth board of supervisors deliberated and approved the *Proposal on the achievement of lifting of restrictions in the third vesting period of the restricted stock incentive plan in 2018*. There were 676 incentive objects eligible for unlocking, and the number of released shares was 6.4659 million shares.

4. On May 27, 2021, the 17th interim meeting of the sixth board of directors and the 15th interim meeting of the sixth board of supervisors deliberated and approved the *Proposal on further clarifying the specific scheme of the Company's public issuance of convertible corporate bonds* and *Proposal on public issuance and listing of convertible corporate bonds*. The term of converting is from the first trading day (December 7, 2021) which is six months after June 7, 2021, to the maturity date of convertible bonds (May 31, 2027).

Transfer of shares

Applicable Not applicable

The Company repurchased 374,790 shares that were not qualified for unlocking. After cancellation, its share capital was reduced from 3,591,601,468 to 3,591,226,678.

Effects of changes in share capital on the basic earnings per share ("EPS"), diluted EPS, net assets per share attributable to common shareholders of the Company, and other financial indexes over the last year and last period

Applicable Not applicable

Please refer to the financial report for details.

Other contents that the Company considers necessary or required by the securities regulatory authorities to disclose

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: Share

Name of shareholder	Opening balance of restricted shares	Vested in current period	Unlock shares in current period	Closing balance of restricted shares	Note for restricted shares	Date of unlocking
Zhang Yabo	39,023,400			39,023,400	Comply with the relevant provisions of executives shares management	Comply with the relevant provisions of executives shares management
Wang Dayong	197,600		5,038	192,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Ni Xiaoming	197,600		5,038	192,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Chen Yuzhong	197,600		5,038	192,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Hu Kaicheng	197,600		5,038	192,562	Comply with relevant provisions of equity incentive and executive shares	Comply with relevant provisions of equity incentive and executive shares

					management.	management.
Yu Yingkui	221,080		5,038	216,042	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Mo Yang	0	10,926		10,926	Comply with relevant provisions of executive shares management.	Comply with relevant provisions of executive shares management.
Chen Xiaoming	8,325			8,325	Comply with relevant provisions of executive shares management.	Comply with relevant provisions of executive shares management.
Other incentive objects	21,225,100		10,903,880	10,321,220	Comply with relevant provisions of equity incentive	Comply with relevant provisions of equity incentive
Total	61,268,305	0	10,929,070	50,350,161	--	--

II. Issuance and Listing of Securities

1. Securities (exclude preferred share) issued during the reporting period

Applicable Not applicable

2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

Applicable Not applicable

1. On June 24, 2021, the second extraordinary general meeting of shareholders in 2021 deliberated and approved the *Proposal on repurchase and cancellation of partial restricted shares*. The Company repurchased and cancelled 374,790 shares held by the incentive objects that are not qualified for unlocking. After completion of repurchase and cancellation, the total number of shares of the Company was reduced from 3,591,601,468 to 3,591,226,678.

2. The convertible bonds issued by the Company entered the stock conversion period from December 7, 2021. By the end of the reporting period, the "Sanhua convertible bonds" decreased by RMB 532,100 (5,321 pieces) due to the stock conversion, and the number of shares converted was 24,610 shares. As of December 31, 2021, the total number of shares of the Company is 3,591,251,288.

3. Existent shares held by internal staff of the Company

Applicable Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total Number of Common Shareholders at the End of the Reporting Period	61,484	Total number of common shareholders at the end of previous month before the disclosure date of the annual report	84,905	Total Number of Preferred Shareholders (If Any) (Refer to Note 8) Whose Voting Rights Have Been Recovered at the End of the Reporting Period	0	Total number of preferred shareholders (if any) (refer to Note 8) with resumed voting rights at the end of previous month before the disclosure date of the annual report	0	
Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of common shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or frozen	
							Status	Amount
Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	29.44%	1,057,245,749	-12,291,831		1,057,245,749	Pledged	228,128,169
Hong Kong Central Clearing Limited	Overseas corporation	22.68%	814,597,454	529,424,339		814,597,454		
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Domestic non-state-owned corporation	20.68%	742,747,954	0		742,747,954		
Zhang Yabo	Domestic Individual	1.45%	52,031,200	0	39,023,400	13,007,800		
Abu Dhabi	Overseas	0.67%	24,163,564	4,834,679		24,163,564		

Investment Authority	corporation		0		0		
Wanjin Global Hong Kong Limited - Wanjin Global Equity Fund	Overseas corporation	0.62%	22,320,062	22,320,062		22,320,062	
China Construction Bank Corporation - Bocom Schroder Alpha Core Hybrid Securities Investment Fund	Others	0.57%	20,477,020	-11,499,303		20,477,020	
Bank of China Limited - E Fund Strategic Emerging Industry Equity Securities Investment Fund	Others	0.56%	20,180,195	20,180,195		20,180,195	
Industrial and Commercial Bank of China Limited - Bocom Schroeder Advantageous Industries Flexible Allocation Hybrid Securities Investment Funds	Others	0.54%	19,400,735	-3,445,664		19,400,735	
Industrial and Commercial Bank of China Limited - E Fund Emerging Growth Flexible Allocation Hybrid Securities Investment Fund	Others	0.54%	19,294,754	-11,441,810		19,294,754	
Information about Strategic Investors' or General Legal Persons' Becoming Top Ten Common Shareholders for Placement of New Shares (If Any) (Refer to Note 3)	No						
Explanation on Associated	Among the above shareholders, Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng						

Relationship or Concerted Actions among the Above-Mentioned Shareholders	Industrial Group Co., Ltd. and Zhang Yabo are the persons acting in concert. The Company does not know whether there is any related relationship between other shareholders, or whether they belong to the persons acting in concert stipulated in the <i>Administrative Measures for the Acquisition of Listed Companies</i> .		
Particulars about Shares Held by Top Ten Common Shareholders Holding Shares That Are Not Subject to Trading Restrictions			
Name of Shareholder	Number of Common Shares Held without Restrictions at the End of the Reporting Period	Type of shares	
		Type	Amount
Sanhua Holding Group Co., Ltd.	1,057,245,749	RMB common stock	1,057,245,749
Hong Kong Central Clearing Limited	814,597,454	RMB common stock	814,597,454
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	742,747,954	RMB common stock	742,747,954
Abu Dhabi Investment Authority	24,163,560	RMB common stock	24,163,560
Wanjin Global Hong Kong Limited - Wanjin Global Equity Fund	22,320,062	RMB common stock	22,320,062
China Construction Bank Corporation - Bocom Schroder Alpha Core Hybrid Securities Investment Fund	20,477,020	RMB common stock	20,477,020
Bank of China Limited - E Fund Strategic Emerging Industry Equity Securities Investment Fund	20,180,195	RMB common stock	20,180,195
Industrial and Commercial Bank of China Limited - Bocom Schroeder Advantageous Industries Flexible Allocation Hybrid Securities Investment Funds	19,400,735	RMB common stock	19,400,735
Industrial and Commercial Bank of China Limited - E Fund Emerging Growth Flexible Allocation Hybrid Securities Investment Fund	19,294,754	RMB common stock	19,294,754
China Merchants Bank Co., Ltd. - E Fund Innovative Growth Hybrid Securities Investment Fund	16,585,154	RMB common stock	16,585,154
Explanation of Associated Relationship or Concerted Actions among Top Ten Common Shareholders without Trading Restrictions, and among Top Ten	Among the above shareholders, Sanhua Holding Group Co., Ltd. and Zhejiang Sanhua Lvneng Industrial Group Co., Ltd. are the persons acting in concert. The Company does not know whether there is any related relationship between other shareholders, or whether they belong to the persons acting in concert stipulated in the <i>Administrative Measures for the Acquisition of Listed Companies</i> .		

Common Shareholders without Trading Restrictions and Top Ten Common Shareholders	
Explanation of Top Ten Common Shareholders' Participation in Securities Margin Trading (If Any) (Refer to Note 4)	No

Any of the Company's top 10 common shareholders or top 10 non-restricted common shareholders conducted any agreed buy-back in the reporting period?

Applicable Not applicable

No such cases during the current reporting period.

2. Particulars about controlling shareholder of the Company

Nature of the controlling shareholder: Domestic non-state-owned corporation

Type of the actual controller: Corporation

Name of controlling shareholder	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
Sanhua Holding Group Co., Ltd	Zhang Daocai	July 11, 2000	911330624720002522J	Industrial investment; Manufacturing and sales: General parts, electronic products; sales: metal materials (excluding precious and rare metals), chemical raw materials (except dangerous chemicals and precursor chemicals), rubber; export of products and related technologies produced by the enterprise and its member enterprises. It is engaged in the export business of raw and auxiliary materials, machinery and equipment, instruments and meters, spare parts and related technologies needed by the enterprise and its member enterprises for production and scientific research; it is engaged in the processing

				of imported materials and the business of "three supplies and one supplement". Technical consultation, technical service, financial consultation and investment consultation. (In terms of projects subject to approval according to law, business activities can be carried out only after approval by relevant departments.)
Shares held by the controlling shareholder in other foreign listed companies through controlling or holding during the reporting period	N/A			

Change of the controlling shareholder during the reporting period

Applicable Not applicable

The Company's controlling shareholder has not changed during the reporting period.

3. Particulars about the Company's actual controller & concerted parties

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

Name of the actual controller	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Zhang Daocai	Himself	China	No
Zhang Yabo	Himself	China	No
Zhang Shaobo	Himself	China	No
Main occupation and position	Mr. Zhang Daocai: Chinese nationality, born in 1950, senior economist, and special supervisor of MBA graduate student of Zhejiang University. He is honorary chairman of the Company and chairman of the board of directors of Sanhua Holding Group Co., Ltd. He was elected as the representative of the 8th, 9th, 10th, 11th and 12th National People's Congress of Zhejiang Province and vice president of the China Enterprise Federation and the Chinese Entrepreneurs Association. Vice president of Zhejiang small and medium sized Enterprises Association, vice president of Zhejiang Business Management Research Association and vice president of Asia Pacific Chinese Leaders Association, and won the National Labor Medal of May 1st, national excellent entrepreneur, master of Chinese management, most creative Chinese business leader in Asia Pacific, Model worker of Zhejiang Province, meritorious entrepreneur of implementing the "eight eight strategy" in Zhejiang Province, lifelong leader		

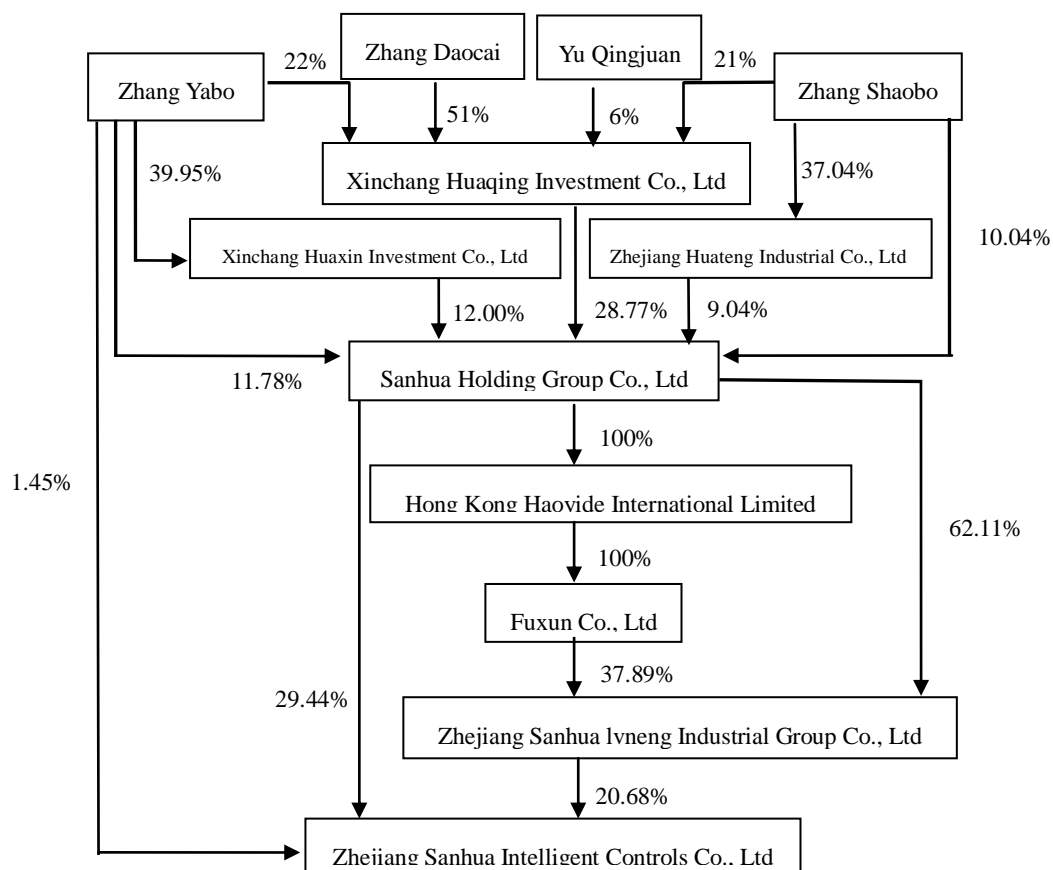
	<p>entrepreneur of Zhejiang Province, leading figures of Zhejiang Manufacturing and other honors.</p> <p>Mr. Zhang Yabo: Chinese nationality, CPC member, born in 1974, graduated from Shanghai Jiaotong University, received a master's degree in Business Administration from CEIBS. At present, he is the chairman of the board of the Company, Secretary of the Party committee of Sanhua holding group, vice chairman and director of the board of Sanhua Holding Group Co., Ltd. He has successively won Zhejiang outstanding young private entrepreneurs, Zhejiang operation and management masters, Senior economist, Shaoxing labor model, Shaoxing top ten outstanding young people, Shaoxing mayor award, Changjiang River Delta top ten outstanding young businessmen, Fengyun Zhejiang businessmen, Zhejiang outstanding entrepreneurs, glorious Zhejiang businessman, etc. He served as member of the 12th Zhejiang Provincial Committee of the Chinese people's Political Consultative Conference, deputy to the 5th, 6th and 7th Shaoxing people's Congress, vice chairman of Zhejiang Youth Federation, President of Zhejiang Youth Entrepreneurs Association, and Director of China Youth Entrepreneurs Association.</p> <p>Mr. Zhang Shaobo: Chinese nationality, born in 1979, master's degree, graduated from CEIBS. He serves as a director of the Company, director of Sanhua Holding Group Co., Ltd., CEO of Hangzhou Sanhua International Building Co., Ltd., and executive director and CEO of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.</p>
Domestic and foreign listed companies controlled in the past 10 years	N/A

Change of the actual controller during the reporting period

Applicable Not applicable

No such change during the reporting period.

The ownership and controlling relationship between the actual controller and the Company is detailed as follows:



The actual controller controls the Company via trust or other ways of asset management

Applicable Not applicable

4. The cumulative number of Pledged Shares of the Company's controlling shareholder or the largest shareholder and its concerted actors accounts for 80% of the Company's shares

Applicable Not applicable

5. Particulars about other corporate shareholders with shareholding proportion over 10%

√ Applicable □ Not applicable

Name of corporate shareholder	Legal representative	Date of incorporation	Registered capital	Main business
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Zhang Shaobo	September 30, 2001	483 million yuan	Manufacturing and sales: air suspension assembly, general equipment, electromechanical equipment, technology development, technical service, technical consultation, achievement transfer: electromechanical technology, environmental protection technology, biotechnology (except for human stem cells, gene diagnosis and treatment technology development and application); electronic and electrical products, metal materials (excluding precious metals), chemical raw materials (except chemical dangerous goods and precursor chemicals) Wholesale, retail and import and export business of gold and silver jewelry, rubber, mineral products, machinery and equipment, instruments and accessories; services: enterprise management consulting, property management (operating by qualification certificate), self-owned house leasing, industrial investment management, consulting management (except for securities and goods, without approval of financial supervision

				departments, shall not engage in deposit, financing guarantee, agency for public financing Financial services (such as customer finance), power supply, development and construction of distributed solar energy projects, and contract energy management. (Except for those involving the implementation of special management measures for access stipulated by the state). (In terms of projects subject to approval according to law, business activities can be carried out only after approval by relevant departments.)
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6. Particulars on shareholding decrease restrictions for the controlling shareholders, actual controller, restructuring or other committing parties

Applicable Not applicable

IV. Information about the implementation of share repurchase during the reporting period

Information about the implementation of share repurchase

Applicable Not applicable

Scheme disclosure date	Number of shares to be repurchased	Proportion in total share capital	Proposed repurchase amount	Period to be repurchased	Repurchase purpose	Quantity repurchased (shares)	Proportion of repurchased shares in equity incentive plan shares (if any)
July 17, 2021	6,666,666-13,333,333	0.19%-0.37%	200 million yuan - 400 million yuan	July 17, 2021 - July 16, 2022	For equity incentive plan or employee stock ownership plan	8,293,764	

The progress on reduction of re-purchase shares by means of centralized bidding

Applicable Not applicable

Section VIII Information of Preferred Shares

Applicable Not applicable

No existed preferred shares for the Company during the current reporting period.

Section IX Bonds

Applicable Not applicable

I. Enterprise bond (hereinafter referred to as the bond issued by domestic state-owned entity)

Applicable Not applicable

II. Corporate bond

Applicable Not applicable

III. Debt financing instruments of non-financial enterprises

Applicable Not applicable

IV. Convertible bond

Applicable Not applicable

1. Previous Adjustments of Stock Conversion Price

Applicable Not applicable

2. Share Conversions (Accumulative)

Applicable Not applicable

Abbreviation of convertible bonds	Period of conversion	Total issued amount (piece)	Total issued amount	Cumulative amount of converted shares (yuan)	Cumulative number of converted shares (shares)	Proportion of the number of converted shares to the total issued shares of the Company before the date of conversion	Amount of shares not yet converted (yuan)	Proportion of the amount of non-converted shares in the total amount of issuance
Sanhua convertible bond	December 7, 2021 to May 31, 2027	30,000,000	3,000,000,000.00	532,100.00	24,610	0.00%	2,999,467,900.00	99.98%

3. Top 10 Holders of the Convertible Bond

Unit: share

	Name of convertible bond holder	Nature of convertible bond holders	Number of convertible bonds held at the end of the reporting period (share)	Amount of convertible bonds held at the end of the reporting period (yuan)	Proportion of convertible bonds held at the end of the reporting period
1	Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	8,854,432	885,443,200.00	29.52%
2	Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Domestic non-state-owned corporation	6,220,514	622,051,400.00	20.74%
3	Industrial and Commercial Bank of China Limited - Boshi credit bond investment fund	Others	800,055	80,005,500.00	2.67%
4	Industrial and Commercial Bank of China Limited huitianfu convertible bond securities investment fund	Others	519,001	51,900,100.00	1.73%
5	Kunlun Health Insurance Co., Ltd. - traditional insurance products 1	Others	489,988	48,998,800.00	1.63%
6	Industrial Bank Co., Ltd. - Zhuque Anxin bond securities investment fund	Others	367,094	36,709,400.00	1.22%
7	Zhongtai Securities Co., Ltd	Domestic state-owned corporation	301,134	30,113,400.00	1.00%
8	Agricultural Bank of China Limited - Penghua convertible bond securities investment fund	Others	289,071	28,907,100.00	0.96%
9	Zhongtai Securities Asset Management - Bank of Gansu "HuiFu" series financial product plan - Qilu asset management 0006 directional asset management contract	Others	235,119	23,511,900.00	0.78%
10	Zhejiang Jing'an Investment Management Co., Ltd. - Jing'an Mingyuan private equity securities	Others	217,759	21,775,900.00	0.73%

investment fund				
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4. The Profitability, Asset and Credit Status of the Guarantor Have Changed Significantly

Applicable Not applicable

5. By the end of the reporting period, the Company's liabilities, credit changes and cash arrangements for debt repayment in future

During the reporting period, CSCI Pengyuan issued the *Tracking rating report on the public issuance of convertible corporate bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd. in 2021* on June 29, 2021, according to which the credit rating of Sanhua convertible bonds remains AA +, the Company's credit rating remains AA +, and the rating outlook remains stable. The result of this rating has not changed compared with the last one.

Please refer "VIII. Main accounting data and financial indicators" under "Section IX Bond" for more details.

V. The loss within the scope of consolidated statements in the reporting period exceeded 10% of the net assets at the end of the previous year

Applicable Not applicable

VI. Overdue interest bearing debts other than bonds by the end of this reporting period

Applicable Not applicable

VII. Whether there is any violation of rules or regulations during the reporting period

Applicable Not applicable

VIII. Main accounting data and financial indicators of the Company in recent two years by the end of the reporting period

Unit: RMB in 10 thousand

Item	At the end of the reporting period	At the end of last year	YoY Change (%)
Current ratio	1.98	2.45	-19.18%
Asset liability ratio	52.36%	40.39%	11.97%
Quick ratio	1.55	1.96	-20.92%
	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Net profit after deducting non-recurring profit and loss	148,749.13	127,060.97	17.07%

EBITDA total debt ratio	33.77%	61.44%	-27.67%
Time interest earned ratio	15.08	27.14	-44.44%
Cash interest guarantee times	20.99	33.76	-37.83%
EBITDA Time interest earned ratio	18.88	33.7	-43.98%
Repayment of debt (%)	100.00%	100.00%	
Payment of interest (%)	100.00%	100.00%	

Section X Financial Report

I. Audit report

Type of audit opinion	Standard Unqualified opinion
Date of signing of audit report	March 23, 2022
Name of audit firm	Pan-China Certified Public Accountants LLP
Document number of audit report	PCCPAAR [2022] No. 1208
Name of the certified accountants	Luo Xunchao , Zhang Xin

Auditor's Report

To the Shareholders of Zhejiang Sanhua Intelligent Controls Co., Ltd.:

1. Audit Opinion

We have audited the accompanying financial statements of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2021, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

2. Basis for Audit Opinion

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

3. 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 express a separate opinion on these matters.

(I) Revenue recognition

1. Matters description

Please refer to section III (24), V (2) 1 and XIV (1) of the notes to the financial statements for details.

The majority of the Company's revenue comes from controlling components and components for home appliances and automobiles. In 2021, the amount of operating income of the Company is RMB 16.02081 billion. As operating revenue is one of the key performance indicators of the Company, there might be inherent risks that

the Company's management (the "Management") adopts inappropriate revenue recognition to achieve specific goals or expectations, we have identified revenue recognition as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

(1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;

(2) We checked sale contracts, obtained understandings of main contractual terms or conditions, and assessed whether the revenue recognition method was appropriate;

(3) We performed analysis procedure on operating revenue, so as to identify whether there are significant or abnormal fluctuations and implemented the rationality of such fluctuations;

(4) We implemented detail test and checked supporting documents related to revenue recognition by sampling method, including sales contracts, sales invoices, sales collection, delivery lists, shipping documents, client acceptance receipts, export declaration, lading bill, we obtained information from E-port and compared with accounting records of export revenue;

(5) We performed confirmation procedures on current sales amount by sampling method in combination with confirmation procedure of accounts receivable;

(6) We inquired the industrial and commercial registration information or public information of major customers to evaluate whether the business logic related to sales transactions is tenable;

(7) We implemented cut-off tests on the operating revenue recognized before and after the balance sheet date to evaluate whether the operating revenue is recognized in an appropriate period;

(8) We checked whether information related to operating revenue had been presented appropriately in the financial statements.

(II) Impairment of accounts receivable

1. Matters description

Please refer to section III (9) and V (1) 5 of the notes to the financial statements for details.

As of December 31, 2021, the book balance of the Company's accounts receivable amounted to RMB 3.70369 billion, with provision for bad debt was RMB 187.39 million.

As the amount of accounts receivable is significant and the impairment involves significant judgment of the Management, we have identified impairment of accounts receivable as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for impairment of accounts receivable are as follows:

(1) We reviewed the accounts receivable with provision for bad debts made in previous periods for their subsequent write-off or reversal, and assessed the accuracy of historical estimations made by the Management;

(2) We reviewed the consideration of the Management on credit risk assessment and objective evidence, and assessed whether the credit risk features of accounts receivable had been appropriately identified by the Management;

(3) For accounts receivable with expected credit losses measured on a collective basis, we assessed the reasonableness of portfolio classification on the basis of credit risk features; we assessed the reasonableness of the comparison table of ages and expected credit loss rate of accounts receivable prepared by the Management based on the historical credit loss experience of portfolios with similar credit risk features and forward-looking estimations; and reviewed whether the calculation of provision for bad debts was accurate;

(4) We checked the subsequent collection of accounts receivable and assessed the reasonableness of provision for bad debts made by the Management;

4. Other Information

The Company's management (the "Management") is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

6. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement 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.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) 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.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

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

(V) Evaluate the overall presentation, 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.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

Pan-China Certified Public Accountants LLP

Hangzhou ·China

Chinese Certified Public Accountant

(Engagement Partner) Luo Xun chao

Chinese Certified Public Accountant

Zhang Xin

Date of Report: March 23, 2022

II. Financial Statements

Units of financial reports in the notes: RMB

1. Consolidated balance sheet

Prepared by: Zhejiang Sanhua Intelligent Controls Co., Ltd.

December 31, 2021

Unit: RMB

Items	December 31,2021	December 31,2020
Current asset:		
Cash and Bank Balances	6,707,721,861.13	3,489,687,568.14
Settlement funds		
Loans to other banks		
Held-for-trading financial assets	109,383,374.74	752,224,861.78
Derivative financial assets	54,640,365.03	58,330,486.53
Notes receivable	2,144,193,032.32	2,323,934,781.53
Accounts receivable	3,516,292,868.39	2,355,613,299.57
Receivable financing		
Advances paid	93,884,245.02	69,404,326.45
Premium receivable		
Reinsurance accounts receivable		
Reinsurance reserves receivable		
Other receivables	121,135,343.85	76,935,495.05
Including: Interest receivable		
Dividends receivable		
Repurchasing of financial assets		
Inventories	3,637,853,809.47	2,307,761,706.46
Contract assets		
Assets held for sales		
Non-current assets due within one year		
Other current assets	185,985,696.06	150,460,488.01
Total current assets	16,571,090,596.01	11,584,353,013.52
Non-current assets:		

Loans and advances paid		
Debt investments		
Other debt investments		
Long-term receivable	3,608,561.00	2,074,750.00
Long-term equity investments	22,680,930.51	15,219,616.68
Other equity instrument investments		
Other non-current financial assets		
Investment property	8,531,303.62	10,067,588.96
Fixed assets	4,232,706,801.07	3,839,408,059.45
Construction in progress	1,343,528,875.40	628,730,529.07
Productive biological assets		
Oil & gas assets		
Right-of-use assets	215,324,024.26	
Intangible assets	696,390,544.36	507,693,672.93
Development expenditures		
Goodwill	7,591,830.61	31,959,091.60
Long-term prepayments	36,640,828.07	23,706,401.61
Deferred tax assets	153,262,506.84	137,808,879.28
Other non-current assets	328,609,958.16	251,509,127.08
Total non-current assets	7,048,876,163.90	5,448,177,716.66
Total assets	23,619,966,759.91	17,032,530,730.18
Current liabilities:		
Short-term borrowings	738,190,910.54	383,088,296.60
Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities		
Derivative financial liabilities		7,939,957.91
Notes payable	1,891,526,333.48	1,238,574,463.73
Accounts payable	3,214,698,131.59	2,279,661,755.97
Advances received		10,000,000.00
Contract liabilities	79,816,249.22	42,581,607.67
Selling of repurchased financial		

assets		
Absorbing deposit and interbank deposit		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee benefits payable	371,773,987.76	289,305,913.99
Taxes and rates payable	113,404,466.20	75,008,142.06
Other payables	172,923,251.10	270,888,400.58
Including: Interest Payable		
Dividends Payable		
Handling fee and commission payable		
Reinsurance accounts payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	1,763,342,887.58	130,553,923.87
Other current liabilities	5,276,677.78	
Total current liabilities	8,350,952,895.25	4,727,602,462.38
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	801,461,958.89	1,707,918,994.87
Bonds payable	2,652,035,619.50	
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	157,981,678.16	
Long-term payables		90,336,083.27
Long-term employee benefits payable		
Provisions		2,638,000.00
Deferred income	156,831,834.71	140,105,336.43
Deferred tax liabilities	172,910,149.31	130,778,184.48
Other non-current liabilities	75,202,015.36	80,398,897.72
Total non-current liabilities	4,016,423,255.93	2,152,175,496.77

Total liabilities	12,367,376,151.18	6,879,777,959.15
Equity:		
Share capital	3,591,090,218.00	3,591,601,468.00
Other equity instruments	409,684,602.93	
Including: Preferred shares		
Perpetual bonds		
Capital reserve	373,419,775.02	315,417,434.22
Less: Treasury shares	411,949,612.90	281,483,741.34
Other comprehensive income	-129,410,847.39	-89,624,962.61
Special reserve		
Surplus reserve	701,784,529.70	637,967,613.47
General risk reserve		
Undistributed profit	6,615,689,606.07	5,890,916,707.83
Total equity attributable to the parent Company	11,150,308,271.43	10,064,794,519.57
Non-controlling interest	102,282,337.30	87,958,251.46
Total equity	11,252,590,608.73	10,152,752,771.03
Total liabilities & equity	23,619,966,759.91	17,032,530,730.18

Legal representative: Zhang Yabo Officer in charge of accounting: Yu Yingkui Head of accounting department: Sheng Xiaofeng

2. Parent Company Balance Sheet

Unit: RMB

Items	December 31,2021	December 31,2020
Current assets:		
Cash and bank balances	3,392,202,314.60	1,848,930,095.07
Held-for-trading financial assets	101,020,675.59	323,000,000.00
Derivative financial assets	794,800.00	8,856,174.56
Notes receivable	1,081,856,992.97	773,393,944.74
Accounts receivable	575,659,433.91	729,906,676.91
Receivables financing		
Advances paid	10,590,428.30	6,803,910.27
Other receivables	389,775,386.82	348,897,078.11
Including: Interest Receivable		
Dividends Receivable	19,000,000.00	

Inventories	731,722,817.30	553,388,303.73
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		46,083,837.26
Total current assets	6,283,622,849.49	4,639,260,020.65
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivable		
Long-term equity investments	6,428,786,880.28	4,528,546,229.37
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	1,526,603,446.11	1,565,826,802.57
Construction in progress	73,592,261.61	71,862,243.72
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	153,726,187.34	156,335,743.52
Development expenditures		
Goodwill		
Long-term prepayments	2,526,712.00	
Deferred tax assets	27,736,717.51	7,336,345.87
Other non-current assets	42,826,333.80	36,566,524.79
Total non-current assets	8,255,798,538.65	6,366,473,889.84
Total assets	14,539,421,388.14	11,005,733,910.49
Current liabilities:		
Short-term borrowings		20,012,527.78
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	588,779,423.55	381,631,833.96
Accounts payable	1,428,940,784.60	1,566,994,944.07

Advances received		
Contract liabilities	213,590.21	1,155,759.09
Employee benefits payable	107,620,422.34	93,150,785.46
Taxes and rates payable	20,645,647.29	10,811,341.50
Other payables	1,215,554,441.77	1,355,955,388.81
Including: interest payable		
Dividends Payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	1,431,477,411.53	
Other current liabilities		
Total current liabilities	4,793,231,721.29	3,429,712,580.67
Non-current liabilities:		
Long-term borrowings	800,824,388.89	1,381,428,522.65
Bonds payable	2,652,035,619.50	
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		2,638,000.00
Deferred income	35,807,671.23	35,908,399.54
Deferred tax liabilities	59,345,035.23	48,177,657.42
Other non-current liabilities		
Total non-current liabilities	3,548,012,714.85	1,468,152,579.61
Total liabilities	8,341,244,436.14	4,897,865,160.28
Equity:		
Share capital	3,591,090,218.00	3,591,601,468.00
Other equity instruments	409,684,602.93	
Including: Preferred shares		
Perpetual bonds		
Capital reserve	1,267,607,857.61	1,198,721,706.52
Less: treasury shares	411,949,612.90	281,483,741.34
Other comprehensive income		

Special reserve		
Surplus reserve	573,097,357.38	509,280,441.15
Undistributed profit	768,646,528.98	1,089,748,875.88
Total equity	6,198,176,952.00	6,107,868,750.21
Total liabilities & equity	14,539,421,388.14	11,005,733,910.49

3. Consolidated Income statement

Unit: RMB

Items	Year2021	Year2020
I. Total operating revenue	16,020,809,805.52	12,109,833,368.44
Including: Operating revenue	16,020,809,805.52	12,109,833,368.44
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	14,151,191,300.33	10,592,665,388.40
Including: Operating cost	11,907,350,969.11	8,738,221,038.36
Interest expenses		
Handling charges and commission expenditures		
Surrender value		
Net payment of insurance claims		
Net provision of insurance policy reserve		
Premium bonus expenditures		
Reinsurance expenses		
Taxes and surcharges	83,563,529.99	77,973,420.81
Selling expenses	449,226,532.55	365,125,043.08
Administrative expenses	875,802,861.33	764,084,428.88
R&D expenses	751,138,559.24	518,401,363.63
Financial expenses	84,108,848.11	128,860,093.64
Including: Interest expenses	146,890,397.95	64,733,993.15
Interest income	163,144,645.89	52,233,256.57
Add: Other income	122,787,760.00	151,555,896.45
Investment income (or less: losses)	141,572,602.13	89,078,877.16

Including: Investment income from associates and joint ventures	7,011,313.83	2,199,442.47
Gains from derecognition of financial assets at amortized cost	-1,533,698.47	-4,369,430.89
Gains on foreign exchange (or less: losses)		
Gains on net exposure to hedging risk (or less: losses)		
Gains on changes in fair value (or less: losses)	3,221,397.38	31,847,915.76
Credit impairment loss (or less: losses)	-56,834,285.92	-28,677,382.30
Assets impairment loss (or less: losses)	-93,213,670.21	-58,672,538.84
Gains on asset disposal (or less: losses)	-387,648.44	-486,378.33
III. Operating profit (or less: losses)	1,986,764,660.13	1,701,814,369.94
Add: Non-operating revenue	4,792,550.68	5,055,479.82
Less: Non-operating expenditures	14,928,195.40	14,843,633.18
IV. Profit before tax (or less: total loss)	1,976,629,015.41	1,692,026,216.58
Less: Income tax expense	271,804,477.77	218,702,864.60
V. Net profit (or less: net loss)	1,704,824,537.64	1,473,323,351.98
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or less: net loss)	1,704,824,537.64	1,473,323,351.98
2. Net profit from discontinued operations (or less: net loss)		
(II) Categorized by the portion of equity ownership		
1. Net profit attributable to owners of parent Company (or less: net loss)	1,684,044,407.47	1,462,158,821.57
2. Net profit attributable to non-controlling shareholders (or less: net loss)	20,780,130.17	11,164,530.41
VI. Other comprehensive income after tax	-39,785,884.78	-50,292,214.11
Items attributable to the owners of the parent Company	-39,785,884.78	-50,292,214.11
(I) Not to be reclassified subsequently to profit or loss		
1.Changes in remeasurement on the net defined benefit plan		

2. Items under equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit or loss	-39,785,884.78	-50,292,214.11
1. Items under equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Profit or loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve	-39,785,884.78	-50,292,214.11
7. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	1,665,038,652.86	1,423,031,137.87
Items attributable to the owners of the parent Company	1,644,258,522.69	1,411,866,607.46
Items attributable to non-controlling shareholders	20,780,130.17	11,164,530.41
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.47	0.41
(II) Diluted EPS (yuan per share)	0.47	0.41

Legal representative: Zhang Yabo Officer in charge of accounting: Yu Yingkui Head of accounting department: Sheng Xiaofeng

4. Income statement of the Parent Company

Unit: RMB

Items	Year2021	Year2020
I. Operating revenue	5,177,254,561.82	4,516,583,047.45
Less: Operating cost	3,999,539,505.73	3,406,241,334.71
Taxes and surcharges	32,253,209.34	27,452,644.93
Selling expenses	30,588,887.74	28,559,403.90
Administrative expenses	245,562,330.87	187,763,288.96
R&D expenses	243,661,101.29	188,357,821.51

Financial expenses	65,705,083.81	85,010,110.29
Including: Interest expenses	131,726,916.21	41,141,318.78
Interest income	84,424,936.52	25,340,320.97
Add: Other income	37,994,497.58	62,733,688.49
Investment income (or less: losses)	128,686,271.39	189,487,259.99
Including: Investment income from associates and joint ventures	6,438,328.13	2,298,930.50
Gains from derecognition of financial assets at amortized cost		
Gains on net exposure to hedging (or less: losses)		
Gains on changes in fair value (or less: losses)	-4,340,698.97	4,086,324.56
Credit impairment loss (or less: losses)	-1,940,041.81	-631,899.35
Assets impairment loss (or less: losses)	-1,595,901.84	-1,496,468.86
Gains on asset disposal (or less: losses)	140,600.00	70,090.31
II. Operating profit (or less: losses)	718,889,169.39	847,447,438.29
Add: Non-operating revenue	1,115,178.89	1,907,081.98
Less: Non-operating expenditures	2,008,942.30	8,389,545.94
III. Profit before tax (or less: total loss)	717,995,405.98	840,964,974.33
Less: Income tax expense	79,826,243.65	60,255,033.57
IV. Net profit (or less: net loss)	638,169,162.33	780,709,940.76
(I) Net profit from continuing operations (or less: net loss)	638,169,162.33	780,709,940.76
(II) Net profit from discontinued operations (or less: net loss)		
V. Other comprehensive income after tax		
(I) Not to be reclassified subsequently to profit or loss		
1.Changes in remeasurement on the net defined benefit plan		
2. Items under equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit or loss		
1. Items under equity method that may be reclassified to profit or		

loss		
2. Changes in fair value of other debt investments		
3. Profit or loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve (profit or loss on cash flow hedging)		
6. Translation reserve		
7. Others		
VI. Total comprehensive income	638,169,162.33	780,709,940.76
VII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)		
(II) Diluted EPS (yuan per share)		

5. Consolidated Cash Flow Statement

Unit: RMB

Items	Year 2021	Year 2020
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	15,665,586,228.21	11,849,284,665.68
Net increase of client deposit and interbank deposit		
Net increase of central bank loans		
Net increase of loans from other financial institutions		
Cash receipts from original insurance contract premium		
Net cash receipts from reinsurance		
Net increase of policy-holder deposit and investment		
Cash receipts from interest, handling charges and commission		
Net increase of loans from others		
Net increase of repurchase		
Net cash receipts from agency security transaction		

Receipts of tax refund	449,675,718.06	264,818,602.07
Other cash receipts related to operating activities	310,303,052.27	253,535,410.82
Subtotal of cash inflows from operating activities	16,425,564,998.54	12,367,638,678.57
Cash payments for goods purchased and services received	11,715,511,301.72	7,545,742,409.64
Net increase of loans and advances to clients		
Net increase of central bank deposit and interbank deposit		
Cash payments for insurance indemnities of original insurance contracts		
Net increase of loans to others		
Cash payments for interest, handling charges and commission		
Cash payments for policy bonus		
Cash paid to and on behalf of employees	2,250,992,731.15	1,677,941,014.69
Cash payments for taxes and rates	421,980,964.22	363,999,449.11
Other cash payments related to operating activities	481,260,898.16	692,612,022.02
Subtotal of cash outflows from operating activities	14,869,745,895.25	10,280,294,895.46
Net cash flows from operating activities	1,555,819,103.29	2,087,343,783.11
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	17,973,512.65	49,339,043.29
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	24,621,563.92	18,788,012.61
Net cash receipts from the disposal of subsidiaries & other business units		290,189.18
Other cash receipts related to investing activities	763,227,138.45	576,219,673.31
Subtotal of cash inflows from investing activities	805,822,215.02	644,636,918.39
Cash payments for the acquisition of	1,952,005,483.09	1,149,361,450.15

fixed assets, intangible assets and other long-term assets		
Cash payments for investments	1,950,000.00	1,250,000.00
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units	28,000,000.00	
Other cash payments related to investing activities	3,873,524,969.01	289,200,000.00
Subtotal of cash outflows from investing activities	5,855,480,452.10	1,439,811,450.15
Net cash flows from investing activities	-5,049,658,237.08	-795,174,531.76
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	3,000,000.00	118,643,250.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments		
Cash receipts from borrowings	4,374,592,836.66	2,020,339,244.88
Other cash receipts related to financing activities	53,683,640.26	24,534,300.14
Subtotal of cash inflows from financing activities	4,431,276,476.92	2,163,516,795.02
Cash payments for the repayment of borrowings	380,944,246.34	1,705,455,347.51
Cash payments for distribution of dividends or profits and for interest expenses	982,548,138.98	842,824,941.43
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit	18,202,402.64	4,007,833.39
Other cash payments related to financing activities	244,300,886.48	10,752,519.79
Subtotal of cash outflows from financing activities	1,607,793,271.80	2,559,032,808.73
Net cash flows from financing activities	2,823,483,205.12	-395,516,013.71
IV. Effect of foreign exchange rate changes on cash & cash equivalents	-39,785,884.78	-50,292,214.11
V. Net increase in cash and cash equivalents	-710,141,813.45	846,361,023.53

Add: Opening balance of cash and cash equivalents	3,400,144,038.54	2,553,783,015.01
VI. Closing balance of cash and cash equivalents	2,690,002,225.09	3,400,144,038.54

6. Cash Flow Statement of the Parent Company

Unit: RMB

Items	Year 2021	Year 2020
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	4,552,593,960.07	3,591,777,322.35
Receipts of tax refund	91,032,428.31	72,901,445.17
Other cash receipts related to operating activities	148,753,935.08	93,832,945.34
Subtotal of cash inflows from operating activities	4,792,380,323.46	3,758,511,712.86
Cash payments for goods purchased and services received	3,390,162,593.35	1,965,431,440.25
Cash paid to and on behalf of employees	489,699,623.10	391,589,764.85
Cash payments for taxes and rates	101,139,657.54	91,135,303.51
Other cash payments related to operating activities	192,477,373.76	153,131,340.36
Subtotal of cash outflows from operating activities	4,173,479,247.75	2,601,287,848.97
Net cash flows from operating activities	618,901,075.71	1,157,223,863.89
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		19,217,446.05
Cash receipts from investment income	79,458,560.23	225,498,714.94
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	5,236,022.97	5,013,171.60
Net cash receipts from the disposal of subsidiaries & other business units		2,119,122.19
Other cash receipts related to investing activities	282,769,383.03	271,933,366.03
Subtotal of cash inflows from investing activities	367,463,966.23	523,781,820.81

Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	141,993,812.89	235,141,413.93
Cash payments for investments	1,869,460,500.00	236,348,684.83
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	1,991,561,492.47	149,070,741.05
Subtotal of cash outflows from investing activities	4,003,015,805.36	620,560,839.81
Net cash flows from investing activities	-3,635,551,839.13	-96,779,019.00
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		118,643,250.00
Cash receipts from borrowings	3,850,000,000.00	1,519,811,000.00
Other cash receipts related to financing activities	356,883,274.78	83,377,450.00
Subtotal of cash inflows from financing activities	4,206,883,274.78	1,721,831,700.00
Cash payments for the repayment of borrowings	20,000,000.00	1,069,811,000.00
Cash payments for distribution of dividends or profits and for interest expenses	951,587,071.48	844,817,849.02
Other cash payments related to financing activities	642,469,365.41	39,333,154.61
Subtotal of cash outflows from financing activities	1,614,056,436.89	1,953,962,003.63
Net cash flows from financing activities	2,592,826,837.89	-232,130,303.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-423,823,925.53	828,314,541.26
Add: Opening balance of cash and cash equivalents	1,803,237,880.51	974,923,339.25
VI. Closing balance of cash and cash equivalents	1,379,413,954.98	1,803,237,880.51

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Items	Year 2021														Non-controlling interest	Total equity
	Equity Attributable to parent Company												Subtotal			
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others				
	Preferred shares	Perpetual bonds	Others													
I. Balance at the end of prior year	3,591,601,468.00				315,417,434.22	281,483,741.34	-89,624,962.61		637,967,613.47		5,890,916,707.83		10,064,794,519.57	87,958,251.46	10,152,752,771.03	
Add: Cumulative changes of accounting policies																
Error correction of prior period																
Business combination under common control																

Others															
II. Balance at the beginning of current year	3,591,601,468.00				315,417,434.22	281,483,741.34	-89,624,962.61		637,967,613.47		5,890,916,707.83		10,064,794,519.57	87,958,251.46	10,152,752,771.03
III. Current period increase (or less: decrease)	-511,250.00			409,684,602.93	58,002,340.80	130,465,871.56	-39,785,884.78		63,816,916.23		724,772,898.24		1,085,513,751.86	14,324,085.84	1,099,837,837.70
(I) Total comprehensive income							-39,785,884.78				1,684,044,407.47		1,644,258,522.69	20,780,130.17	1,665,038,652.86
(II) Capital contributed or withdrawn by owners	-511,250.00			409,684,602.93	58,002,340.80	130,465,871.56							336,709,822.17	3,000,000.00	339,709,822.17
1. Ordinary shares contributed by owners														3,000,000.00	3,000,000.00
2. Capital	24,610.00			409,684,602.93	518,108.87								542,718.87		410,227,321.80

contributed by holders of other equity instruments				684,602.93										
3. Amount of share-based payment included in equity				60,225,070.93	-69,573,642.50							129,798,713.43		129,798,713.43
4. Others	-535,860.00			-2,740,839.00	200,039,514.06							-203,316,213.06		-203,316,213.06
(III) Profit distribution								63,816,916.23	-959,271,509.23		-895,454,593.00	-18,202,402.64		-913,656,995.64
1. Appropriation of surplus reserve								63,816,916.23	-63,816,916.23					
2. Appropriation of general risk														

reserve															
3. Appropriation of profit to owners											-895,454,593.00		-895,454,593.00	-18,202,402.64	-913,656,995.64
4. Others															
(IV) Internal carry-over within equity															
1. Transfer of capital reserve to capital															
2. Transfer of surplus reserve to capital															
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained earnings															

5. Other comprehensive income carried over to retained earnings															
6. Others															
(V) Special reserve															
1. Appropriation of current period															
2. Application of current period															
(VI) Others													8,746,358.31	8,746,358.31	
IV. Balance at the end of current period	3,591,090,218.00			409,684,602.93	373,419,775.02	411,949,612.90	-129,410,847.39		701,784,529.70		6,615,689,606.07		11,150,308,271.43	102,282,337.30	11,252,590,608.73

Amount of Previous Period

Unit: RMB

Items	Year 2020		
	Equity Attributable to parent Company	Non-controlling	Total equity

	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal	interest	
		Preferred shares	Perpetual bonds	Others											
I. Balance at the end of prior year	2,765,657,8 98.00				1,090,800,0 22.06	363,781,15 1.34	-39,332,7 48.50		559,896,6 19.39		5,278,392,2 88.84		9,291,632,9 28.45	73,785,53 7.27	9,365,418,4 65.72
Add: Cumulative changes of accounting policies															
Error correction of prior period															
Business combination under common control															
Others															
II. Balance at the beginning	2,765,657,8 98.00				1,090,800,0 22.06	363,781,15 1.34	-39,332,7 48.50		559,896,6 19.39		5,278,392,2 88.84		9,291,632,9 28.45	73,785,53 7.27	9,365,418,4 65.72

of current year															
III. Current period increase (or less: decrease)	825,943,570.00				-775,382,587.84	-82,297,410.00	-50,292,214.11		78,070,994.08		612,524,418.99		773,161,591.12	14,172,714.19	787,334,305.31
(I) Total comprehensive income							-50,292,214.11				1,462,158,821.57		1,411,866,607.46	11,164,530.41	1,423,031,137.87
(II) Capital contributed or withdrawn by owners	-731,510.00				54,313,350.39	-82,297,410.00							135,879,250.39		135,879,250.39
1. Ordinary shares contributed by owners					-49,264,050.00	-167,907,300.00							118,643,250.00		118,643,250.00
2. Capital contributed by holders of other equity instruments															

3. Amount of share-based payment included in equity					107,029,814.39	89,793,814.00							17,236,000.39		17,236,000.39
4. Others	-731,510.00				-3,452,414.00	-4,183,924.00									
(III) Profit distribution								78,070,994.08	-849,634,402.58	-771,563,408.50	-4,007,833.39		-775,571,241.89		
1. Appropriation of surplus reserve								78,070,994.08	-78,070,994.08						
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners									-771,563,408.50	-771,563,408.50	-4,007,833.39		-775,571,241.89		
4. Others															
(IV) Internal carry-over	826,675,080.00				-826,675,080.00										

within equity															
1. Transfer of capital reserve to capital	826,675,080.00				-826,675,080.00										
2. Transfer of surplus reserve to capital															
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained earnings															
5. Other comprehensive income carried over to retained earnings															
6. Others															
(V) Special reserve															
1.															

Appropriation of current period															
2. Application of current period															
(VI) Others					-3,020,858.23								-3,020,858.23	7,016,017.17	3,995,158.94
IV. Balance at the end of current period	3,591,601,468.00				315,417,434.22	281,483,741.34	-89,624,962.61		637,967,613.47		5,890,916,707.83		10,064,794,519.57	87,958,251.46	10,152,752,771.03

8. Statement of Changes in Owners' Equity of the Parent Company

Amount of this period

Unit: RMB

Items	Year 2021											Total equity
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of prior year	3,591,601,468.00				1,198,721,706.52	281,483,741.34			509,280,441.15	1,089,748,875.88		6,107,868,750.21

Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	3,591,601,468. 00			1,198,721,706. 52	281,483,741. 34			509,280,441. 15	1,089,748,875. 88		6,107,868,750. 21	
III. Current period increase (or less: decrease)	-511,250.00			409,684,602. 93	68,886,151.09 56	130,465,871. 56		63,816,916.2 3	-321,102,346.9 0		90,308,201.79	
(I) Total comprehensi ve income									638,169,162.3 3		638,169,162.3 3	
(II) Capital contributed or withdrawn by owners	-511,250.00			409,684,602. 93	68,886,151.09 56	130,465,871. 56					347,593,632.4 6	
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments	24,610.00			409,684,602. 93	518,108.87						410,227,321.8 0	
3. Amount of					71,108,881.22	-69,573,642.					140,682,523.7	

share-based payment included in equity						50						2
4. Others	-535,860.00				-2,740,839.00	200,039,514.06						-203,316,213.06
(III) Profit distribution									63,816,916.23	-959,271,509.23		-895,454,593.00
1. Appropriation of surplus reserve									63,816,916.23	-63,816,916.23		
2. Appropriation of profit to owners										-895,454,593.00		-895,454,593.00
3. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												

5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	3,591,090,218.00			409,684,602.93	1,267,607,857.61	411,949,612.90			573,097,357.38	768,646,528.98		6,198,176,952.00

Amount of Previous Period

Unit: RMB

Items	Year 2020											
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of prior year	2,765,657,898.00				2,005,303,119.53	363,781,151.34			431,209,447.07	1,158,673,337.70		5,997,062,650.96
Add: Cumulative												

changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	2,765,657,898.00				2,005,303,119.53	363,781,151.34			431,209,447.07	1,158,673,337.70		5,997,062,650.96
III. Current period increase (or less: decrease)	825,943,570.00				-806,581,413.01	-82,297,410.00			78,070,994.08	-68,924,461.82		110,806,099.25
(I) Total comprehensive income										780,709,940.76		780,709,940.76
(II) Capital contributed or withdrawn by owners	-731,510.00				20,093,666.99	-82,297,410.00						101,659,566.99
1. Ordinary shares contributed by owners					-49,264,050.00	-167,907,300.00						118,643,250.00
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity					72,810,130.99	89,793,814.00						-16,983,683.01

4. Others	-731,510.00				-3,452,414.00	-4,183,924.00						
(III) Profit distribution									78,070,994.08	-849,634,402.58		-771,563,408.50
1. Appropriation of surplus reserve									78,070,994.08	-78,070,994.08		
2. Appropriation of profit to owners										-771,563,408.50		-771,563,408.50
3. Others												
(IV) Internal carry-over within equity	826,675,080.00				-826,675,080.00							
1. Transfer of capital reserve to capital	826,675,080.00				-826,675,080.00							
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												

6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	3,591,601,468.00				1,198,721,706.52	281,483,741.34			509,280,441.15	1,089,748,875.88		6,107,868,750.21

III. Company profile

The Company was established by the original Sanhua Fuji Koki Co., Ltd. The Company currently holds a business license with a unified social credit code of 913300006096907427 registered and issued by Zhejiang Administration of Industry and Commerce, with headquarter in Shaoxing City, Zhejiang Province. The registered capital of 3,591,226,678.00 yuan, total share of 3,591,090,218 shares (each with par value of one yuan). The Company's shares were listed at Shenzhen Stock Exchange.

The Company operates in the machinery manufacturing industry. Business scope includes production and marketing of Service Valve, Electronic Expansion valve, Drainage Pump, Solenoid Valve, One-way Valve, Compressor Parts, Pressure Pipeline Components, Electromechanical Hydraulic Control Pump and other electromechanical hydraulic control components, undertaking services of inspection, test and analysis of refrigeration accessories, and engaging in import and export business. Main products include control components and parts of household appliances and automobile A/C.

The financial statements have been approved by the board of directors of the Company and disclosed on March 23, 2022.

Zhejiang Sanhua Climate and Appliance Controls Group Co., Ltd. and other subsidiaries are included in the scope of consolidated financial statements in the current period. For further details, please refer to the change of consolidation scope in the notes to the financial report and the description of equity in other entities.

IV. Preparation basis of the financial statements

1. Preparation basis

The financial statements have been prepared on the basis of going concern.

2. Going concern

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

V. Significant accounting policies and estimates

Tips on specific accounting policies and accounting estimates:

1. Statement of compliance with China Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

2. Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

3. Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

4. Functional currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (RMB) Yuan, while the functional currency of subsidiaries engaged in overseas operations including SANHUA AWECO Appliance Systems GmbH, Sanhua International Inc. etc. is the currency of the primary economic environment in which they operate.

5. Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date.

Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

6. Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope. The consolidated financial statements are compiled by the parent company according to “CASBE 33 – Consolidated Financial Statements”, based on relevant information and the financial statements of the parent company and its subsidiaries.

7. Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

8. Foreign currency translation

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the approximate exchange rate similar to the systematically and rationally determined spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other comprehensive income.

9. Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, the Company measures the transaction price in accordance with “CASBE 14 – Revenues”.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized costs

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment losses or gains, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE 14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire;
b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE 23 – Transfer of Financial Assets".

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the

amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, financial forecast developed using the Company's own data, etc.

5. Impairment of financial instruments

(1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For leases receivable, and accounts receivable and contract assets resulting from transactions regulated in “CASBE 14 – Revenues”, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

(2) Financial instruments with expected credit risk assessed and expected credit losses measured on a collective basis

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.

(3) Accounts receivable and contract assets with expected credit losses measured on a collective basis

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Notes receivable-Bank acceptance receivable	Accepted by financial institutions	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates
Notes receivable -Trade acceptance	Not accepted by financial	

Items	Basis for determination of portfolio	Method for measuring expected credit loss
receivable	institutions	expected credit loss through exposure at default and lifetime expected credit loss rate.
Accounts receivable – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.

2) Accounts receivable – comparison table of ages and lifetime expected credit loss rate of portfolio grouped with ages

Ages	Expected credit loss rate (%)
Within 1 year (inclusive, the same hereinafter)	5%
1-2 years	10%
2-3 years	30%
Over 3 years	50%

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

10. Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, materials or supplies etc., to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories

Inventories dispatched from storage are accounted for with weighted average method at the end of each month/specific identification method.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for

inventory write-down are made on the excess of its cost over the net realizable value.

4. Inventory system

The perpetual inventory system is adopted.

5. Amortization method of low-value consumables and packages

Low-value consumables and packages are amortized with one-off method.

11. Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The company presents the obligation to transfer goods to customers for the consideration received or receivable from customers as contract liabilities.

12. Contract costs

Assets related to contract costs including costs of obtaining a contract and costs to fulfil a contract.

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfil a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;
2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future;
3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The original provision for asset impairment shall be reversed and included in the current profit and loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

13. Long-term receivables**14. Long-term equity investments**

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE 12 – Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE 7 – Non-cash Assets Exchange”.

3. Subsequent measurement and recognition method of profit or loss

For long-term equity investments with control relationship, it is accounted for with cost method; for long-term equity investments of associated enterprises and cooperative enterprises, it is accounted for with equity method.

15. Investment property

Investment property measurement model

Measurement by cost method

Depreciation or amortization method

1. Investment property includes land use right of leased-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

16. Fixed assets**(1) Recognition principles of fixed assets**

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets

are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

(2) Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20-30	0%、5%	3.17%~5.00%
Machinery and equipment	Straight-line method	5-12	0%、5%	7.92%~20.00%
Measurement analysis equipment	Straight-line method	5-10	0%、5%	9.50%~19.00%
Vehicle	Straight-line method	5-8	0%、5%	11.88%~20.00%
Office equipment and others	Straight-line method	5-8	0%、5%	11.88%~20.00%

17. Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

18. Borrowing costs

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

19. Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liability; 2) any lease payments made at or before the commencement date, less any lease incentives received; 3) any initial direct costs incurred by the lessee; 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

20. Intangible assets

(1) Valuation method, service life, impairment test

1. Intangible assets include land use right, patent right and non-patented technology etc. The initial measurement of intangible assets is based on its cost.

2. Amortization method

Categories	Amortization method	Amortization period (years)
Land use rights	Straight-line method	Contractual service life
Application software	Straight-line method	1-4
Intellectual property	Straight-line method	5-10

Intangible assets with indefinite useful life are not amortized, but their useful life is reviewed annually. The indefinite land ownership held by overseas subsidiaries abroad is not amortized due to uncertain service life.

(2) Accounting policy for internal R&D expenditure

Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can meet the corresponding conditions.

21. Impairment of long-term assets

For long-term assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is to be estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

22. Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within the beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

23. Employee benefits

(1) Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a

relevant asset.

(2) Post-employment benefits

Post-employment benefit plans are mainly classified as defined contribution plans.

During the accounting period employees provide services, according to the defined contribution plan, the amount payable is recognized as liabilities and included in the current profits and losses or relevant asset costs.

(3) Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability, with a corresponding charge to profit or loss at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

24. Lease liability

On the lease inception day, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

25. Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

26. Share-based payment

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment terms and conditions

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the goods or services received can be measured reliably, the fair value is measured at the date the Company obtains the goods or the counterparty renders service; if the fair value of the goods or services received cannot be measured reliably, the fair value of the equity instruments granted measured at the date the Company obtains the goods or the counterparty renders service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of goods or services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

(3) Modifications and cancellations of share-based payment terms and conditions

If the modification increases the fair value of the equity instruments granted, measured immediately before and after the modification, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, measured at the date of the modification, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

27. Convertible bonds

The Company classifies convertible bonds at initial recognition as a financial asset or liability or equity instrument, based on contract terms and economic essence it reveals instead of its legal form, combining with the definitions of financial asset, liability and equity instrument.

At the balance sheet date, for a financial instrument classified as an equity instrument, its interest expenditure or dividend distribution is treated as profit distribution, and share repurchase and cancellation are treated as changes in equity; for a financial instrument classified as a financial liability, its interest expenditure or dividend distribution is treated as borrowing expense, and gain or loss on repurchase or redemption is included in profit or loss.

28. Revenue

Accounting policies used in revenue recognition and measurement

1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; (2) the customer can control goods or services as they are created by the Company's performance; (3) the Company's performance does not create goods or services with an alternative uses and the Company has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. To determine whether the customer has obtained control of goods, the Company shall consider the following indicators: (1) the Company has a present right to payment for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other indicators showing the customer has obtained control over the goods.

2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. Revenue recognition method

The company's main business activities are the R&D, production and sales of control components and parts

of household appliances and automobiles, which belong to the performance obligations at a certain point in time. The income from domestic sales of products shall be recognized after the delivery inspection and the receipt certificate are obtained, and the income from export of products shall be recognized after the export declaration and the bill of lading are obtained. The sales revenue of metal scrap is recognized after weighing and picking up the goods and obtaining the receipt certificate.

Differences in accounting policies for revenue recognition due to different business models adopted by similar businesses

24. Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value can't be assessed.

2. Government grants related to assets

Government grants related to assets are government grants with which the Company construct or otherwise acquire long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets or recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount is directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the year in which the disposal occurred.

3. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred and thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses of the Company are recognized as deferred income and are included in profit or loss or offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

30. Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

31. Leases

(1) Operating lease

The Company as lessee, at the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. For all assets in short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method/unit-of-production method over the lease term. Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

The Company as lessor, at the commencement date, lease receipts are recognized as lease income with straight-line method/unit-of-production method over the lease term. Initial direct costs incurred shall be capitalized, amortized on the same basis as the recognition of lease income, and included into profit or loss by installments. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

(2) Finance lease

The Company as lessee, at the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. For all assets in short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or

loss with straight-line method/unit-of-production method over the lease term. Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

The Company as lessor, at the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term. Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

32. Share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees. The amount actually paid shall be treated as treasury stock and registered for future reference at the same time. If the purchased shares are to be retired, the difference between the total book value of shares retired and the cash distributed to existing shareholders for repurchase is to reduce capital reserve, or retained earnings when the capital reserve is not enough to reduce. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

33. Other important accounting policies and accounting estimates

Segment reporting

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

1. That engages in business activities from which it may earn revenues and incur expenses;
2. Whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance;
3. For which accounting information regarding financial position, financial performance and cash flows is available through analysis.

34. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

✓ **Applicable** **Not applicable**

1. New lease criteria

(1) The company will implement the revised accounting standards for Business Enterprises No. 21 - leasing (hereinafter referred to as the new leasing standards) from January 1, 2021 (hereinafter referred to as the first implementation date).

① For contracts existing before the first execution date, the company chooses not to reevaluate whether they are leases or include leases.

② For the lease contract in which the company is the lessee, the company adjusts the amount of retained earnings at the beginning of the reporting period and other relevant items in the financial statements according to the cumulative impact for adjusting from original standard to the new lease standard on the first implementation date, and does not adjust the information of the comparable period. The specific treatment is as follows:

For the financial lease before the first execution date, the company shall measure the right of use assets and lease liabilities respectively according to the original book value of the financial lease in assets and the financial lease payable on the first execution date.

For the operating lease before the first execution date, the company shall measure the lease liability at the present value discounted by the company's incremental loan interest rate on the first execution date according to the remaining lease payment on the first execution date, and measure the right to use asset according to the amount equal to the lease liability and make necessary adjustments according to the prepaid rent.

A. The main impact of the implementation of the new leasing standards on the company's financial statements on January 1, 2021 is as follows:

Items	Balance Sheet		
	Dec 31,2020	Effect of new lease criteria adjustment	Jan 1, 2021
Fixed assets	3,839,408,059.45	-119,764,340.05	3,719,643,719.40
Right of use assets		+202,831,869.22	202,831,869.22
Non-current liabilities due within one year	130,553,923.87	+22,719,934.72	153,273,858.59
Lease liabilities		+149,779,815.53	149,779,815.53
Long-term payables	90,336,083.27	-89,432,221.08	903,862.19

B. Simplified treatment of operating leases before the first execution date

For lease contracts completed within 12 months after the first execution date, the company adopts a simplified method and does not recognize the right of use assets and lease liabilities; The above simplified treatment has no significant impact on the company's financial statements.

③ For the operating lease contracts of low value assets existing before the first execution date, the company adopts a simplified method, does not recognize the right of use assets and lease liabilities, and carries out accounting treatment in accordance with the new lease standards from the first execution date.

④ The lease contract with the company as the lessor shall be subject to accounting treatment in accordance

with the new lease standards from the first execution date.

2. Q&A on the implementation of accounting standards for business enterprises

In November 2021, the accounting department of the Ministry of Finance issued the fifth batch of questions and answers on the implementation of accounting standards for business enterprises in 2021. According to the article, under normal circumstances, the transportation activities before the control of the enterprise's goods or services is transferred to the customer and in order to perform the customer's contract do not constitute a single performance obligation, and the relevant transportation costs should be regarded as the contract performance costs, amortized on the same basis as the recognition of the revenue of goods or services, and included in the current profit and loss, The contract performance cost shall be carried forward and included in the title of "main business cost" or "other business cost" when recognizing the revenue of goods or services, and shall be listed in the item of "operating cost" in the income statement.

Due to the implementation of the question and answer on the implementation of accounting standards for business enterprises (the fifth batch), the company retroactively corrected the presentation of sales freight and miscellaneous expenses in 2020, and reclassified the item from "sales expenses" to "operating costs". The adjustment impact of the accounting policy change on the financial statements of 2020 is shown in the table below:

Items	Income statement in 2020		
	Amount before adjustment	Amounts affected	Adjusted amount
Consolidated income statement			
Operating cost	8,500,391,322.27	+237,829,716.09	8,738,221,038.36
Selling expenses	602,954,759.17	-237,829,716.09	365,125,043.08
Parent Company Income statement			
Operating cost	3,383,660,538.43	+22,580,796.28	3,406,241,334.71
Selling expenses	51,140,200.18	-22,580,796.28	28,559,403.90

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Since 2021 , Adjustments to the relevant items of financial statements at the beginning of the year at the first implementation of new lease standards .

Applicable Not applicable

Whether it is necessary to adjust the balance sheet accounts at the beginning of the year

Yes No

Consolidated balance sheet

Items	December 31,2020	January 1,2021	Adjustments
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Current asset:			
Cash and Bank Balances	3,489,687,568.14	3,489,687,568.14	
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	752,224,861.78	752,224,861.78	
Derivative financial assets	58,330,486.53	58,330,486.53	
Notes receivable	2,323,934,781.53	2,323,934,781.53	
Accounts receivable	2,355,613,299.57	2,355,613,299.57	
Receivable financing			
Advances paid	69,404,326.45	69,404,326.45	
Premium receivable			
Reinsurance accounts receivable			
Reinsurance reserves receivable			
Other receivables	76,935,495.05	76,935,495.05	
Including: Interest receivable			
Dividends receivable			
Repurchasing of financial assets			
Inventories	2,307,761,706.46	2,307,761,706.46	
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets	150,460,488.01	150,460,488.01	
Total current assets	11,584,353,013.52	11,584,353,013.52	
Non-current assets:			
Loans and advances paid			
Debt investments			
Other debt investments			
Long-term receivable	2,074,750.00	2,074,750.00	
Long-term equity investments	15,219,616.68	15,219,616.68	
Other equity instrument investments			
Other non-current financial assets			
Investment property	10,067,588.96	10,067,588.96	
Fixed assets	3,839,408,059.45	3,719,643,719.40	-119,764,340.05

Construction in progress	628,730,529.07	628,730,529.07	
Productive biological assets			
Oil & gas assets			
Right-of-use assets		202,831,869.22	202,831,869.22
Intangible assets	507,693,672.93	507,693,672.93	
Development expenditures			
Goodwill	31,959,091.60	31,959,091.60	
Long-term prepayments	23,706,401.61	23,706,401.61	
Deferred tax assets	137,808,879.28	137,808,879.28	
Other non-current assets	251,509,127.08	251,509,127.08	
Total non-current assets	5,448,177,716.66	5,531,245,245.83	83,067,529.17
Total assets	17,032,530,730.18	17,115,598,259.35	83,067,529.17
Current liabilities:			
Short-term borrowings	383,088,296.60	383,088,296.60	
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities	7,939,957.91	7,939,957.91	
Notes payable	1,238,574,463.73	1,238,574,463.73	
Accounts payable	2,279,661,755.97	2,279,661,755.97	
Advances received	10,000,000.00	10,000,000.00	
Contract liabilities	42,581,607.67	42,581,607.67	
Selling of repurchased financial assets			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	289,305,913.99	289,305,913.99	
Taxes and rates payable	75,008,142.06	75,008,142.06	
Other payables	270,888,400.58	270,888,400.58	
Including: Interest Payable			
Dividends Payable			
Handling fee and commission			

payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	130,553,923.87	153,273,858.59	22,719,934.72
Other current liabilities			
Total current liabilities	4,727,602,462.38	4,750,322,397.10	22,719,934.72
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	1,707,918,994.87	1,707,918,994.87	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		149,779,815.53	149,779,815.53
Long-term payables	90,336,083.27	903,862.19	-89,432,221.08
Long-term employee benefits payable			
Provisions	2,638,000.00	2,638,000.00	
Deferred income	140,105,336.43	140,105,336.43	
Deferred tax liabilities	130,778,184.48	130,778,184.48	
Other non-current liabilities	80,398,897.72	80,398,897.72	
Total non-current liabilities	2,152,175,496.77	2,212,523,091.22	60,347,594.45
Total liabilities	6,879,777,959.15	6,962,845,488.32	83,067,529.17
Equity:			
Share capital	3,591,601,468.00	3,591,601,468.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	315,417,434.22	315,417,434.22	
Less: Treasury shares	281,483,741.34	281,483,741.34	
Other comprehensive income	-89,624,962.61	-89,624,962.61	
Special reserve			
Surplus reserve	637,967,613.47	637,967,613.47	
General risk reserve			

Undistributed profit	5,890,916,707.83	5,890,916,707.83	
Total equity attributable to the parent Company	10,064,794,519.57	10,064,794,519.57	
Non-controlling interest	87,958,251.46	87,958,251.46	
Total equity	10,152,752,771.03	10,152,752,771.03	
Total liabilities & equity	17,032,530,730.18	17,115,598,259.35	83,067,529.17

Adjustment statement

Parent Company Balance Sheet

Items	December 31,2020	January 1,2021	Adjustment
Current assets:			
Cash and bank balances	1,848,930,095.07	1,848,930,095.07	
Held-for-trading financial assets	323,000,000.00	323,000,000.00	
Derivative financial assets	8,856,174.56	8,856,174.56	
Notes receivable	773,393,944.74	773,393,944.74	
Accounts receivable	729,906,676.91	729,906,676.91	
Receivables financing			
Advances paid	6,803,910.27	6,803,910.27	
Other receivables	348,897,078.11	348,897,078.11	
Including: Interest Receivable			
Dividends Receivable			
Inventories	553,388,303.73	553,388,303.73	
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	46,083,837.26	46,083,837.26	
Total current assets	4,639,260,020.65	4,639,260,020.65	
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investments	4,528,546,229.37	4,528,546,229.37	
Other equity instrument investments			
Other non-current financial assets			
Investment property			

Fixed assets	1,565,826,802.57	1,565,826,802.57	
Construction in progress	71,862,243.72	71,862,243.72	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	156,335,743.52	156,335,743.52	
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets	7,336,345.87	7,336,345.87	
Other non-current assets	36,566,524.79	36,566,524.79	
Total non-current assets	6,366,473,889.84	6,366,473,889.84	
Total assets	11,005,733,910.49	11,005,733,910.49	
Current liabilities:			
Short-term borrowings	20,012,527.78	20,012,527.78	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	381,631,833.96	381,631,833.96	
Accounts payable	1,566,994,944.07	1,566,994,944.07	
Advances received			
Contract liabilities	1,155,759.09	1,155,759.09	
Employee benefits payable	93,150,785.46	93,150,785.46	
Taxes and rates payable	10,811,341.50	10,811,341.50	
Other payables	1,355,955,388.81	1,355,955,388.81	
Including: interest payable			
Dividends Payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	3,429,712,580.67	3,429,712,580.67	
Non-current liabilities:			
Long-term borrowings	1,381,428,522.65	1,381,428,522.65	
Bonds payable			

Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions	2,638,000.00	2,638,000.00	
Deferred income	35,908,399.54	35,908,399.54	
Deferred tax liabilities	48,177,657.42	48,177,657.42	
Other non-current liabilities			
Total non-current liabilities	1,468,152,579.61	1,468,152,579.61	
Total liabilities	4,897,865,160.28	4,897,865,160.28	
Equity:			
Share capital	3,591,601,468.00	3,591,601,468.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	1,198,721,706.52	1,198,721,706.52	
Less: treasury shares	281,483,741.34	281,483,741.34	
Other comprehensive income			
Special reserve			
Surplus reserve	509,280,441.15	509,280,441.15	
Undistributed profit	1,089,748,875.88	1,089,748,875.88	
Total equity	6,107,868,750.21	6,107,868,750.21	
Total liabilities & equity	11,005,733,910.49	11,005,733,910.49	

Adjustment statement

(4) Since 2021, the statements of first implementation of new lease standards to trace and adjust previous comparative data.

Applicable **Not applicable**

A. The main impact for implementation of the new lease standards on the company's financial statements on January 1, 2021 is shown as following:

Items	Balance Sheet		
	Dec 31, 2021	New lease standards effect	Jan 1, 2021
Fixed assets	3,839,408,059.45	-119,764,340.05	3,719,643,719.40
Right-of-use assets		+202,831,869.22	202,831,869.22

Non-current liabilities due within one year	130,553,923.87	+22,719,934.72	153,273,858.59
Lease liabilities		+149,779,815.53	149,779,815.53
Long-term payables	90,336,083.27	-89,432,221.08	903,862.19

B. Simplified treatment of operating leases before the first execution date

For lease contracts completed within 12 months after the first execution date, the company adopts a simplified method and does not recognize the right of use assets and lease liabilities. The above simplified treatment has no significant impact on the company's financial statements.

③ For the operating lease contracts of low value assets existing before the first execution date, the company adopts a simplified method, does not recognize the right of use assets and lease liabilities, and carries out new lease standards from the first execution date.

④ The lease contract with the company as the lessor shall be subject to new lease standards from the first execution date.

VI. Taxes

1. Major categories of taxes and tax rates

Tax Type	Taxation basis	Tax rate
VAT	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%,9%,6%
Urban maintenance and construction tax	The sum of turnover tax payable and value-added tax exemption	5%,7%
Enterprise income tax	Taxable income	15%,25%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Zhejiang Sanhua Intelligent Controls Co., Ltd	15%
Zhejiang Sanhua Climate and Appliance Controls Group Co., Ltd	15%
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd	15%
Zhejiang Sanhua Automotive Components Co., Ltd.	15%
Shaoxing Sanhua New Energy Automotive Components Co., Ltd-	15%
Wuhu Sanhua Auto-control Components Co., Ltd and other subsidiaries	15%
Domestic taxpayers other than the above-mentioned	25%

2. Tax preferential policies

Being categorized as high-tech enterprises, the income tax of the Company and several subsidiaries for 2020 are temporarily calculated at a preferential tax rate of 15%, and the final income tax settlement shall prevail.

Several subsidiaries are welfare enterprises and can enjoy the preferential policy of "VAT refund". The exceeding portion over the 3% VAT payable of the certified software products enjoy the immediate refund policy. Export goods enjoy the VAT exemption and refund policy.

3. Others

The overseas subsidiary shall be subject to the tax regulations of its host country.

VII. Notes to Items in the Consolidated Financial Statements

1. Cash and bank balances

Unit: RMB

Items	Closing balance	Opening balance
Cash on hand	214,611.31	232,265.51
Cash in bank	6,602,049,617.99	3,411,034,773.03
Other cash and bank balances	105,457,631.83	78,420,529.60
Total	6,707,721,861.13	3,489,687,568.14
Including: Deposited overseas	294,941,970.98	370,754,548.72
The total amount of the cash and bank balances that are limited by mortgage, pledge or freeze	81,437,216.06	89,543,529.60

Other remarks:

As of December 31, 2021, bank deposits containing large deposit certificates with fixed interest rates amounted to 3936.2824 million yuan.

2. Held-for-trading financial assets

Unit: RMB

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	109,383,374.74	752,224,861.78
Including:		
Bank financial products	109,383,374.74	752,224,861.78
Including:		
Total	109,383,374.74	752,224,861.78

Other remarks:

3. Derivative Financial Assets

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	50,103,815.20	49,339,961.11
Futures tools	4,536,549.83	8,990,525.42
Total	54,640,365.03	58,330,486.53

Other remarks:

4. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance	2,131,097,187.89	2,190,368,328.70
Trade acceptance	13,095,844.43	133,566,452.83
Total	2,144,193,032.32	2,323,934,781.53

Unit: RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Notes receivable with provision for bad debt made on a collective basis	2,144,882,287.29	100.00%	689,254.97	0.03%	2,144,193,032.32	2,330,964,594.83	100.00%	7,029,813.30	0.30%	2,323,934,781.53
Including:										
Bank acceptance	2,131,097,187.89	99.36%			2,131,097,187.89	2,190,368,328.70	93.97%			2,190,368,328.70
Trade acceptance	13,785,099.40	0.64%	689,254.97	5.00%	13,095,844.43	140,596,266.13	6.03%	7,029,813.30	5.00%	133,566,452.83

Total	2,144,882,287.29	100.00%	689,254.97	0.03%	2,144,193,032.32	2,330,964,594.83	100.00%	7,029,813.30	0.30%	2,323,934,781.53
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Provision for bad debt made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Provision proportion (%)
Bank acceptance portfolio	2,131,097,187.89		
Trade acceptance portfolio	13,785,099.40	689,254.97	5.00%
Total	2,144,882,287.29	689,254.97	--

If the provision for bad debt of notes receivable is in accordance with the general expected credit loss model, please refer to the disclosure of the bad debt provision for other receivables:

Applicable Not Applicable

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12- month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2021	7,029,813.30			7,029,813.30
The balance as of January 1, 2021 is in the current period	—	—	—	—
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	-6,340,558.33			-6,340,558.33
Provision recovered in current period				

Provision reversed in current period				
Provision written off in current period				
Other changes				
Balance on December 31, 2021		689,254.97		689,254.97

(2) Provision for bad debt accrued, recovered or reversed in current period

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of this period				Closing balance
		Accrual	Recovered or reversed	Write off	Others	
Trade acceptance	7,029,813.30	-6,340,558.33				689,254.97
Total	7,029,813.30	-6,340,558.33				689,254.97

Including significant provision for bad debt recovered or reversed amount:

 Applicable Not Applicable**(3) Pledged notes at the balance sheet date**

Unit: RMB

Items	Closing balance of pledged notes
Bank acceptance	872,096,928.77
Total	872,096,928.77

(4) Endorsed or discounted but undue notes at the balance sheet date

Unit: RMB

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	81,200,963.56	
Total	81,200,963.56	

5. Accounts receivable**(1) Disclosure of accounts receivable by categories**

Unit: RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Receivables with provision made on an individual basis	1,066,059.26	0.03%	1,066,059.26	100.00%	0.00	57,335.28	0.00%	57,335.28	100.00%	0.00
Including:										
Receivables with provision made on a collective basis	3,702,620,878.17	99.97%	186,328,009.78	5.03%	3,516,292,868.39	2,481,072,027.67	100.00%	125,458,728.10	5.06%	2,355,613,299.57
Including:										
Total	3,703,686,937.43	100.00%	187,394,069.04	5.06%	3,516,292,868.39	2,481,129,362.95	100.00%	125,516,063.38	5.06%	2,355,613,299.57

Provision made on an individual basis:

Unit: RMB

Debtors	Closing balance			
	Book balance	Provision for bad debts	Accrued proportion	Reasons
Beijing Baowo Automobile Co., Ltd	560,808.07	560,808.07	100.00%	
Brilliance Automobile Group Holding	488,550.18	488,550.18	100.00%	

Co., Ltd				
Brilliance Renault Jinbei Automobile Co., Ltd	16,701.01	16,701.01	100.00%	
Total	1,066,059.26	1,066,059.26	--	--

Provision for bad debt accrued made on account receivable portfolio: Provision for account receivable bad debt adopting aging portfolio

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	3,689,604,291.47	184,478,957.74	5.00%
1 to 2 years	11,154,224.17	1,115,422.40	10.00%
2 to 3 years	987,758.04	296,327.40	30.00%
Over 3 years	874,604.49	437,302.24	50.00%
Total	3,702,620,878.17	186,328,009.78	--

If the provision for bad debt of accounts receivable is in accordance with the general expected credit loss model, please refer to the disclosure of bad debt provision for other receivables:

Applicable Not Applicable

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12- month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2021	125,458,728.10		57,335.28	125,516,063.38
The balance as of January 1, 2021 is in the current period	—	—	—	—
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	61,050,798.14		1,066,059.26	62,116,857.40
Provision recovered in current period			57,335.28	57,335.28
Provision reversed in current period				
Provision written off in current period	301,150.24		0.00	301,150.24
Other changes	119,633.78			119,633.78
Balance on December 31, 2021	186,328,009.78		1,066,059.26	187,394,069.04

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year	3,689,604,291.47
1 to 2 years	11,659,475.36
2 to 3 years	1,548,566.11
Over 3 years	874,604.49
Total	3,703,686,937.43

(2) Provision for bad debt accrued, recovered or reversed in current period

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on an individual basis	57,335.28	1,066,059.26	57,335.28			1,066,059.26
Receivables with provision made on a collective basis	125,458,728.10	61,050,798.14		301,150.24	119,633.78	186,328,009.78
Total	125,516,063.38	62,116,857.40	57,335.28	301,150.24	119,633.78	187,394,069.04

(3) Details about accounts receivable actually written off in the current period

In current period, the Company write-off a total of small sporadic accounts 301,150.24 yuan.

(4) Other remarks

1. Closing balance of top 5 debtors totaled 1,661,477,672.44 yuan, accounting for 44.86% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 83,073,883.62 yuan.

2. Some of the company's accounts receivable are collected by supply chain financial vouchers such as "Meiyi order of Midea Group", "Gree financial order of Gree Electric Appliance" and "TCL gold order". The company has not terminated the recognition of accounts receivable before the actual arrival of funds. At the same time, the company endorsed and paid part of the supply chain financial credentials to the upstream suppliers. Before the expiration of the supply chain financial credentials, the company did not terminate the recognition of accounts payable.

3. As of December 31, 2021, the company had 341.0447 million yuan of supply chain financial vouchers in hand, 30.5218 million yuan of supply chain financial vouchers that had been endorsed and paid but not expired, and 49.6858 million yuan of supply chain financial vouchers that had been used for factoring financing but not expired.

6. Advances paid**(1) Advances paid by aging**

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year (including 1 year)	90,174,287.14	96.05%	61,348,884.20	88.39%
1 to 2 years	2,441,003.70	2.60%	6,712,609.39	9.68%
2 to 3 years	649,786.02	0.69%	64,117.70	0.09%
Over 3 years	619,168.16	0.66%	1,278,715.16	1.84%
Total	93,884,245.02	--	69,404,326.45	--

(2) Top 5 debtors with the largest advances paid balances

Closing balance of top 5 debtors totaled 15,945,327.84 yuan, accounting for 16.98% of the total closing balance of advances paid.

7. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	121,135,343.85	76,935,495.05
Total	121,135,343.85	76,935,495.05

(1) Other receivables**1) Other receivables categorized by nature**

Unit: RMB

Items	Closing balance	Opening balance
Tax refund receivable	61,621,187.53	36,628,075.87
Guarantee deposits	38,950,699.99	30,801,053.14
Others	23,872,426.88	11,700,014.42
Total	124,444,314.40	79,129,143.43

2) Provision of bad debt

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12- month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2021	856,410.48	1,337,237.90		2,193,648.38
The balance as of January 1, 2021 is in the current period	—	—	—	—
Provision made in the current period	-286,910.88	286,910.88		
Provision recovered in current period	891,664.46	223,657.71		1,115,322.17
Balance on December 31, 2021	1,461,164.06	1,847,806.49		3,308,970.55

Loss provisions for significant changes in book balances in current period

Applicable Not Applicable

Disclose by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	90,844,468.36
1 to 2 years	10,520,630.08
2 to 3 years	2,257,005.77
Over 3 years	20,822,210.19
Total	124,444,314.40

3) Provision for bad debt accrued, recovered or reversed in current period

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	2,193,648.38	1,115,322.17				3,308,970.55
Total	2,193,648.38	1,115,322.17				3,308,970.55

4) Details of the top 5 debtors with largest balances

Unit: RMB

Items	Nature of receivables	Closing balance	Ages	Proportion to the total balance of other receivables	Provision for bad debt at the end of the period
Tax refund receivables	Tax refund	61,621,187.53	Within 1 year	49.52%	
Finance Bureau of Xinchang County	Performance bond	6,971,285.00	2 to 4 years	5.60%	
Shaoxing Binhai New City Management Committee	Performance bond for land and project construction	5,410,000.00	3 to 5 years	4.35%	
US Customs	Customs deposit	4,782,412.57	Within 1 year	3.84%	
Wuhu Yijiang District Finance Bureau	Deposit of construction projects	3,751,000.00	3 to 8 years	3.01%	
Total	--	82,535,885.10	--	66.32%	

5) Other receivables related to Government grants

Unit: RMB

Items	Government grant	Closing balance	Ages	Estimated receipt time, amount and basis
Local finance and taxation departments	VAT refund of civil welfare enterprises	2,991,672.38	Within 1 year(including 1 year)	Expected to be fully received from January to April 2022, based on the tax refund application form.

8. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry

No

(1) Categories of inventories

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or	Carrying amount	Book balance	Provision for decline in value of inventories or	Carrying amount

		provision for impairment of contract performance costs			provision for impairment of contract performance costs	
Raw materials	988,227,079.33	33,309,247.33	954,917,832.00	530,578,235.34	38,591,465.21	491,986,770.13
Work-in-progress	475,907,400.34	1,451,381.52	474,456,018.82	377,607,984.60	661,948.94	376,946,035.66
Finished goods	2,231,635,847.92	45,599,140.84	2,186,036,707.08	1,488,998,382.81	55,323,878.13	1,433,674,504.68
Others	22,443,251.57	0.00	22,443,251.57	5,154,395.99	0.00	5,154,395.99
Total	3,718,213,579.16	80,359,769.69	3,637,853,809.47	2,402,338,998.74	94,577,292.28	2,307,761,706.46

(2) Provision for decline in value of inventories and Provision for impairment of contract performance costs

Unit: RMB

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Accrued	Others	Reversal or write off	Others	
Raw materials	38,591,465.21	9,799,422.31	-1,640,749.46	13,440,890.73	0.00	33,309,247.33
Work-in-progress	661,948.94	1,364,721.51	-56,525.88	518,763.05	0.00	1,451,381.52
Finished goods	55,323,878.13	40,661,086.31	-862,310.74	49,523,512.86	0.00	45,599,140.84
Total	94,577,292.28	51,825,230.13	-2,559,586.08	63,483,166.64	0.00	80,359,769.69

The determination of the net realizable value of the excess & obsolete inventories of metal materials at the end of the period is the scrap metal recovery price. The determination of the net realizable value of the excess & obsolete inventories of electronic components is RMB 0.

9. Other current assets

Unit: RMB

Items	Closing balance	Opening balance
Deductible input tax	154,807,049.35	100,377,659.11
Prepaid Enterprise income tax	30,197,003.59	49,911,203.33
Others	981,643.12	171,625.57
Total	185,985,696.06	150,460,488.01

Other remarks:

10. Long-term receivable**(1) Long-term receivable**

Unit: RMB

Items	Closing balance			Opening balance			Range of discount rate
	Book balance	Provision for bad debt	Carrying amount	Book balance	Provision for bad debt	Carrying amount	
Employee home loan	3,608,561.00		3,608,561.00	2,074,750.00		2,074,750.00	
Total	3,608,561.00		3,608,561.00	2,074,750.00		2,074,750.00	--

Loss provisions for significant changes in book balances in current period

□ Applicable √ Not Applicable

11. Long-term equity investments

Unit: RMB

Investee	Opening balance (book value)	Increase and decrease in current period								Ending balance (book value)	Ending balance of impairment provision
		Increase investment	Reduce investment	Investment profit and loss recognized under equity method	Adjustment of other comprehensive income	Other changes in equity	Declared cash dividends or profits	Provision for impairment	Other		
I. Joint venture											
II. Affiliates											
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	1,525,252.76			15,087.23						1,540,339.99	
Chongqing Tainuo Machinery Co., Ltd.	9,396,904.73			5,762,230.65			1,500,000.00			13,659,135.38	
Nanchang	1,517,138			-3,150.25						1,513,988	

Sanhua Jinlifeng Machinery Co., Ltd.	.95								.70	
Ningbo Jinlifeng Machinery Co., Ltd.	1,062,209 .18			449,942.2 3					1,512,151 .41	
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.				439,804.2 6					439,804.2 6	
Zhongshan Xuanyi Pipe Manufacturing Co., Ltd.	1,718,111 .06			463,034.6 4					2,181,145 .70	
Xinchang Zhejiang Energy Sanhua Comprehensive Energy Co., LTD		1,950,000 .00		-115,634. 93					1,834,365 .07	
Subtotal	15,219,616.68	1,950,000.00		7,011,313.83			1,500,000.00		22,680,930.51	
Total	15,219,616.68	1,950,000.00		7,011,313.83			1,500,000.00		22,680,930.51	

12. Investment property

(1) Investment property measured by cost method

√ Applicable □ Not Applicable

Unit: RMB

Items	Buildings and structures	Land use right and Overseas land ownership	Construction in progress	Total
I . Original Carrying amount				
1.Opening balance	12,643,427.54	3,539,025.00		16,182,452.54
2.Increase in current period	-1,128,896.59	-355,137.30		-1,484,033.89
（1） Acquisition	0.00	0.00		0.00
（2） Transferred in from inventory\fixed assets\ construction in progress				
（3） Acquisition				
（4） Converted difference in Foreign Currency Statements	-1,128,896.59	-355,137.30		-1,484,033.89
3.Decrease in current period		0.00		0.00
（1） Disposal				
（2） Other transfer out				0.00
4.Closing balance	11,514,530.95	3,183,887.70		14,698,418.65
II . Accumulated depreciation and amortization				
1.Opening balance	6,114,863.58	0.00		6,114,863.58
2. Increase in current period	52,251.45	0.00		52,251.45
（1） Accrual or amortization	703,648.66	0.00		703,648.66
（2） Converted difference in Foreign Currency Statements	-651,397.21	0.00		-651,397.21
3.Decrease in current period	0.00	0.00		0.00
（1） Disposal				
（2） Other transfer out				0.00

4.Closing balance	6,167,115.03	0.00		6,167,115.03
III. Provision for impairment				
1. Opening balance				
2. Increase in current period				
(1) Accrual				
3. Decrease in current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance				
IV. Carrying amount				
1. Closing balance	5,347,415.92	3,183,887.70		8,531,303.62
2. Opening balance	6,528,563.96	3,539,025.00		10,067,588.96

(2) Investment property measured by fair value measurement model

□Applicable √ Not Applicable

13. Fixed assets

Unit: RMB

Items	Closing balance	Opening balance
Fixed assets	4,232,706,801.07	3,719,643,719.40
Total	4,232,706,801.07	3,719,643,719.40

(1) Fixed assets

Unit: RMB

Items	Buildings and structures	Machinery and equipment	Measurement analysis equipment	Transportation vehicles	Office and other equipment	Total
I. Original book value:						

1. Opening balance	2,186,731,560.59	3,639,249,906.77	115,451,585.42	40,354,179.00	236,938,987.10	6,218,726,218.88
2. Increase in current period	85,753,185.45	830,991,718.70	3,415,898.38	2,393,404.67	49,660,651.88	972,214,859.08
(1) Acquisition	5,268,594.25	61,795,173.93	4,351,746.29	2,654,513.93	53,634,771.82	127,704,800.22
(2) Transferred in from construction in progress	89,532,110.52	805,015,560.80		108,618.81	217,861.35	894,874,151.48
(3) Business combination		6,665,427.65	145,112.35			6,810,540.00
(4) Transferred in from investment property	-9,047,519.32	-42,484,443.68	-1,080,960.26	-369,728.07	-4,191,981.29	-57,174,632.62
3. Decrease in current period	11,544,357.27	86,541,790.50	4,779,404.78	6,722,812.58	33,463,547.80	143,051,912.93
(1) Disposal or scrap	11,544,357.27	86,541,790.50	4,779,404.78	6,722,812.58	33,463,547.80	143,051,912.93
(2) Other decrease						
4. Closing balance	2,260,940,388.77	4,383,699,834.97	114,088,079.02	36,024,771.09	253,136,091.18	7,047,889,165.03
II. Accumulated depreciation						
1. Opening balance	582,526,293.44	1,678,476,511.90	40,099,350.82	30,404,077.31	163,881,935.33	2,495,388,168.80
2. Increase in current period	79,963,917.25	307,126,433.72	10,580,075.13	3,757,831.73	17,000,675.57	418,428,933.40
(1) Accrual	94,480,392.73	328,163,242.06	10,758,603.61	3,969,356.54	19,570,255.28	456,941,850.22
(2) Transferred in from investment property		133,228.77	4,595.22			137,823.99
(3) Converted difference in Foreign Currency Statements	-14,516,475.48	-21,170,037.11	-183,123.70	-211,524.81	-2,569,579.71	-38,650,740.81
3. Decrease in current period	1,533,210.86	67,738,378.04	4,534,598.25	5,993,658.52	30,960,277.68	110,760,123.35
(1) Disposal or	1,533,210.86	67,738,378.04	4,534,598.25	5,993,658.52	30,960,277.68	110,760,123.35

scrap						
(2) Other decrease						
4.Closing balance	660,956,999.83	1,917,864,567.58	46,144,827.70	28,168,250.52	149,922,333.22	2,803,056,978.85
III. Provision for impairment						
1.Opening balance		3,694,330.68				3,694,330.68
2. Increase in current period		9,002,634.87			426,713.61	9,429,348.48
(1) Accrual		9,002,634.87			426,713.61	9,429,348.48
3. Decrease in current period		998,294.05				998,294.05
(1) Disposal or scrap		998,294.05				998,294.05
4.Closing balance		11,698,671.50			426,713.61	12,125,385.11
IV. Carrying amount						
1.Closing balance	1,599,983,388.94	2,454,136,595.89	67,943,251.32	7,856,520.57	102,787,044.35	4,232,706,801.07
2.Opening balance	1,604,205,267.15	1,957,079,064.19	75,352,234.60	9,950,101.69	73,057,051.77	3,719,643,719.40

(2) Fixed assets with certificate of titles being unsettled

Unit: RMB

Items	Book value	Reasons for failure to complete the certificate of title
Shaoxing new energy plant (phase I and phase II)	234,609,170.55	New assets, the certificate of title to be processed uniformly after the overall completion
13# factory in Meizhu North district	72,817,599.71	New assets, the certificate of title to be processed uniformly after the overall completion
14# factory in Meizhu North district	23,395,496.97	New assets, the certificate of title to be

		processed uniformly after the overall completion
15# factory in Meizhu North district	57,378,046.45	New assets, the certificate of title to be processed uniformly after the overall completion
Meizhu North District finished product warehouse	20,359,267.46	New assets, the certificate of title to be processed uniformly after the overall completion
Meizhu North District class A warehouse	1,802,339.34	New assets, the certificate of title to be processed uniformly after the overall completion
Subtotal	410,361,920.48	

14. Construction in progress

Unit: RMB

Items	Closing balance	Opening balance
Construction in progress	1,343,528,875.40	628,730,529.07
Total	1,343,528,875.40	628,730,529.07

(1) Details of construction in progress

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Annual production of 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	284,815,371.33		284,815,371.33	25,812,948.25		25,812,948.25
Annual production of 7.3 million sets of new energy vehicle thermal	1,406,087.14		1,406,087.14	145,885,533.67		145,885,533.67

management system components project						
Annual production of 11.5 million sets of new energy auto parts project				78,290,263.60		78,290,263.60
Annual production of 1.5 million sets of new energy thermal management components project	181,228,255.83		181,228,255.83	88,939,186.18		88,939,186.18
Annual production of 1 million sets of new energy vehicle air-conditioning thermal sensors project				3,772,038.19		3,772,038.19
Annual production of 4 million sets of new energy vehicles technical transformation project of heat pump components	34,615,615.96		34,615,615.96			
Annual production of 3 million sets of plate heat exchanger technical transformation project and 2 million sets of	7,569,035.77		7,569,035.77			

EXV electronic expansion valve components technical transformation project						
Annual output of 3 million sets thermal management parts of new energy vehicles technical transformation project	118,637,568.31		118,637,568.31			
Annual output of 11 million sets of new energy vehicles high efficiency heat exchanger assembly project	93,731,401.89		93,731,401.89			
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project	6,939,814.05		6,939,814.05	11,841,050.00		11,841,050.00
Vietnam industrial plant project	92,246,267.70		92,246,267.70	80,569,043.24		80,569,043.24
Mexico industrial plant project	53,528,222.79		53,528,222.79			
Others	468,811,234.63		468,811,234.63	193,620,465.94		193,620,465.94
Total	1,343,528,875.40		1,343,528,875.40	628,730,529.07		628,730,529.07

(2) Changes of significant construction in progress in current period

Items	Budget	Opening	Increase	Transferr	Other	Closing	Accumul	Completi	Accumul	Includin	Capitaliz	Fund
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		balance	d in current period	ed to fixed assets in the current period	amounts decrease d in current period	balance	ated investme nt to budget (%)	on percenta ge (%)	ated amount of capitaliz ed interest	g: capitaliz ed interest in current period	ation rate for interest in current period	source
Annual production of 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	1780.55 million yuan	25,812,948.25	300,330,604.68	34,693,816.80	6,634,364.80	284,815,371.33	19.63%					Raised funds
Annual production of 7.3 million sets of new energy vehicle thermal management system components project	468.60 million yuan	145,885,533.67	70,352,951.71	214,832,398.24		1,406,087.14	87.66%					Raised funds
Annual production of 11.5 million sets of	528.80 million yuan	78,290,263.60	77,032,612.41	155,322,876.01		0.00	92.19%					Raised funds

new energy auto parts project												
Annual production of 1.5 million sets of new energy thermal management components project	500.00 million yuan	88,939,186.18	297,607,966.13	205,318,896.48		181,228,255.83	77.36%					self-raised funds
Annual production of 1 million sets of new energy vehicle air-conditioning thermal sensors project	44.7860 million yuan	3,772,038.19	0.00	3,772,038.19		0.00	45.81%					self-raised funds
Annual production of 4 million sets of new energy vehicles technical transformation project of heat pump component	161.2545 million yuan	0.00	118,084,776.40	83,469,160.44		34,615,615.96	73.23%					self-raised funds

ts												
Annual production of 3 million sets of plate heat exchanger technical transformation project and 2 million sets of EXV electronic expansion valve components technical transformation project	195.50 million yuan	0.00	26,472,188.45	18,903,152.68		7,569,035.77	13.54%					self-raised funds
Annual output of 3 million sets thermal management parts of new energy vehicles technical transformation project	206.2904 million yuan	0.00	139,030,886.89	20,393,318.58		118,637,568.31	67.40%					self-raised funds
Annual output of 11 million sets of	760.00 million yuan	0.00	93,731,401.89	0.00		93,731,401.89	18.41%					self-raised funds

new energy vehicles high efficiency heat exchanger assembly project												
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project	785.57 million yuan	11,841,050.00	19,213,551.33	24,114,787.28		6,939,814.05	9.63%					Raised funds
Vietnam industrial plant project	28.00 million dollars	80,569,043.24	12,878,384.27	1,201,159.81		92,246,267.70	50.25%					self-raised funds
Mexico industrial plant project	39.7456 million dollars	0.00	53,528,222.79	0.00		53,528,222.79	21.12%					self-raised funds
Total		435,110,063.13	1,208,263,546.95	762,021,604.51	6,634,364.80	874,717,640.77	--	--				--

15. Right of use assets

Unit: RMB

Items	Houses and buildings	Vehicle	Total
I. Original Carrying amount			

1.Opening balance	232,086,443.59	0.00	232,086,443.59
2.Increased in current period	50,843,216.72	2,858,999.54	53,702,216.26
(1) Rent	67,889,381.37	3,021,201.05	70,910,582.42
(2) Effect of Foreign Currency Translation	-17,046,164.65	-162,201.51	-17,208,366.16
3.Decreased in current period			
4.Closing balance	282,929,660.31	2,858,999.54	285,788,659.85
II . Accumulated amortization			0.00
1.Opening balance	29,254,574.37	0.00	29,254,574.37
2.Increased in current period	39,387,968.50	1,822,092.72	41,210,061.22
(1) Accrual	43,261,725.68	1,925,466.71	45,187,192.39
(2) Converted difference in Foreign Currency Statements	-3,873,757.18	-103,373.99	-3,977,131.17
3. Decreased in current period			
(1) Disposal			0.00
4.Closing balance	68,642,542.87	1,822,092.72	70,464,635.59
III. Provision for impairment			
1.Opening balance			
2. Increased in current period			
(1) Accrual			
3. Decreased in current period			
(1) Disposal			
4.Closing balance			

IV. Carrying amount			
1. Closing balance	214,287,117.44	1,036,906.82	215,324,024.26
2. Opening balance	202,831,869.22	0.00	202,831,869.22

Other remarks:

The difference between the beginning amount and the ending amount of the previous year (December 31, 2020) is detailed in Section VI (VI) of this financial report.

16. Intangible Assets

(1) Details of intangible assets

Unit: RMB

Items	Land use right	Patent right	Non-patent technology	Overseas land ownership	Application software	Intellectual property	Total
I. Original Carrying amount							
1. Opening balance	552,419,787.61			28,945,626.51	33,233,505.19	48,784,540.36	663,383,459.67
2. Increased in current period	157,569,960.91			33,321,857.60	5,479,869.82	12,917,600.00	209,289,288.33
(1) Acquisition	158,053,500.00			35,142,755.56	7,341,120.84	0.00	200,537,376.40
(2) Internal research and development							
(3) Business combination						12,917,600.00	12,917,600.00
(4) Transferred in from investment property	-483,539.09			-1,820,897.96	-1,861,251.02	0.00	-4,165,688.07
3. Decreased in current period							
(1)							

Disposal							
4.Closing balance	709,989,748.52			62,267,484.11	38,713,375.01	61,702,140.36	872,672,748.00
II. Accumulated amortization							
1.Opening balance	99,284,584.15			314,580.96	25,859,551.94	26,368,612.98	151,827,330.03
2.Increased in current period	13,843,452.25			112,159.24	2,166,671.22	4,558,454.10	20,680,736.81
(1) Accrual	13,843,452.25			120,771.50	3,889,768.91	4,558,454.10	22,412,446.76
(2) Converted difference in Foreign Currency Statements	0.00			-8,612.26	-1,723,097.69	0.00	-1,731,709.95
3. Decreased in current period	0.00			0.00	0.00	0.00	0.00
(1) Disposal							
4.Closing balance	113,128,036.40			426,740.20	28,026,223.16	30,927,067.08	172,508,066.84
III. Provision for impairment							
1.Opening balance	0.00			3,862,456.71	0.00	0.00	3,862,456.71
2. Increased in current period				-88,319.91	0.00	0.00	-88,319.91
(1) Accrual							
(2) Converted difference in	0.00			-88,319.91	0.00	0.00	-88,319.91

Foreign Currency Statements							
3. Decreased in current period							
(1) Disposal							
4. Closing balance	0.00			3,774,136.80	0.00	0.00	3,774,136.80
IV. Carrying amount							
1. Closing balance	596,861,712.12			58,066,607.11	10,687,151.85	30,775,073.28	696,390,544.36
2. Opening balance	453,135,203.46			24,768,588.84	7,373,953.25	22,415,927.38	507,693,672.93

17. Goodwill

(1) Original Carrying amount of goodwill

Unit: RMB

Investee or events resulting in goodwill	Opening balance	Increased in current period		Decreased in current period		Closing balance
		Due to business combination		Disposal		
R-Squared Puckett Inc.	31,959,091.60					31,959,091.60
Zhejiang Sanhua plate Exchange Technology Co., Ltd		7,591,830.61				7,591,830.61
Total	31,959,091.60	7,591,830.61				39,550,922.21

(2) Provision for goodwill impairment

Unit: RMB

Investee or events resulting	Opening balance	Increased in current period		Decreased in current period		Closing balance
		Provision made	...	Disposal	...	

in goodwill					
R-Squared Puckett Inc.		31,959,091.60			31,959,091.60
Total		31,959,091.60			31,959,091.60

Related information of asset group or asset group portfolios which include goodwill

Composition of asset group or asset group portfolio	The enterprises corresponding to this asset group portfolio include Zhejiang Sanhua microchannel heat exchanger Co., Ltd. and its subsidiaries (hereinafter referred to as microchannel asset group)
Book value of asset group or asset group portfolio	1,446,999,852.04
Book value of goodwill allocated to this asset group or asset group portfolio	31,959,091.60
Book value of asset group or asset group portfolio containing goodwill	1,478,958,943.64
Whether the asset group or combination of asset groups is consistent with the asset group or combination of asset groups determined on the purchase date and goodwill impairment test in previous years	R-Squared Puckett Inc. was originally an independent enterprise. Since it was acquired by the company, the microchannel business has been internally integrated. At present, it mainly undertakes the sales function of the American market, its procurement and production functions have been undertaken by the Mexican factory, and its R&D and management functions have been undertaken by the domestic company. The company assesses and evaluates the microchannel business as a whole. R-Squared Puckett Inc. can no longer be recognized as an independent asset group. The company consolidated the microchannel business as a microchannel asset group. The microchannel asset group is consistent with the asset group determined by the goodwill impairment test in previous years.

Impairment test process, the key parameters (Such as expected future cash flow when the present value of the forecast period growth rate, stable period growth rate, profit margin, discount rate, forecast period), and recognition method of goodwill impairment loss:

The recoverable amount of goodwill is calculated according to the present value of the estimated future cash flow. Based on December 31, 2021, the Company performed an impairment test on the value of the microchannel asset group portfolio. The recoverable amount of the asset group portfolio is estimated by the discounted value of the estimated future cash flow. Based on the analysis of the development stage of the industry and the competitiveness of the company, the cash flow from 2022 to 2025 is determined by the prediction data approved by the management, and the cash flow in subsequent years is estimated at zero growth rate. The pre tax discount rate includes the time value of the current currency market and the specific risk interest rate of microchannel business, which is estimated at 13.13% (2020: 13.80%).

Other key parameters used in the impairment test include: estimated selling price, sales volume, production cost and other related expenses. The company determines the above key data based on historical experience and market development forecast.

According to the appraisal report (Kun yuan Ping Bao [2022] No. 100) issued by Kun yuan asset appraisal Co., Ltd., the recoverable amount of the asset group portfolio containing goodwill in the microchannel asset group is 1443.4064 million yuan, which is lower than the book value of 1478.9589 million yuan. The goodwill impairment loss of 31.9591 million yuan should be recognized in this period, which belongs to the company.

19. Long-term prepayments

Unit: RMB

Items	Opening balance	Increased in current period	Amortization	Other decreases	Closing balance
Rental housing construction and transformation expenditure	23,706,401.61	10,618,211.59	6,821,663.07		27,502,950.13
Compensated use fee for emission rights	0.00	3,158,390.00	631,678.00		2,526,712.00
Others	0.00	6,626,661.39	15,495.45		6,611,165.94
Total	23,706,401.61	20,403,262.98	7,468,836.52		36,640,828.07

19. Deferred tax assets / deferred tax liabilities**(1) Deferred tax assets before offset**

Unit: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for bad debt	122,506,455.16	23,438,581.33	78,915,609.30	15,835,440.18
Provision for inventory write-down	46,952,738.86	8,222,942.54	67,642,565.60	11,282,463.93
Unrealized profit from internal transactions	258,273,537.27	32,617,712.51	180,209,650.54	17,242,885.11
Deductible losses	173,493,878.13	26,364,728.72	153,097,367.85	32,871,988.62
Deferred income: government grants	155,568,312.27	25,652,746.86	140,105,328.43	22,782,106.08
Provision for fixed assets impairments	12,125,385.11	1,818,807.78	3,694,330.68	554,149.61
The share-paid remuneration without pre-tax deduction calculated according to the accounting standard	59,634,274.87	9,190,479.70	70,222,810.23	11,050,883.17
The expected additional deductible share-based	98,930,228.80	15,271,454.24	139,395,300.30	22,008,772.76

remuneration in the future period calculated according to the tax standard				
Difference between accounting cost and tax cost of convertible corporate bonds	71,233,687.74	10,685,053.16		
Cost estimation			27,565,532.12	4,134,829.82
Floating loss of derivative instruments			300,000.00	45,360.00
Total	998,718,498.21	153,262,506.84	861,148,495.05	137,808,879.28

(2) Deferred tax liabilities before offset

Unit: RMB

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Appreciation of assets appraisal of the business combinations not under common control	16,689,933.82	2,503,490.07		
Depreciation and amortization expense	1,076,829,976.01	161,524,496.34	770,755,369.92	128,446,514.86
Floating gain on derivatives	14,280,622.90	2,142,093.44	13,804,602.36	2,070,690.35
Accrued interest of certificate of deposit	43,518,763.17	6,586,968.05		
Floating gain on financial products	1,020,675.59	153,101.41	1,739,861.78	260,979.27
Total	1,152,339,971.49	172,910,149.31	786,299,834.06	130,778,184.48

(3) Deferred tax assets or liabilities after offset shown on a net offsetting basis

Unit: RMB

Items	Deferred tax assets and liabilities offset	Closing balance of deferred tax assets or	Deferred tax assets and liabilities offset	Opening balance of deferred tax assets or
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	amount at the end of the balance amount	liabilities after offset	amount at the beginning of the balance amount	liabilities after offset
Deferred tax assets		153,262,506.84		137,808,879.28
Deferred tax liabilities		172,910,149.31		130,778,184.48

(4) Details of unrecognized deferred tax assets

Unit: RMB

Items	Closing balance	Opening balance
Provision for bad debt	68,885,839.40	55,823,915.76
Provision for inventory write-down	33,407,030.83	26,934,726.68
Deductible losses of subsidiaries	119,908,522.27	24,790,389.63
Investment losses recognized by the equity method	9,330,930.51	4,319,616.68
Floating loss on derivatives		7,639,957.91
Others		15,001,942.21
Total	231,532,323.01	134,510,548.87

(5) Deductible losses of unrecognized deferred tax assets will expire in the following years

Unit: RMB

Maturity years	Closing balance	Opening balance	Remarks
Year 2025	1,176,424.56	445,585.90	
Year 2026	676,929.68		
Year 2028	10,478,078.42	10,478,078.42	
Year 2029	7,488,066.67	7,488,066.67	
Year 2030	31,604,893.55	6,378,658.64	
Year 2031	68,484,129.39		
Total	119,908,522.27	24,790,389.63	--

20. Other non-current assets

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount

Advanced payment for non-current assets purchasing	328,609,958.16		328,609,958.16	251,509,127.08		251,509,127.08
Total	328,609,958.16		328,609,958.16	251,509,127.08		251,509,127.08

Other remarks:

21. Short-term borrowings

(1) Categories of short-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
Credit borrowings		20,000,000.00
Overseas loan under domestic guarantee	588,918,308.44	362,698,500.00
Bill discount financing	98,796,666.66	
Factoring financing of account receivable	49,685,762.67	
Accrued interest	790,172.77	389,796.60
合计	738,190,910.54	383,088,296.60

22. Derivative financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool		7,939,957.91
Total		7,939,957.91

23. Notes payable

Unit: RMB

Categories	Closing balance	Opening balance
Bank acceptance bill	1,891,526,333.48	1,238,574,463.73
Total	1,891,526,333.48	1,238,574,463.73

At the balance sheet date, balances due but unpaid totaled RMB 0.

24. Accounts payable**(1) Details of accounts payable**

Unit: RMB

Items	Closing balance	Opening balance
Within 1 year(including 1 year)	3,165,267,168.95	2,184,050,911.51
1 to 2 years	40,604,444.51	88,579,882.54
2 to 3 years	4,647,692.76	1,289,268.11
Over 3 years	4,178,825.37	5,741,693.81
Total	3,214,698,131.59	2,279,661,755.97

25. Advances received**(1) Details of advances received**

Unit: RMB

Items	Closing balance	Opening balance
Advance collection of asset package disposal funds		10,000,000.00
Total		10,000,000.00

26. Contract liabilities

Unit: RMB

Items	Closing balance	Opening balance
Advance payment for sales	79,816,249.22	42,581,607.67
Total	79,816,249.22	42,581,607.67

27. Employee benefits payable**(1) Details of employee benefits payable**

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
I . Short-term employee benefits	282,701,491.43	2,267,258,680.29	2,186,778,975.25	363,181,196.47
II . Post-employment benefits - defined	2,888,141.35	65,128,724.55	62,261,841.95	5,755,023.95

contribution plan				
III. Termination benefits	3,716,281.21	1,825,820.96	2,704,334.83	2,837,767.34
Total	289,305,913.99	2,334,213,225.80	2,251,745,152.03	371,773,987.76

(2) Details of Short-term employee benefits

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
1. Wage, bonus, allowances and subsidy	264,874,751.98	1,698,778,065.66	1,632,087,231.02	331,565,586.62
2. Employee welfare fund		99,852,508.55	99,784,157.62	68,350.93
3. Social insurance premium	10,408,040.81	111,351,219.55	110,131,931.12	11,627,329.24
Including: Medicare premium	2,289,049.45	40,395,055.86	39,477,699.59	3,206,405.72
Occupational injuries premium	256,781.03	1,550,201.30	1,653,211.20	153,771.13
Maternity premium	116,439.60	197,312.10	274,184.28	39,567.42
Overseas social security contributions	7,745,770.73	69,208,650.29	68,726,836.05	8,227,584.97
4. Housing provident fund		38,212,952.21	38,206,374.21	6,578.00
5. Trade union fund and employee education fund	1,224,164.06	10,688,243.64	10,638,788.69	1,273,619.01
8. Dispatching remuneration	3,460,279.64	308,349,070.62	293,169,617.59	18,639,732.67
9. Cash stock appreciation option	2,734,254.94	26,620.06	2,760,875.00	0.00
Total	282,701,491.43	2,267,258,680.29	2,186,778,975.25	363,181,196.47

(3) Details of defined contribution plan

Unit: RMB

Items	Opening	Increased in current	Decreased in current	Closing balance
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	balance	period	period	
1. Basic endowment insurance premium	2,771,543.35	63,003,140.39	60,213,916.17	5,560,767.57
2. Unemployment insurance premium	116,598.00	2,125,584.16	2,047,925.78	194,256.38
Total	2,888,141.35	65,128,724.55	62,261,841.95	5,755,023.95

28. Taxes and rates payable

Unit: RMB

Items	Closing balance	Opening balance
VAT	9,508,902.15	14,647,359.92
Enterprise income tax	64,102,462.85	33,105,141.57
Individual income tax	7,076,026.18	5,797,449.67
Urban maintenance and construction tax	1,552,749.69	2,283,772.47
Education surcharge	918,423.85	1,207,595.10
Local education surcharge	545,284.63	717,275.16
Housing property tax	18,040,043.30	14,503,893.38
Land use tax	10,576,760.58	2,162,780.06
Local foundation for water works	64,041.47	60,119.04
Others	1,019,771.50	522,755.69
Total	113,404,466.20	75,008,142.06

29. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	172,923,251.10	270,888,400.58
Total	172,923,251.10	270,888,400.58

(1) Other payables

1) Other payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Restricted shares repo obligations	75,490,047.50	145,063,690.00

Product warranty fee	5,480,670.32	2,757,036.90
Guarantee deposit	10,645,357.68	6,564,169.23
Rent and property fee	5,524,510.45	7,877,975.71
Compensation for product quality loss	13,500,685.28	3,889,429.08
Collection of talent awards	2,355,610.90	1,320,000.00
Freight and miscellaneous charges		72,117,058.15
Others	59,926,368.97	31,299,041.51
Total	172,923,251.10	270,888,400.58

30. Non-current liabilities due within one year

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	1,430,000,000.00	
Overseas loan under domestic guarantee	294,046,008.86	130,498,000.00
Accrued interest	1,723,095.18	55,923.87
Lease liabilities	37,573,783.54	22,719,934.72
Total	1,763,342,887.58	153,273,858.59

Other remarks:

The difference between the beginning amount and the ending amount of the previous year (December 31, 2020) is detailed in Section VI (VI) of this financial report.

31. Other current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Output tax to be written off	5,276,677.78	
Total	5,276,677.78	

32. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	800,000,000.00	1,380,000,000.00
Overseas loan under domestic guarantee	637,570.00	326,142,884.74

Accrued interest	824,388.89	1,776,110.13
Total	801,461,958.89	1,707,918,994.87

33. Bonds payable

(1) Bonds payable

单位：元

Items	Ending balance	Opening balance
Sanhua Convertible bonds	2,652,035,619.50	
Total	2,652,035,619.50	

(2) Changes of bonds payable (does not include preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

Unit: RMB

Bond name	Par value	Release date	Bond term	Issuance amount	Opening balance	Current issuance	Accrued interest at par value	Amortization in discount or premium	Current repayment	Issuance fee	Initially classified as equity instruments	Accrued interest at par value	Amortization in discount or premium	Conversion from shares to equity instruments	Funds returned from debt to equity swap	Ending balance
Sanhua Convertible bonds	100.00	Jun, 2021	6 years	3,000,000.00		3,000,000.00	3,499,379.22	351,001,860.09		-12,468,370.81	-409,766,556.24	3,499,379.22	71,233,687.74	-460,765.56	-1,754.85	2,652,035,619.50
Total	--	--	--	3,000,000.00		3,000,000.00	3,499,379.22	351,001,860.09		-12,468,370.81	-409,766,556.24	3,499,379.22	71,233,687.74	-460,765.56	-1,754.85	2,652,035,619.50

(3) Explanation of conditions and time of share conversion for convertible bonds

With the approval of China Securities Regulatory Commission in document zjxc [2021] No. 168, the company publicly issued 30 million convertible corporate bonds (hereinafter referred to as Sanhua convertible bonds) in June 2021, with a face value of 100 yuan each and a total issuance amount of 3 billion yuan.

The start and end date of Sanhua convertible bonds is from December 7, 2021 to May 31, 2027, and the initial conversion price is 21.55 yuan / share. As of December 31, 2021, 5,321 Sanhua convertible bonds have been converted into 24,610 ordinary shares.

34. Leased liabilities

Unit: RMB

Items	Closing balance	Opening balance
Leased liabilities	195,555,461.70	172,499,750.25
Less: Leased liabilities due within 1 year	-37,573,783.54	-22,719,934.72
Total	157,981,678.16	149,779,815.53

Other remarks:

The difference between the beginning amount and the ending amount of the previous year (December 31, 2020) is detailed in Section VI (VI) of this financial report.

35. Long-term payables

Unit: RMB

Items	Closing balance	Opening balance
Long-term payables		903,862.19
Total		903,862.19

(1) Long-term payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Stock appreciation rights deposit		903,862.19

Other remarks:

The difference between the beginning amount and the end amount of the previous year (December 31, 2020) is detailed in Section VI (VI) of this financial report

36. Provisions

Unit: RMB

Items	Closing balance	Opening balance	Reasons for balance
Pending lawsuit		2,638,000.00	
Total		2,638,000.00	--

Other remarks, Including the relevant significant assumptions and estimates of the significant provisions:

37. Deferred income

Unit: RMB

Items	Opening balance	Increased in current	Decreased in current	Closing balance	Reasons for
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		period	period		balance
Government grants	140,105,336.43	40,938,414.86	24,211,916.58	156,831,834.71	Related to assets
Total	140,105,336.43	40,938,414.86	24,211,916.58	156,831,834.71	--

Other remarks:

Details of government subsidies included in current profits and losses please see the financial report for reference.

38. Other non-current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Engineering agent construction fund	28,782,218.09	28,782,218.09
Long-term employee rights protection payment	46,419,797.27	51,616,679.63
Total	75,202,015.36	80,398,897.72

Other remarks:

According to local investment promotion policies, the "seven connections and one leveling" project of the construction land of the Wuhu city is completed by Wuhu high-tech Industrial Development Zone Administration Committee. As the state-owned assets management unit of Wuhu high-tech Industrial Development Zone, Wuhu Xinma Investment Co., Ltd. and Wuhu High-tech Construction Development Co., Ltd., entrusted Wuhu Sanhua Auto-control Components Co., Ltd and Wuhu Sanhua Technology Co., Ltd. to build the "seven connections and one leveling" project, and allocated RMB 72.03 million as engineering fund. As of December 31, 2021, the accumulated amount of hedging and written-off of engineering agent construction fund and project expense was RMB 43.2478 million, and the amount to be written-off at the end of the period was RMB 28.7822 million.

Long-term employee rights protection payment: retirement pensions of Mr. Harald Schrott who is the former actual controller of the Germany Aweco residential appliances business, and his father Hugo Schrott. Based on Austrian labor law, one-time welfare compensation for termination of labor contract; one-time welfare compensation for retirement, disability and death. The amount of such liabilities is estimated and determined by an independent actuary.

39. Share capital

Unit: RMB

	Opening balance	Changed amount of current period (+/-)					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	3,591,601,468.00				-511,250.00	-511,250.00	3,591,090,218.00

Other remarks:

In the current period, 24,610 shares were increased due to the conversion of "Sanhua convertible bonds", and

535,860 shares were reduced due to the repurchase and cancellation of restricted shares

40. Other equity instruments

(1) Basic information of preferred shares, perpetual bonds and other financial instruments issued at the end of the period

Relevant details please see the introduction of other important matters in Section X (XVI) of this financial report for reference.

(2) Statement of changes in preferred shares, perpetual bonds and other financial instruments issued at the end of the period

Unit: RMB

Financial instruments issued	Opening balance		Increased in current period		Decreased in current period		Closing balance	
	Qty	Book value	Qty	Book value	Qty	Book value	Qty	Book value
Convertible bonds			30,000,000	409,766,556.24	5,321	81,953.31	29,994,679	409,684,602.93
Total			30,000,000	409,766,556.24	5,321	81,953.31	29,994,679	409,684,602.93

The increase and decrease of other equity instruments in the current period, the reasons for the change, and the basis of relevant accounting treatment:

With the approval of the CSRC in document zjxk [2021] No. 168, the company publicly issued 30 million convertible corporate bonds in June 2021, with a face value of 100 yuan each and a total issuance amount of 3 billion yuan. The amount of these convertible corporate bonds initially classified as equity instruments is 409,766,556.24 yuan. In the current period, due to the conversion of debt to equity, 81,953.31 yuan of equity instruments was added.

Other remarks

41. Capital reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Capital premium (Share premium)	99,640,721.51	91,418,878.73		191,059,600.24
Other capital reserve	215,776,712.71	60,225,070.93	93,641,608.86	182,360,174.78
Total	315,417,434.22	151,643,949.66	93,641,608.86	373,419,775.02

Other remarks, including changes and reasons in the current period:

Reasons for the change of increase or decrease in current period: ① Equity Incentive Restricted Shares unlock 11,062,090 shares this period, the corresponding accumulative compensation paid by shares is RMB 90,900,769.86, a premium on the share capital transferred in such amount from other capital reserves; ② The

capital stock premium increased by 518,108.87 Yuan due to the debt to equity swap of "Sanhua convertible bonds"③ Repo and cancellation of equity incentive restricted shares that have granted but not met the unlock condition, share premium decreased RMB 2,740,839.00; ④ Other capital reserve increased RMB 51,697,222.60 due to the confirmation of share-based payment remuneration.; ⑤The available income tax benefit, due to the expected tax cost of equity incentive restricted shares that are no unlockable exceeds accounting cost, the closing balance was RMB 8,527,848.33 higher than the opening balance, other capital reserve and deferred tax assets increased such amount;

42. Treasury shares

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Restricted shares	145,063,690.00		69,573,642.50	75,490,047.50
Repo shares	136,420,051.34	200,039,514.06		336,459,565.40
Total	281,483,741.34	200,039,514.06	69,573,642.50	411,949,612.90

Other remarks, including changed amount of the current period and movement reason:

(1) Restricted shares

①Unlock 6,465,940 restricted shares of equity incentive granted in 2018. After ex rights and ex dividend, the grant price per share is 4.3393 yuan, and the unlocking amount is 28,057,971.00 yuan Unlock 4,596,150 restricted shares of equity incentive granted in 2020. The grant price per share after ex rights and ex dividend is 7.1115 yuan, and the unlocking amount is 32,685,697.50 yuan; Treasury shares and repurchase obligations payable shall be reduced by the same amount.

②May 2021, The company implemented the 2020 annual equity distribution, the dividend of the not unlocked portion of the equity incentive restricted shares is RMB 5,553,275.00, suspended by the company. At the same time, treasury shares and related liabilities for repo obligation decreased such amount.

③Repo and cancellation of equity incentive restricted shares that have not met the unlock condition, treasury shares offset against RMB3,276,699.00.

In current period, the Company repurchased 8,293,764 shares through call auction, and paid a total share repurchase amount of 200,039,514.06 yuan.

43. Other comprehensive income (OCI)

Unit: RMB

Items	Opening balance	Changed amount of the current period						Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or	Less: OCI carried forward transferred to undistributed profit	Less: income tax expense	Attributable to the parent Company after tax	Attributable to Non-controlling interest after tax	

			loss					
Items to be reclassified subsequently to profit or loss	-89,624,962.61	-39,785,884.78				-39,785,884.78		-129,410,847.39
Translation reserves	-89,624,962.61	-39,785,884.78				-39,785,884.78		-129,410,847.39
Other comprehensive income in total	-89,624,962.61	-39,785,884.78				-39,785,884.78		-129,410,847.39

Other remarks, including adjustment for converting the effective part of the cash flow hedge profit and losses into the hedged item initial recognized amount:

The translation differences of foreign currency statements belong to the parent company and have no impact on corporate income tax.

44. Surplus reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Statutory surplus reserve	611,472,556.89	63,816,916.23		675,289,473.12
Discretionary surplus reserve	8,681,137.20			8,681,137.20
Reserve fund	17,813,919.38			17,813,919.38
Total	637,967,613.47	63,816,916.23		701,784,529.70

Remarks on surplus reserve, including movement in current period and the reason for changes:

This period increased by RMB 63,816,916.23, According to the parent company's current net profit 10% of the statutory surplus reserve.

45. Undistributed profit

Unit: RMB

Items	Current period	Last period
Balance before adjustment at the end of the previous period	5,890,916,707.83	5,278,392,288.84
Balance after adjustment at the end of the previous period	5,890,916,707.83	5,278,392,288.84

Add: Net profit attributable to shareholders of the parent Company for current year	1,684,044,407.47	1,462,158,821.57
Less: Appropriation of statutory surplus reserve	63,816,916.23	78,070,994.08
Payable dividends on ordinary shares	895,454,593.00	771,563,408.50
Closing balance	6,615,689,606.07	5,890,916,707.83

Details of undistributed profits adjustment at the beginning of the period

- 1). Due to the retroactive adjustment of the accounting standards for business enterprises and its relevant new provisions, the undistributed profit at the beginning of the period 0.00 yuan.
- 2). Due to the change of accounting policy, the undistributed profit at the beginning of the period was affected by 0.00 yuan.
- 3). Due to the correction of major accounting errors, the undistributed profit at the beginning of the period was affected by 0.00 yuan.
- 4). The change of consolidation scope due to the same control affects the undistributed profit at the beginning of the period by 0.00 yuan.
- 5). The total impact of other adjustments on the undistributed profit at the beginning of the period is 0.00 yuan.

46. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	15,320,159,124.37	11,239,932,600.42	11,665,371,918.47	8,319,360,567.91
Other operations	700,650,681.15	667,418,368.69	444,461,449.97	418,860,470.45
Total	16,020,809,805.52	11,907,350,969.11	12,109,833,368.44	8,738,221,038.36

After deducting non-recurring profit or loss by audit, whether the net profit is negative or not

Applicable Not Applicable

Other remarks

Breakdown of revenue generated by contracts with customers by major categories

1) Revenue decomposition by product or service type

The decomposition of revenue by product or service type is detailed in note XIV (I) to the financial statements.

2) Income decomposition was according to the time of goods or services transfer.

Item	Current period cumulative	Preceding period comparative
Recognition of revenue at a certain point in time	16,011,597,055.08	12,099,564,633.72
Recognition of revenue over a period of time	9,212,750.44	10,268,734.72
Total	16,020,809,805.52	12,109,833,368.44

47. Taxes and surcharges

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	23,550,102.70	26,020,701.95
Education surcharge	12,271,122.11	13,060,313.39
Housing property tax	18,201,499.81	19,644,211.36
Land use tax	9,829,194.63	3,415,856.97
Stamp duty	5,612,844.37	2,650,817.59
Local foundation for water works	704,457.11	596,652.81
Others	5,213,561.16	3,665,075.62
Local education surcharge	8,180,748.10	8,919,791.12
Total	83,563,529.99	77,973,420.81

48. Selling expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	230,870,245.85	185,383,982.72
Warehousing, freight and miscellaneous charges	80,729,629.97	60,554,223.42
Entertainment expense	41,824,687.72	38,123,695.62
Travel expense	18,099,214.71	16,841,187.92
Market maintenance fee	50,166,361.46	41,332,674.93
Advertising expense	12,059,349.62	12,803,945.68
Others	15,477,043.22	10,085,332.79
Total	449,226,532.55	365,125,043.08

Other remarks:

Due to the implementation of the Q&A on the Implementation of Accounting Standards for Business Enterprises (batch 5), the company will retroactively correct the presentation of sales and incidental expenses in 2020, and reclassify the items from "selling expenses" to "operating costs", as described in Section VI (VI) of this financial report.

49. Administrative expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	494,243,600.32	400,277,866.64

Share-based payment remuneration	47,453,874.76	72,810,130.99
Depreciation and amortization expense	114,268,657.76	96,201,760.17
Office expense	105,050,490.36	94,094,129.08
Intermediary organ expense	56,124,341.11	48,741,873.10
Entertainment expense	16,099,578.20	14,907,529.66
Vehicle expense	11,544,975.21	10,658,851.78
Sporadic renovation expense in the park	17,843,375.87	17,734,954.44
Security fund for the disabled	3,157,345.53	2,441,941.61
Others	10,016,622.21	6,215,391.41
Total	875,802,861.33	764,084,428.88

50. R&D expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	403,228,674.30	291,552,480.55
Material and power expense	231,465,729.15	136,062,761.46
Depreciation and amortization expense	35,351,729.36	31,108,149.42
Mold manufacturing expense	60,978,249.32	30,480,247.99
Royalties	9,131,467.11	4,865,282.70
Outsourcing R&D expense	665,969.71	841,185.47
Others	10,316,740.29	23,491,256.04
Total	751,138,559.24	518,401,363.63

51. Financial expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Interest expense	146,890,397.95	64,733,993.15
Including: bond payable interest	74,733,687.74	
Interest on lease liabilities	216,112.22	
Interest income	-163,144,645.89	-52,233,256.57
Exchange gains or losses	95,990,142.26	112,675,905.53
Others	4,372,953.79	3,683,451.53
Total	84,108,848.11	128,860,093.64

52. Other income

Unit: RMB

Source of the other income	Current period cumulative	Preceding period comparative
Government subsidies related to assets	24,211,916.58	18,853,006.64
Government subsidies related to revenue	97,810,169.09	131,455,977.16
Handling fees for withholding individual income tax	765,674.33	1,246,912.65
Total	122,787,760.00	151,555,896.45

53. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	7,011,313.83	2,199,442.47
disposal of long-term equity investments		-4,100,413.03
Investment income of bank financing products	16,473,512.65	46,589,043.29
Gains and losses on settlement of foreign exchange contract	84,019,324.41	19,642,289.10
Gains and losses on settlement of futures contracts	35,602,149.71	29,117,946.22
Bill discount interest	-1,533,698.47	-4,369,430.89
Total	141,572,602.13	89,078,877.16

54. Gains or losses on changes in fair value

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Floating income of bank financing products	-596,487.04	-10,786,528.53
Floating income of futures contracts	-4,153,975.59	7,260,487.69
Floating income of foreign exchange contract	7,971,860.01	35,373,956.60
Total	3,221,397.38	31,847,915.76

55. Credit impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Provision for bad debt	-56,834,285.92	-28,677,382.30
Total	-56,834,285.92	-28,677,382.30

56. Assets impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
II. Inventory write-down loss and contract performance cost impairment loss	-51,825,230.13	-58,672,538.84
V. Impairment loss of fixed assets	-9,429,348.48	0.00
XI. Goodwill impairment loss	-31,959,091.60	0.00
Total	-93,213,670.21	-58,672,538.84

Other remarks:

57. Gains on asset disposal

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Gains on disposal of fixed assets	-387,648.44	-486,378.33

58. Non-operating revenue

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount recorded into the current non-recurring profit and loss
Exempted payment	1,663,567.85	3,090,050.86	1,663,567.85
Compensation and penalty income	2,232,754.09	1,056,661.41	2,232,754.09
Gains from retirement of fixed assets	208,668.30	84,161.06	208,668.30
Others	687,560.44	824,606.49	687,560.44
Total	4,792,550.68	5,055,479.82	4,792,550.68

59. Non-operating expenditures

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on retirement of fixed assets	6,985,178.47	10,492,379.67	6,985,178.47
Litigation for damages	4,971,711.20	2,638,000.00	4,971,711.20
Donation expenditures	495,026.83	51,555.76	495,026.83
Others	2,476,278.90	1,661,697.75	2,476,278.90
Total	14,928,195.40	14,843,633.18	14,928,195.40

60. Income tax expenses**(1) Income tax expenses**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	254,222,957.91	185,380,549.14
Deferred income tax expenses	17,581,519.86	33,322,315.46
Total	271,804,477.77	218,702,864.60

(2) Reconciliation of accounting profit to income tax expenses

Unit: RMB

Items	Current period cumulative
Income before tax	1,976,629,015.41
Income tax expense calculated at the applicable tax rate	329,915,459.20
Adjustment of preliminary income tax expense settlement and payment	13,933,805.43
Tax impact of research and development expenses plus deduction	-97,297,971.85
Others	25,253,184.99
Income tax expenses	271,804,477.77

61. Other comprehensive income

Please refer to the notes of balance sheet items and other comprehensive income for details.

62. Notes to items of the consolidated cash flow statement**(1) Other cash receipts related to operating activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Government grants	195,905,022.49	189,256,546.89
Interest income	89,862,225.91	52,233,256.57
Net change in restricted funds	11,123,000.00	
Rental income	9,785,805.55	10,255,696.35
Insurance indemnities	2,050,150.25	1,056,661.41
Other	1,576,848.07	733,249.60
Total	310,303,052.27	253,535,410.82

(2) Other cash payments related to operating activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Net change in restricted funds		11,123,000.00
Guarantee deposit	8,149,646.85	12,114,845.90
Expense payments for the period	473,111,251.31	669,374,176.12
Total	481,260,898.16	692,612,022.02

(3) Other cash receipts related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Redemption of bank financing products	642,245,000.00	520,254,995.00
Net change in restricted funds		7,204,442.99
Profit on Foreign exchange contract settlement	84,019,324.41	19,642,289.10
Profit on Futures contract settlement	36,962,814.04	29,117,946.22
Total	763,227,138.45	576,219,673.31

(4) Other cash payments related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Subscription expenses for certificates of deposit	3,839,000,000.00	
Net change in restricted funds	34,524,969.01	
Payments for purchasing bank financing products		289,200,000.00
Total	3,873,524,969.01	289,200,000.00

(5) Other cash receipts related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Net change in restricted funds	6,147,618.22	24,311,782.55
Factoring financing of accounts receivable	47,536,022.04	
Disposal of part of the subsidiary's equity		222,517.59
Total	53,683,640.26	24,534,300.14

(6) Other cash payments related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Repo shares expenses	200,011,001.49	
Restricted stock repurchase expenses	3,276,699.00	2,309,044.00
Rental expenses	26,860,033.64	5,768,763.60
Convertible bond issuance service fee, etc	14,153,152.35	2,674,712.19
Total	244,300,886.48	10,752,519.79

63. Supplement information to the cash flow statement**(1) Supplement information to the cash flow statement**

Unit: RMB

Supplement information	Current period cumulative	Preceding period comparative
1. Reconciliation of net profit to cash flow from operating activities:	--	--

Net profit	1,704,824,537.64	1,473,323,351.98
Add: Provision for assets impairment loss	150,047,956.13	87,349,921.14
Depreciation of fixed assets, oil and gas assets, productive biological assets	457,645,498.88	398,438,067.60
Amortization of right-of-use assets	45,187,192.39	
Amortization of intangible assets	22,412,446.76	20,558,264.41
Amortization of Long-term prepayments	7,468,836.52	5,698,329.34
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	387,648.44	486,378.33
Loss on retirement of fixed assets (Less: gains)	6,776,510.17	10,408,218.61
Losses on changes in fair value (Less: gains)	-3,221,397.38	-31,847,915.76
Financial expenses (Less: gains)	76,990,021.45	85,662,587.59
Investment losses (Less: gains)	-143,106,300.60	-93,448,308.05
Decrease of deferred tax assets (Less: increase)	-6,925,779.23	-14,636,264.19
Increase of deferred tax liabilities (Less: decrease)	42,131,964.83	65,728,822.77
Decrease of inventories (Less: increase)	-1,379,357,747.06	-188,213,271.68
Decrease of operating receivables (Less: increase)	-1,130,326,675.79	-817,805,253.81
Increase of operating payables (Less: decrease)	1,653,187,167.54	1,012,830,723.84
Others	51,697,222.60	72,810,130.99
Net cash flows from operating activities	1,555,819,103.29	2,087,343,783.11
2. Significant investing and financing activities not related to cash receipts and payments:	--	--
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
3. Net changes in cash and cash	--	--

equivalents:		
Cash at the end of the period	2,690,002,225.09	3,400,144,038.54
Less: Cash at the beginning of the period	3,400,144,038.54	2,553,783,015.01
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-710,141,813.45	846,361,023.53

(2) Net cash receipts from disposal of subsidiaries in current period

Unit: RMB

	Amount
Cash and cash equivalents paid in current period for merger in current period	28,000,000.00
Including:	--
Zhejiang Sanhua plate Exchange Technology Co., Ltd	28,000,000.00
Including:	--
Including:	--
Net cash receipts from disposal of subsidiaries in current period	28,000,000.00

(3) Composition of cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
I . Cash	2,690,002,225.09	3,400,144,038.54
Including: Cash on hand	214,611.31	232,265.51
Cash in bank that can be readily drawn on demand	2,689,767,198.01	3,399,911,773.03
Other monetary funds that can be readily for payment	20,415.77	
III. Cash and cash equivalents at end of year	2,690,002,225.09	3,400,144,038.54

Other remarks:

On December 31, 2021, monetary funds include RMB 3,936,282,419.98 of principal and interest of CDS and time deposits, RMB 38,584,887.96 of margin deposits and RMB 66,852,328.10 of futures contract deposits, totals

RMB 4,041,719,636.04. Such monetary funds do not belong to cash and cash equivalents.

(4) Amount of endorsed acceptance not involving cash receipts and payments

Items	Current period cumulative	Preceding period comparative
Amount of commercial bills and supply chain financial vouchers endorsed and transferred	213,080,551.18	112,518,677.57
Including: Payment for operating activities	212,391,551.18	109,630,824.74
Payment for investment activities	689,000.00	2,887,852.83

64. Assets with restriction on ownership or use rights

Unit: RMB

Items	Carrying amount at the end of the period	Cause of restriction
Cash and Bank Balances	14,584,887.96	Guarantee deposit
Cash and Bank Balances	66,852,328.10	Margin deposit with a futures institution
Notes receivable	872,096,928.77	Pledge financing
Accounts receivable	80,207,552.58	Supply chain finance credentials that have been endorsed or discounted but are not due
Total	1,033,741,697.41	--

65. Monetary items in foreign currencies

(1) Monetary items in foreign currencies

Unit: RMB

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and Bank Balances	--	--	
Including: USD	75,071,897.41	6.3757	478,635,896.32
EUR	12,323,466.71	7.2197	88,971,732.61
HKD			
Other currencies	0.00	0	40,554,414.41
Subtotal			608,162,043.34
Accounts receivable	--	--	
Including: USD	191,919,521.97	6.3757	1,223,621,296.22

EUR	49,284,527.47	7.2197	355,819,502.98
HKD			
Other currencies			81,554,120.37
Subtotal			1,660,994,919.57
Long-term borrowings	--	--	
Including: USD	100,000.00	6.3757	637,570.00
EUR			
HKD			
Subtotal			637,570.00
Derivative financial assets			
Including: USD	5,973,592.10	6.3757	38,085,831.15
Other currencies	0.00	0.0000	2,273,910.98
Subtotal			40,359,742.13
Other receivables			
Including: USD	1,044,378.43	6.3757	6,658,643.56
EUR	732,729.47	7.2197	5,290,086.95
Other currencies			31,088,048.23
Subtotal			43,036,778.74
Long-term receivable			
Including: EUR	130,000.00	7.2197	938,561.00
Subtotal			938,561.00
Short-term borrowings			
Including: USD	55,069,683.74	6.3757	351,107,782.62
EUR	33,047,908.27	7.2197	238,595,983.34
Subtotal			589,703,765.96
Accounts payable			
Including: USD	12,944,979.57	6.3757	82,533,306.24
EUR	38,736,726.67	7.2197	279,667,545.54
Other currencies			36,762,969.35
Subtotal			398,963,821.13
Other payables			
Including: USD	9,873,703.28	6.3757	62,951,770.00
EUR	933,970.48	7.2197	6,742,986.67
Other currencies			7,067,245.36

Subtotal			76,762,002.03
Non-current liabilities due within one year			
Including: USD	30,019,052.80	6.3757	191,392,474.94
EUR	15,636,083.80	7.2197	112,887,834.20
Other currencies	0.00	0.0000	848,055.19
Subtotal			305,128,364.34
Lease liabilities			
Including: USD	10,537,378.87	6.3757	67,183,166.46
EUR	10,343,644.06	7.2197	74,678,007.02
Other currencies	0.00	0.0000	303,785.03
Subtotal			142,164,958.51

(2) Notes on overseas operating entities, including for the significant overseas operating entities, its main operating locations, reporting currency and the basis for selection should be disclosed, and the reason for changes in reporting currency should also be disclosed.

√ Applicable □ Not Applicable

The Company has several overseas subsidiaries, locate in the United States, Europe, Japan, Poland, Mexico, Vietnam and other countries, where US dollars, Euro, Japanese yen, Polish zloty, Mexican pesos Vietnamese dong , etc. are used as the standard reporting currency.

66. Government grants

(1) Details

1) Government grants related to assets

Unit: RMB

Items	Opening balance	Increased in current period	The amount recorded as other income in current period	Closing balance	Related to assets/related to income

Grant for project of an annual output of 15 million commercial refrigeration and air-conditioning automatic control components	2,449,00 0.20		2,449,00 0.20	0	Related to assets
Special fund grant for multistory factory buildings of small and medium-sized enterprises	4,995,13 4.10		221,919. 96	4,773,21 4.14	Related to assets
Grant for innovation ability construction project of National Enterprise Technology Center	3,125,00 0.16		624,999. 96	2,500,00 0.20	Related to assets
Grant for energy-saving project with an annual output of 35 million sets of L-type four-way reversing valve for air conditioners	2,140,82 5.75		2,140,82 5.75	0	Related to assets
Grant for technical transformation project of newly increased 800000 sets of heat exchanger per year	2,274,00 0.00		758,000. 00	1,516,00 0.00	Related to assets
Grant for the technical transformation project with an annual output of 2 million sets of air-conditioning parts	2,208,00 0.08		552,000. 00	1,656,00 0.08	Related to assets
Grant for the industrialization project of 20 million refrigeration and air conditioning automatic control components	278,837. 70		278,837. 70	0	Related to assets
Grant for commercial machine micro-channel heat exchanger technical transformation project	1,291,85 0.00		738,200. 00	553,650. 00	Related to assets
Grant for 1 million sets of air-conditioning thermal sensor technology transformation of new energy vehicle	5,492,10 0.16		915,349. 92	4,576,75 0.24	Related to assets
Grant for an annual output of 2 million sets of high-efficiency energy-saving inverter controllers	1,779,47 0.08		515,947. 64	1,263,52 2.44	Related to assets
Technical transformation project of annual output of 100000 large heat exchangers	5,056,86 0.00		842,810. 00	4,214,05 0.00	Related to assets
Grant for construction project of public test and detection service platform for refrigeration components	699,999. 64		699,999. 64	0	Related to assets
Grant for the construction project of automatic control components for residential air conditioners with an annual output of 10 million	480,000. 00		480,000. 00	0	Related to assets
Grant for pollution source treatment project	1,168,49 1.67		178,900. 00	989,591. 67	Related to assets
Grant for construction project of public inspection and testing service platform for automobile air conditioning parts	256,666. 87		256,666. 87	0	Related to assets
Technical transformation project for the production line of energy-saving residential air-conditioning control components with an annual output of 50 million sets	497,115. 56		126,923. 04	370,192. 52	Related to assets
Grant for construction project of 25 million sets of new energy-saving and environmental protection variable frequency	340,000. 28		135,999. 96	204,000. 32	Related to assets

air conditioning expansion valve					
Industrial transfer projects and single equipment investment grant	306,364.06		144,326.64	162,037.42	Related to assets
Comprehensive investment award for technological transformation of industrial enterprises in Wuhu City	2,985,248.00		357,888.00	2,627,360.00	Related to assets
Industrial transformation and upgrading, technological transformation and industrial investment	1,412,834.44		202,424.88	1,210,409.56	Related to assets
Intelligent factory technological transformation project based on The Internet of Things technology	3,624,999.89		499,999.89	3,125,000.00	Related to assets
Grant for the annual production of 11.5 million sets of new energy auto parts project	17,663,068.27	4,200,000.00	2,199,406.49	19,663,661.78	Related to assets
Four-way reversing valve optimization project	573,333.44		159,999.96	413,333.48	Related to assets
Policy grant for Wuhu City's strong industrial base and manufacturing strong province	705,000.00		90,000.00	615,000.00	Related to assets
Annual production of 3 million self-circulating superconducting plates technology project	717,750.00		99,000.00	618,750.00	Related to assets
Comprehensive award and compensation for investment in technological transformation of industrial enterprises	1,942,702.09		273,782.39	1,668,919.70	Related to assets
Grant for intelligent manufacturing technology transformation project of 6 million sets of commercial refrigeration components per year	2,631,220.00		360,000.00	2,271,220.00	Related to assets
Grant for comprehensive upgrading and technical transformation project of intelligent manufacturing of refrigeration components	5,799,850.00		828,550.00	4,971,300.00	Related to assets
Grant for technical transformation project of 30 million sets of high efficiency energy saving refrigeration and air conditioning control components	6,400,000.00		800,000.00	5,600,000.00	Related to assets
Grant for an annual output of 7.3 million sets of new energy vehicle thermal management system components technical transformation	40,380,000.00		4,038,000.00	36,342,000.00	Related to assets
Grant for technical transformation project for the high efficiency and energy saving refrigeration and air conditioning control components with an annual output of 30 million sets	12,015,132.50		1,211,610.00	10,803,522.50	Related to assets
Grant for technical transformation project for the commercial refrigeration control components with an annual output of 12 million sets	1,115,724.17	3,306,200.00	140,061.63	4,281,862.54	Related to assets

Grant for equipment of New technological transformation for industrialization	1,273,707.32		131,762.02	1,141,945.30	Related to assets
Grant for promoting new industrialization and support technological transformation of enterprises		412,191.86	3,435.00	408,756.86	Related to assets
Technical transformation project of large heat exchanger with annual output of 700,000 sets	6,025,050.00		669,450.00	5,355,600.00	Related to assets
Grant for an annual output of 50.5 million sets of technical transformation of high-efficiency and energy-saving refrigeration and air conditioning control components		8,052,200.00	67,101.67	7,985,098.33	Related to assets
Grant for an annual output of 11 million sets of new energy vehicles high efficiency heat exchanger assembly project		23,175,000.00	0	23,175,000.00	Related to assets
New industrialization fund subsidy		1,792,823.00	18,737.37	1,774,085.63	Related to assets
Total	140,105,336.43	40,938,414.86	24,211,916.58	156,831,834.71	

2) Government grants related to income and used to compensate relevant cost, expenses or losses

Unit: RMB

Items	Current period cumulative	Financial Report Items
Subsidy of overseas COVID-19	15,166,186.20	Other income
Award of enterprise R&D investment	12,314,165.87	Other income
VAT refund of civil welfare enterprises	11,084,252.15	Other income
VAT refund on software products in excess of tax burden	9,027,815.16	Other income
Talent introduction and job stabilization subsidies	8,881,402.00	Other income
Award of industry support fund	8,782,560.00	Other income
Subsidy and award of technological innovation and entrepreneurship	8,285,400.00	Other income
Patent subsidy for enterprises	6,452,550.00	Other income
Innovation and Development Award	2,971,100.00	Other income
Enterprise operation development reward	2,750,000.00	Other income
Awards for investment in major industrial projects	1,845,040.00	Other income
Special funds for foreign trade and economic development	1,675,000.00	Other income
Energy saving and environmental protection subsidies	1,410,942.00	Other income

Other	7,163,755.71	Other income
Subtotal	97,810,169.09	

(2)The amount of government grant included in the profit or loss statement in the current period

Items	Current period cumulative
Related to assets	24,211,916.58
Related to income	97,810,169.09
Total	122,022,085.67

The government subsidies included in the current profit and loss are presented in the "other income" item.

VIII. Changes in the consolidation scope

1. Business combination not under common control

(1) Business combination not under common control in current period

Unit: RMB

Acquirees	Equity acquisition date	Equity acquisition cost	Proportion of equity acquired (%)	Equity acquisition method	Acquisition date	Determine basis for acquisition date	Acquiree's income from acquisition date to period end	Acquiree's net profit from acquisition date to period end
Zhejiang Sanhua Exchange Technology Co., Ltd	December 14, 2021	28,000,000.00	70%	Agreement assignment	- December 14, 2021	Complete the equity delivery and pay the merger consideration		

(2) Combination costs and goodwill

Unit: RMB

Combination costs	
Cash	28,000,000.00
Fair value of non-cash assets	
Fair value of debts issued or assumed	
Fair value of equity securities issued	
Fair value of contingent considerations	
Acquisition-date fair value of equity held before the acquisition date	
Others	
Total combination costs	28,000,000.00

Combination costs	
Less: Share of fair value of net identifiable assets acquired	20,408,169.39
Goodwill/Balance of fair value of net identified assets acquired after deducting combination costs	7,591,830.61

Determination method of fair value of combination costs, contingent considerations and their movements:

In December 2021, the company acquired 70% equity of Zhejiang Sanhua plate Exchange Technology Co., Ltd from Su Jun. The pricing of this equity transaction is based on the assessed value, the basic transfer price is 28 million yuan, and the assessment payment consideration is 7 million yuan.

If the net profit of Zhejiang Sanhua plate Exchange Technology Co., Ltd in 2022 is 6.4 million yuan, the company will pay another 3.5 million yuan; If not, the company will not need to pay any more. If the net profit of Zhejiang Sanhua plate Exchange Technology Co., Ltd in 2023 is 8 million yuan, the company will pay another 3.5 million yuan; If not, the company will not need to pay any more.

According to the profit forecast data, the management of the company judges that it is difficult to realize the assessment net profit by Zhejiang Sanhua plate Exchange Technology Co., Ltd, so the assessment payment consideration is estimated at zero yuan.

(3) Combination costs and goodwill

Unit: RMB

	Acquisition-date fair value	Acquisition-date carrying amount
Assets:	41,750,357.62	25,060,423.80
Cash and bank balances	2,456,829.86	2,456,829.86
Accounts receivable	7,730,397.40	7,730,397.40
Inventories	1,769,614.51	1,769,614.51
Fixed assets	6,672,716.01	4,214,515.28
Intangible assets	12,917,600.00	
Long-term prepayments	6,068,825.10	4,754,692.01
Right of use assets	4,019,018.35	4,019,018.35
Deferred tax assets	115,356.39	115,356.39
Liabilities:	10,092,339.85	10,092,339.85
Borrowings		
Accounts payable	5,547,165.87	5,547,165.87
Deferred tax liabilities		
Payroll payable	526,155.63	526,155.63
Lease liabilities	4,019,018.35	4,019,018.35
Deferred tax liabilities	2,503,490.07	
Net assets	29,154,527.70	14,968,083.95
Less: Non-controlling interest	8,746,358.31	4,490,425.19

	Acquisition-date fair value	Acquisition-date carrying amount
Net assets acquired	20,408,169.39	10,477,658.76

Fair value determination method on identifiable assets and liabilities:

The fair value of identifiable assets and liabilities of the company is determined according to the assessed value.

(4). Gains/Losses on fair value remeasurement of equity held before the acquisition date

Is there a transaction that realizes business combination step by step through multiple transactions and obtains control during the reporting period

Applicable Not applicable

(5) Combination costs or fair value of acquiree's identifiable assets/liabilities failed to be reasonably determined at the acquisition date or at the end of current period

(6) Other remarks

2. Changes in the consolidation scope due to other reasons

Explain the changes in the scope of consolidation caused by other reasons (e.g. new subsidiaries, liquidation subsidiaries, etc.) and their related situations:

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
Zhejiang Sanhua Auto Zero Trading Co., Ltd.	New subsidiaries	August 31,2021	0.00	100%
Zhejiang Sanhua plate Exchange Technology Co., Ltd	New subsidiaries	December 13,2021	0.00	100%

IX. Interest in other entities

1. Interest in subsidiaries

(1) Composition of enterprise group

Subsidiy name	Main operating place	Place of registration	Business nature	Holding proportion		Acquisition method
				Direct	Indirect	
Zhejiang Sanhua Climate and Appliance	Zhejiang	Zhejiang	Manufacture	74.00%	26.00%	Business combination under common

Controls Group Co., Ltd.						control
Zhejiang Sanhua Automotive Components Co., Ltd.	Zhejiang	Zhejiang	Manufacture	100.00%		Business combination under common control
Sanhua (hangzhou) Micro Channel Heat Exchanger Co., Ltd	Zhejiang	Zhejiang	Manufacture	100.00%		Business combination under common control
Zhejiang Sanhua Trading Co., Ltd	Zhejiang	Zhejiang	Commerce	100.00%		Establishment
SANHUA AWECO Appliance Systems GmbH	Germany	Germany	Parts of household appliances		100.00%	Business combination not under common control

Remarks on inconsistency between holding proportion and voting rights proportion in subsidiaries:

Basis for the control of an investee while holding its half or less than half voting rights, and the non-control of an investee while holding its more than half voting rights

Basis for control of significant structured entities brought into the consolidation scope

Basis for determining an entity being acting as an agent or a principal

Other remarks:

The above subsidiaries are significant subsidiaries of the Company.

2. Interest in joint venture or associates

(1) Aggregated financial information of insignificant joint ventures and associates

Items	Closing balance/Current period cumulative	December 31, 2020/Preceding period comparative
Joint ventures	--	--
Total of the following items calculated by shareholding ratio	--	--
Associates	--	--
Total book value of investment	22,680,930.51	15,219,616.68
Total of the following items calculated by shareholding ratio	--	--
Net profit	7,011,313.83	2,199,442.47

Other remarks:

X. Risks Related to Financial Instruments

In risk management, the Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;

2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability.

(2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

1) Significant financial difficulty of the debtor;

2) A breach of binding clause of contract;

3) It is very likely that the debtor will enter bankruptcy or other financial reorganization;

4) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers using credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

The company's accounts receivable risk points are distributed among multiple partners and multiple customers. As of December 31 2021, the Company has no significant central credit risk, and the proportion of accounts receivable from the top five customers in book balance is at a reasonable and moderate level.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

(II) Liquidity risk

The Company continues to monitor short-term and long-term funding needs to ensure that sufficient cash reserves are maintained. At the same time, the Company continuously monitors compliance with the loan agreement to ensure that the credit line obtained from commercial banks can meet short-term or long-term funding needs. When necessary, the Company can implement equity financing.

As of December 31, 2021, the undiscounted contractual cash flows of the Company's financial liabilities listed by maturity date are shown in the following table:

Items	Closing balance			
	Within 1 year	1-3 years	Over 3 years	Total
Short-term borrowings	741,497,623.23			741,497,623.23
Notes payable	1,891,526,333.48			1,891,526,333.48
Accounts payable	3,214,698,131.59			3,214,698,131.59
Other payable	172,923,251.10			172,923,251.10
Non-current liabilities due within one year	1,788,496,608.56			1,788,496,608.56
Long-term borrowings		852,116,486.66		852,116,486.66
Bonds payable	5,998,935.80	128,977,119.70	3,299,414,690.00	3,434,390,745.50
Lease liabilities	14,779,459.15	71,465,390.94	71,736,828.07	157,981,678.16
Subtotal	7,829,920,342.91	1,052,558,997.30	3,371,151,518.07	12,253,630,858.28

(Continued)

Items	Opening balance			
	Within 1 year	1-3 years	Over 3 years	Total
Short-term borrowings	384,529,024.72			384,529,024.72
Notes payable	1,238,574,463.73			1,238,574,463.73
Accounts payable	2,279,661,755.97			2,279,661,755.97
Other payable	270,888,400.58			270,888,400.58
Non-current liabilities due within one year	155,238,316.00			155,238,316.00
Long-term borrowings		1,781,690,487.83		1,781,690,487.83

Lease liabilities		67,853,620.87	81,926,194.66	149,779,815.53
Long-term payables	903,862.19			903,862.19
Subtotal	4,329,795,823.19	1,849,544,108.70	81,926,194.66	6,261,266,126.55

Note: The difference between the beginning amount and the end amount of the previous year (December 31, 2020) is detailed in note III (31) to the financial statements.

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

1. Interest Rate Risk

Interest rate risk is the risk that an enterprise may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring.

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level. The Company is mainly operated in mainland China, whose main activities are denominated in RMB, hence, the Company bears insignificant market risk arising from foreign exchange changes.

Please refer to section V (IV) 2 of notes to financial statements for details in foreign currency financial assets and liabilities at the end of the period.

XI. Disclosure of Fair Values

1. Fair values of the assets and liabilities at the end of the period

Unit: RMB

Item Name	Fair value as of the balance sheet date			
	Level 1	Level 2	Level 3	Total
Constant measurement at fair value	--	--	--	--
1.Held-for-trading financial assets	4,536,549.83	159,487,189.94		164,023,739.77
Financial assets measured at fair value through profit or loss	4,536,549.83	159,487,189.94		164,023,739.77
Debt instrument investments		109,383,374.74		109,383,374.74
Derivative financial assets	4,536,549.83	50,103,815.20		54,640,365.03
Total amount of assets constantly measured at their fair values	4,536,549.83	159,487,189.94		164,023,739.77

Non-constant measurement at fair value	--	--	--	--
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2. Basis for determining the market price of items under first level constant and non-constant measurement at fair value.

The fair value of futures contracts is measured at the exchange's open market quotes.

3. Items under second level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of important parameters

The fair value of forward foreign exchange contracts is measured based on the valuation amount of the host bank or the forward foreign exchange rate announced by the Bank of China. Bank financing products are measured based on the valuation amount of the issuer or manager.

XII. Related party relationships and transactions

1. Parent Company

Parent Company	Place of registration	Business nature	Registered capital	Holding proportion over the Company	Voting right proportion over the Company
Sanhua Holding Group Co., Ltd	Zhejiang Province	Industrial Investment	730 million yuan	50.12%	50.12%

Remarks on the parent Company:

As of December 31, 2021, Sanhua Holding Group Co., Ltd. (Hereinafter referred to as SHG) directly holds 29.44% of the Company's shares, and indirectly holds 20.68% of the shares through its subsidiaries, for a total of 50.12% of the shares. The final controllers of the Company are Mr Zhang Daocai, Mr Zhang Yabo and Zhang Shaobo.

Other remarks:

2. Information about the Company's subsidiaries

Please refer to interest in other entities of notes to financial statements.

3. Joint ventures and associates of the Company

Please refer to notes to financial statements for details on the Company's significant joint ventures and associates. Details of other joint ventures or associates carrying out related party transactions with the Company in current period or in preceding period but with balance in current period are as follows:

Joint ventures or associates	Abbreviation of associate
Chongqing Tainuo Machinery Co., Ltd	CTMC
Qingdao Sanhua Jinlifeng Machinery Co., Ltd	QSJM

Zhongshan Xuanyi Pipe Making Co., Ltd	ZXPM
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Other remarks

4. Other related parties of the Company

Joint ventures or associates	Abbreviation of associate
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd.	ZSGE
Hangzhou Tongchan Machinery Co., Ltd.	HTM
Hangzhou Sanhua Research Institute Co., Ltd.	HSRI
Hangzhou Sanhua International Building Co., Ltd.	HSIB
Xinchang County Sanhua Property Management Co., Ltd.	XCSP
Shanghai Sanhua Electric Co., Ltd	SSE
Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.	ZSZR
Zhejiang Haoyuan Technology Co., Ltd.	ZHT
Ningbo Fuerda Smartech Co., Ltd.	NFS
Wuhu Alda Technology Co., Ltd.	WAT
Hangzhou Formost Material Technology Co., Ltd	HFMT

Other remarks

5. Related party transactions

(1) Purchase and sale of goods, rendering and receiving services

Purchase of goods and receiving of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Approved Transaction Limit	Over the Transaction Limit or No	Preceding period comparative
HTM	Materials	4,648,299.74	700,000.00	否	519,318.58
HTM	Services	28,601.77	95,000,000.00	否	
HSRI	Water and electricity			否	115,165.09
HSRI	Materials	22,229.77	700,000.00	否	14,303.48
ZSGE	Utility	5,012,738.23	95,000,000.00	否	2,151,282.58
ZXPM	Materials	20,702,956.31	35,000,000.00	否	9,947,414.32
QSJM	Merchandise			否	1,702,420.54
WAT	Merchandise	82,035.40	200,000.00	否	16,601.77
ZHT	Merchandise			否	1,063,598.21
ZHT	Utility	10,960,870.64	95,000,000.00	否	7,308,466.90

Sale of goods and rendering of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Merchandise and Materials	447,493.03	1,080,229.07
SHG	Water and electricity	749,941.39	1,871,967.25
QSJM	Materials	952,156.49	291,399.64
HFMT	Water and electricity	630,478.74	890,529.83
CTMC	Merchandise	74,647.80	
HSRI	Water and electricity	980,985.87	919,853.20
HSRI	Merchandise and Materials	4,260,641.75	305,509.41
HSRI	Services	23,063.51	
WAT	Utility	209,829.94	212,462.82
WAT	Merchandise and Materials	1,726.07	1,449.92
WAT	Services	102,949.51	59,840.90
ZSGE	Water and electricity	780,198.27	1,357,863.17
ZSZR	Merchandise	9,734.51	29,990.27
ZHT	Water and electricity	137,126.85	95,522.69
ZHT	Merchandise		159.29
HTM	Water and electricity	20,530.64	42,297.07

Remarks of related transactions related to the purchase and sale of goods and the provision and acceptance of services

Due to the large number of related parties involved in related party transactions between the parent Company Sanhua Holding Group Co., Ltd and its subsidiaries, the Company approved RMB 0.7 million as the overall purchase quota for purchases and purchase rent, equipment rental, property management, water, electricity and power, service fee amount of 95 million yuan from the parent company Sanhua Holding Group Co., Ltd. and its subsidiaries collectively. The approval bases on the merger of the parent Company and its subsidiaries.

(2) Related party leases

The Company as the lessor:

Unit: RMB

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
SHG	Office building	5,309,339.44	5,309,339.44
HFMT	Plant	300,342.85	1,022,346.21
WAT	Plant	507,964.54	345,223.41

The Company as the lessee:

Unit: RMB

Lessors	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
HSRI	Office building	1,125,600.00	1,134,833.52
ZSGE	Dormitory	3,184,967.59	80,800.00
ZSGE	Plant	2,862,761.88	405,234.27

Remarks of related party leases

(3) Related party guarantees

The Company as guarantors

Unit: RMB

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
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The Company as guaranteed parties

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
SHG	RMB 2,230,000,000.00	February 7, 2020	December 16, 2023	No
SHG	EUR14,500,000.00	July 05, 2019	June 20, 2022	No

Remarks of related party guarantees

The information in the table does not include related guarantees within the scope of consolidation, nor related guarantees that have been performed.

(4) Assets transfer and debt restructuring of the related parties

Unit: RMB

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
NFS	Package assets	37,215,093.41	
HTM	Equipment	47,965,923.63	21,622,706.86
SHG	Equipment	32,800.96	
HSIB	Vehicle	44,247.79	
HSRI	Equipment	791,304.59	17,393,367.30

(5) Key management's emoluments

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	10,562,300.00	5,950,600.00

(6) Other related party transactions

Unit: RMB

Abbreviation of associate	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Property income	1,684,018.88	1,684,018.88
	Service expenses	1,167,603.70	
ZSGE	Property expenses	3,112,828.45	847,318.27
	Service expenses	212,086.77	
	Service income	3,547.17	3,849.06
HFMT	Property income	148,754.72	461,320.79
HSRI	Property expenses	123,689.42	44,752.78
HTM	Service income	4,943.40	6,867.92
ZHT	Service expenses	1,129,125.33	
	Service income	396.10	

In addition, it is affected by the inconsistency between the registered permanent residence of a few employees and the place of work, there are transactions between related parties that pay employee social insurance premium and housing accumulation fund on behalf of them. In current period, the company pays for the related party RMB296,028.83.

6. Balance due to or from related parties

(1) Receivables

Unit: RMB

Items	Related parties	Closing balance		Opening Balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	WAT			376,293.54	18,814.68
Accounts receivable	SHG			180,000.00	9,000.00
Accounts receivable	QSJM	68,818.81	3,440.94	26,973.19	1,348.66
Accounts receivable	HSRI	4,254,623.49	212,731.17	18,514.60	925.73
Accounts receivable	CTMC	84,352.01	4,217.60		
Other receivables	SHG			20,000.00	1,000.00
Other receivables	ZHT	670,000.00	33,500.00		
Other non-current assets (Equipment payment in advance)	HTM			9,122,291.82	

(2) Payables

Unit: RMB

Items	Related parties	Closing balance	Opening Balance
Accounts payable	HTM	6,737,074.50	3,883,247.79

Accounts payable	ZXPM	5,977,186.49	1,072,110.11
Accounts payable	ZHT	316,422.06	
Accounts payable	HSRI	261,150.00	266,150.00
Contract liabilities	WAT		1,518.94
Advances received	NFS		10,000,000.00
Other payables	HFMT	100,000.00	100,000.00

XIII. Share-based payment

1. Overall information

✓ Applicable Not applicable

Unit: Shares

Total equity instruments granted in current period	0.00
Total equity instruments exercised in current period	11,062,090.00
Total equity instruments retired in current period	420,160.00
The range of exercise prices of share options outstanding at the end of the period and the remaining contractual life	Not applicable
The range of exercise prices of other equity instruments at the end of the period and the remaining contractual life	2020 Restricted Stock Incentive Plan: The adjusted restricted stock grant price is RMB 7.115, which will be unlocked in batches within 12 months after 12 months, 24 months, and 36 months from the grant date.

Other remarks

In February 2020, the Company implemented a restricted stock incentive plan for core employees. Among them, the number of restricted stocks granted was 12.045 million shares, and the grant price per share was RMB 9.85. The grant date was February 24, 2020, and it will be unlocked year by year in batches at a ratio of 30%:30%:40%.

In June 2020, the Company implemented the 2019 equity distribution. In September 2020, the company implemented the 2020 semi-annual equity distribution. In May 2021, the company implemented the 2020 equity distribution. According to the method stipulated in the "2020 Restricted Stock Incentive Plan", the exercise price and quantity of the underlying stocks involved were adjusted accordingly. After the adjustment, the number of restricted stocks granted was 15.6585 million shares, and the grant price per share was RMB 7.1115.

2. Equity-settled share-based payment

✓ Applicable Not applicable

Unit: RMB

Determination method for grant-date fair value of equity	Calculated based on the closing price of the stock on the grant date
--	--

instruments	minus the grant price of the restricted stock.
Determination method for the number of equity instruments expected to vest	[Note]
Reasons for significant difference between the estimates in current period and preceding period	Not applicable
Capital reserve accumulated due to equity-settled share-based payment	148,941,110.78
Total expenses incurred due to equity-settled share-based payment	51,697,222.60

Other remarks

Note: In 2020, the company initially granted 12.045 million restricted stocks to incentive object. Later, it was adjusted to 17.4577 million shares due to the annual distribution of equity in 2019. The number is the base, it will be unlocked year by year in batches at a ratio of 30%:30%:40%. The Company estimates the number of exercisable equity instruments on the following basis: the Company's operating performance can meet the target, the future voluntary turnover rate of the incentive objects is 0%, and the performance appraisal level is above C (the unlocking coefficient is 1).

XIV. Commitments and contingencies

1. Significant commitments

Significant contingencies existing on the balance sheet date

With the approval of the CSRC in document CSRC License [2021] No. 168, the company publicly issued 30 million convertible corporate bonds in June 2021, with a face value of 100 yuan each and net amount of raised funds is 2,987.53 million yuan. In addition to replenishing working capital, the raised funds are committed to the following projects:

Investment projects with raised funds	Committed capital
Annual production of 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	1487 million yuan
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project	698 million yuan

2. Contingencies

(1) If no significant contingent matter to be disclosed by the Company, it should also be noted accordingly

No important contingent matter needs to be disclosed by the Company.

(2) Other information required by the industry information disclosure guidelines

The company shall comply with the disclosure requirements of automobile manufacturing related industries in the guidelines for self-discipline supervision of listed companies of Shenzhen Stock Exchange No. 3 - industry information disclosure. The sales amount in the modes of mortgage sales and financial leasing accounts for more than 10% of the operating revenue

Applicable Not Applicable

Guarantee of the company to the distributor

Applicable Not Applicable

XV. Events after the balance sheet date**1. Profit distribution**

According to the profit distribution plan of 2021 approved by the board of directors of the company on March 23, 2022, cash of 1.50 yuan (including tax) for every 10 shares will be distributed to all shareholders based on 3,569,927,512 shares (total share capital minus repurchased shares of the company) on March 18, 2022. The profit distribution plan has yet to be considered and approved by the general meeting of shareholders.

Note: as of March 18, 2022, the share capital of the company is 3,591,098,972 shares, of which the number of repurchased shares is 21,171,460. According to the provisions of the company law, listed companies do not have the right to participate in profit distribution and capital reserve to increase share capital by repurchasing the shares of the company held through the special account.

If the total share capital of the company changes due to the conversion of convertible bonds into shares, share repurchase, equity incentive exercise, refinancing and listing of new shares before the implementation of the distribution plan, the total distribution amount shall be adjusted accordingly according to the principle of unchanged distribution proportion.

XVI. Other Significant Events**1. Segment information****(1) Basis for reportable segments and the accounting policy**

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system, etc., and identified the reportable segments based on products.

(2) Financial information of the reporting subsection

Unit: Ten thousand yuan RMB

Items	Operating revenue	Operating cost	Total assets	Total liabilities
Refrigeration and air-conditioning electrical parts business	1,121,832.09	825,020.97	1,750,747.33	983,989.10

Auto parts business	480,248.89	365,714.13	611,249.35	252,748.52
Total	1,602,080.98	1,190,735.10	2,361,996.68	1,236,737.62

2. Other remarks

Issuance of convertible corporate bonds

With the approval of the CSRC in document CSRC License [2021] No. 168, the company publicly issued 30 million convertible corporate bonds (hereinafter referred to as Sanhua convertible bonds) in June 2021, with a face value of 100 yuan each and a total issuance amount of 3000 million yuan.

The term of Sanhua convertible bonds is 6 years, the interest is paid once a year, and the principal and interest of the last year are returned when due. The coupon rate is 0.2% in the first year, 0.4% in the second year, 0.6% in the third year, 1.5% in the fourth year, 1.8% in the fifth year and 2.0% in the sixth year. The start and end date of Sanhua convertible bonds is from December 7, 2021 to May 31, 2027, and the initial conversion price is 21.55 yuan / share. Within five trading days after the maturity of Sanhua convertible bonds, the company will redeem the convertible bonds that have not been converted into shares at the price of 110% of the face value of the bonds (including the last interest).

XVII. Notes to items of parent Company financial statements

1. Accounts receivable

(1) Disclosure of accounts receivable by categories

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Receivables with provision made on an individual basis	379,079,112.37	64.69%			379,079,112.37	568,926,107.65	77.05%			568,926,107.65
Including:										

Receivables with provision made on a collective basis	206,926,654.25	35.31%	10,346,332.71	5.00%	196,580,321.54	169,453,230.80	22.95%	8,472,661.54	5.00%	160,980,569.26
Including:										
Total	586,005,766.62	100.00%	10,346,332.71	1.77%	575,659,433.91	738,379,338.45	100.00%	8,472,661.54	1.15%	729,906,676.91

Provision made on an individual basis:

Unit: RMB

Name	Closing balance			
	Book balance	Provision for bad debt	Accrued proportion	Accrued reason
SANHUA (VIETNAM) COMPANY LIMITED	120,982,815.88		0.00%	
Zhejiang Sanhua Trading Co., Ltd	106,410,843.62		0.00%	
SANHUA INTERNATIONAL SINGAPORE PTE.LTD.	70,600,688.73		0.00%	
Sanhua International Inc.	37,704,819.29		0.00%	
Zhejiang Sanhua Automotive Components Co., Ltd	15,649,848.37		0.00%	
SHAOXING SANHUA NEW ENERGY AUTOMOTIVE COMPONENTS CO.LTD	10,000,907.48		0.00%	
Other subsidiaries	17,729,189.00		0.00%	
Total	379,079,112.37		--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Book balance	Book balance
Within 1 year	206,926,654.25	10,346,332.71	5.00%
Total	206,926,654.25	10,346,332.71	--

The remarks of determination of a collective basis:

If the provision for bad debt of accounts receivable is accrued in accordance with the general expected credit loss model, please refer to the disclosure of other receivables to disclose the relevant information about the provision for bad debt:

✓ Applicable □ Not applicable

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12- month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2021	8,472,661.54			8,472,661.54
The balance as of January 1, 2021 is in the current period	—	—	—	—
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	1,873,671.17			1,873,671.17
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Balance on December 31, 2021	10,346,332.71			10,346,332.71

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	586,005,766.62
Total	586,005,766.62

(2) Provision for bad debt accrued, recovered or reversed in current period

Provision for bad debt accrued in current period:

Unit: RMB

Category	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	8,472,661.54	1,873,671.17				10,346,332.71
Total	8,472,661.54	1,873,671.17				10,346,332.71

Including significant provision for bad debt recovered or reversed amount:

(3) Top 5 debtors with the largest accounts receivable balances**(4) Assets and liabilities arising from transferred but still involved accounts receivable**

Other remarks:

Closing balance of top 5 debtors totaled 367,198,261.13 yuan, accounting for 62.67% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 1,574,954.68 yuan.

2. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Dividend receivable	19,000,000.00	
Other receivables	370,775,386.82	348,897,078.11
Total	389,775,386.82	348,897,078.11

(1) Dividend receivable

Classification of dividends receivable

Items	Closing balance	Opening balance
Wuhu Sanhua Automatic Control Components Co., Ltd	12,000,000.00	
Zhongshan Sanhua Refrigeration Components Co., Ltd	7,000,000.00	
Total	19,000,000.00	

(2) Other receivables

1) Other receivables categorized by nature

Unit: RMB

Other receivables categorized by nature	Closing balance	Opening balance
Principal and interest of capital assistance to subsidiaries	341,107,339.69	329,063,840.37
Tax refund receivable	15,563,784.83	8,536,537.99
Guarantee deposit	9,827,285.00	10,381,285.00
Others	4,651,964.58	1,224,031.39
Total	371,150,374.10	349,205,694.75

2) Provision for bad debt

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Total
	Next 12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1,	43,389.30	265,227.34		308,616.64

2021				
Balance in current period on January 1, 2021	—	—	—	—
--Transferred to phase II	-8,826.15	8,826.15		
Provision made in current period	172,778.03			172,778.03
Provision reversed in current period		106,407.39		106,407.39
Balance on December 31, 2021	207,341.18	167,646.10		374,987.28

Loss provisions for significant changes in book balances in current period

Applicable Not Applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	207,341.18
1 to 2 years	17,652.30
2 to 3 years	21,472.80
Over 3 years	128,521.00
3 to 4 years	128,521.00
Total	374,987.28

3) Provision for bad debt accrued, recovered or reversed in current period

Provision for bad debt accrued in current period:

Unit: RMB

Category	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	308,616.64	172,778.03	106,407.39			374,987.28
Total	308,616.64	172,778.03	106,407.39			374,987.28

Including significant provision for bad debt recovered or reversed amount:

Unit: RMB

Debtors	Recovered or reversed	Way of collection

4) Top 5 debtors with the largest other receivables balances

Unit: RMB

Debtors	Nature of receivables	Closing balance	Age	Proportion to the total balance of other receivables	Provision for bad debt at the end of the period
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	Financial aid	70,000,000.00	Within 1 year	18.86%	
Sanhua (Jiangxi) Self - control Components Co., Ltd	Financial aid	50,000,000.00	Within 1 year	13.47%	
Wuhu Sanhua Auto-control Components Co., Ltd	Financial aid	46,000,000.00	Within 1 year	12.39%	
Wuhu Sanhua Refrigeration Accessories Co., Ltd	Financial aid	44,159,339.69	Within 1 year	11.90%	
Zhongshan Sanhua Refrigeration Accessories Co., Ltd	Financial aid	40,000,000.00	Within 1 year	10.78%	
Total	--	250,159,339.69	--	67.40%	

3. Long-term equity investments

Unit: RMB

Investees	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	6,408,397,046.53		6,408,397,046.53	4,515,044,723.75		4,515,044,723.75
Investments in associates and joint ventures	20,389,833.75		20,389,833.75	13,501,505.62		13,501,505.62
Total	6,428,786,880.28		6,428,786,880.28	4,528,546,229.37		4,528,546,229.37

(1) Investments in subsidiaries

Unit: RMB

Investees	Opening balance(Carrying amount)	Changed amount of the current period				Closing balance (Carrying amount)	Closing balance of provision for impairment
		Investments increased	Investments decreased	Provision for impairment	Others		

Zhejiang Sanhua Automotive Components Co., Ltd.	1,994,138,976.82	11,762,979.23				2,005,901,956.05	
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd	644,441,139.10	6,542,381.81				650,983,520.91	
Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd	320,278,269.01	4,619,579.04				324,897,848.05	
Sanhua International Inc.	308,285,328.31	-1,254,321.47				307,031,006.84	
Sanhua International Singapore Pte. Ltd	664,644,511.07	283,315,406.16				947,959,917.23	
Wuhu Sanhua Automatic Control Components Co., Ltd	151,271,932.66	609,721.39				151,881,654.05	
Sanhua (Jiangxi) Self-control Components Co., Ltd	93,367,388.93	402,619.88				93,770,008.81	
Xinchang Sitong Electrical and Mechanical Co., Ltd	46,645,756.62	807,610.51				47,453,367.13	
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	68,290,894.37	1,581,000,000.00				1,649,290,894.37	

Zhejiang Sanhua Trading Co. Ltd	53,745,007.56	1,827,465.44				55,572,473.00	
Changzhou Lanke four-way valve co., LTD	62,499,656.16	41,958.44				62,541,614.60	
Hangzhou Leaderway Electronics Co., Ltd	51,017,554.19	2,197,724.32				53,215,278.51	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	32,527,587.10	417,964.62				32,945,551.72	
Zhongshan Sanhua Air conditioning Refrigeration Components Co., Ltd	5,082,444.18	212,849.20				5,295,293.38	
Wuhan Sanhua Refrigeration Components Co., Ltd	4,240,191.30	321,820.62				4,562,011.92	
Zhongshan Sanhua Refrigeration Components Co., Ltd	5,899,010.73	332,655.92				6,231,666.65	
Suzhou Sanhua Air-Conditioner Parts Co.,Ltd	8,669,075.64	193,907.67				8,862,983.31	
Total	4,515,044,723.75	1,893,352,322.78				6,408,397,046.53	

(2) Investments in associates and joint ventures

Unit: RMB

Investees	Opening balance (Carryin	Changed amount of the current period								Closing balance (Carryin	Closin g balance
		Investm ents	Investm ents	Investm ent	Adjustme nt in	Chan ges	Cash dividend/	Provisi on for	Oth ers		

	g amount)	increase d	decreas ed	income recogniz ed under equity method	other comprehe nsive income	in other equit y	profit declared for distributi on	impair ment		g amount)	of provisi on for impair ment
I . Joint ventures											
II . Associates											
Guochua ng Energy Internet Innovatio n Center (Guangdo ng) Co., Ltd.	1,525,25 2.76			15,087.2 3						1,540,33 9.99	
Chongqin g Tainuo Machiner y Co., Ltd.	9,396,90 4.73			5,762,23 0.65			1,500,000 .00			13,659,1 35.38	
Nanchan g Sanhua Jinlifeng Machiner y Co., Ltd.	1,517,13 8.95			-3,150.2 5						1,513,98 8.70	
Ningbo Jinlifeng Machiner y Co., Ltd	1,062,20 9.18			449,942. 23						1,512,15 1.41	
Qingdao Sanhua Jinlifeng Machiner y Co., Ltd.	0.00			329,853. 20						329,853. 20	
Xinchang zhejiang energy sanhua	0.00	1,950,00 0.00		-115,63 4.93						1,834,36 5.07	

comprehensive energy co. LTD										
Subtotal	13,501,505.62	1,950,000.00		6,438,328.13			1,500,000.00			20,389,833.75
Total	13,501,505.62	1,950,000.00		6,438,328.13			1,500,000.00			20,389,833.75

(3) Other remarks

Due to the implementation of the enterprise group share payment transactions, the company as a settlement enterprise, according to the fair value of the granted entity instrument. Confirm equity investments in subsidiaries (service receivers). At the same time, increase capital reserves 25,841,822.78yuan.

4. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	4,795,178,915.97	3,636,339,329.61	4,261,339,025.61	3,166,285,730.64
Other operations	382,075,645.85	363,200,176.12	255,244,021.84	239,955,604.07
Total	5,177,254,561.82	3,999,539,505.73	4,516,583,047.45	3,406,241,334.71

Related information of revenue:

Unit: RMB

Contract classification	Segment 1	Segment2		Total
Commodity type				
Among:				
Classification by business area				
Among:				
Market or customer type				
Among:				
Contract type				
Among:				

Classification by time of commodity transfer				
Among:				
Classification by contract term				
Among:				
Classification by sales channel				
Among:				
Total				

Information related to performance obligations:

/

Information related to the transaction price allocated to the remaining performance obligations:

At the end of the reporting period revenue corresponding to performance obligations for which the Company has entered into contracts but not yet performed or fulfilled amounted to 0.00 yuan.

Other remarks

5. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	77,805,606.15	174,095,823.76
Investment income from long-term equity investments under equity method	6,438,328.13	2,298,930.50
Gains on disposal of long-term equity investments		-27,199,644.40
Investment income of bank financing products	6,621,422.44	13,307,539.55
Gains and losses on settlement of futures contracts	15,104,176.44	17,957,388.89
Gains and losses on settlement of foreign exchange contract	10,185,206.59	-8,360,741.05
Income of fund using fee	12,531,531.64	17,387,962.74
Total	128,686,271.39	189,487,259.99

6. Others

R&D expenses

Unit: RMB

Items	2021	2020
Labor cost	124,637,638.62	101,435,220.21
Material and power expense	100,401,887.14	72,943,704.17
Depreciation and amortization expense	8,889,868.09	7,931,315.36
Mold manufacturing expense	5,162,383.68	2,063,576.52
Royalties	2,206,448.58	825,497.30
Outsourcing R&D expense	611,969.71	443,167.38
Others	1,750,905.47	2,715,340.57
Total	243,661,101.29	188,357,821.51

XVIII. Supplementary information

1. Non-recurring profit or loss in current period

√ Applicable □ Not Applicable

Unit: RMB

Items	Amount	Remarks
Gains or loss on disposal of non-current assets	-7,164,158.61	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, and continuously enjoyed with certain quantity/quota based on certain standards)	101,910,018.36	
Gains or losses on changes in fair value of held-for-trading financial assets, held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities, and other debt investments, excluding those arising from hedging business related to operating activities	123,439,358.54	In order to avoid the price risk of raw materials and prevent exchange rate risk, the company and its subsidiaries have carried out derivatives business, including futures contracts and foreign exchange forward contracts. In 2021, the futures income was 31.4482 million yuan and the foreign exchange income was 91.9912 million yuan; In 2020, the futures income was 36.3784 million yuan and the foreign exchange income was 55.0162 million yuan. Meanwhile, the exchange loss was 95.9901 million yuan in 2021 and 112.6759 million yuan in 2020. According to “the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Profit or Loss”, exchange gains and losses are recurring gains and losses, and Futures and forward gains and losses are non-recurring gains and losses.
Other non-operating revenue or expenditures except	-3,359,134.55	

the above items		
Other profit or loss satisfying the definition of non-recurring profit or loss	765,674.33	
Less: Enterprise income tax affected	17,841,108.54	
Non-controlling interest affected	1,197,516.27	
Total	196,553,133.26	--

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

Applicable Not Applicable

The company has no specific circumstances of other profit and loss items that meet the definition of non-recurring profit and loss.

For items defined as non-recurring profit or loss according to “the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Profit or Loss”, non-recurring profit or loss items listed in the said document defined as project of recurring profit or loss, specify the reason

Applicable Not Applicable

2. ROE and EPS

Profit of the reporting period	Weighted average ROE	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	15.98%	0.47	0.47
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	14.12%	0.42	0.42

3. Financial data variance between financial reporting prepared under domestic and abroad accounting standards

(1) Differences of net profits and net assets in the financial reports disclosed according to the IFRS and Chinese Accounting Standards

Applicable Not Applicable

(2) Differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese Accounting Standards

Applicable Not Applicable