

Zhejiang Sanhua Intelligent Controls Co., Ltd.

2023 Semi-Annual Report

August 2023

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.

The Company describes in detail concerning the possible risks and countermeasures in Section X "Risks and Countermeasures 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 3,726,786,475 shares of capital stock as of August 20, 2023 ^[note], cash dividend of RMB 0.50 (tax inclusive) will be distributed to all shareholders for every 10 shares. The Company will not distribute bonus shares or convert capital reserves to share capital.

Note: As of August 20, 2023, the share capital of the Company is 3,732,795,935 shares, of which the number of repurchased shares is 6,009,460. 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.

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.

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List of Documents Available for Inspection

1. The 2023 Semi-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. The Company's 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 Association</i>	Refers to	<i>Articles of Association 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.
The Board of Directors	Refers to	The Board of Directors of Zhejiang Sanhua Intelligent Controls Co., Ltd.
The 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		

II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Hu Kaicheng	Wang Yutong
Address	No. 289, 12th Street, Xiasha Baiyang Street, Hangzhou Economic and Technological Development Area, China	Sanhua Industrial Park, No. 219, Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang, China
Tel.	0571-28020008	0575-86255360
Fax	0571-28876605	0575-86563888-8288
E-mail	shc@zjshc.com	shc@zjshc.com

III. Other Relevant Information

1. Company's contact information

Whether there is any change in the Company's registered address, office address, zip code, website or email address during the reporting period.

Applicable Not applicable

Registered address of the Company	No. 219, Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang, China
Zip code of the Company's registered address	312530
Office address	No. 219, Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang, China
Zip code of the Company's office address	312530
Website	http://www.zjshc.com
E-MAIL	shc@zjshc.com

2. Information disclosure and place of the report

Whether there is any change in information disclosure and place of the report during the reporting period.

Applicable Not applicable

During the reporting period, there were no changes in the stock exchange website, media and website for disclosing the semi-annual report, as well as the location of the Company's semi-annual report. Please refer to the 2022 Annual Report for details.

3. Other relevant information

Whether other relevant information has changed during the reporting period

Applicable Not applicable

IV. Key Accounting Information and Financial Indicators

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

Yes No

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Total Revenue (RMB)	12,528,920,625.59	10,159,952,995.52	23.32%
Net Profit Attributable to Shareholders of the Listed Company (RMB)	1,394,760,848.85	1,003,187,335.23	39.03%
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	1,467,390,266.69	1,030,047,529.50	42.46%
Net Cash Flow Generated from Operational Activities (RMB)	1,718,673,593.61	761,013,129.16	125.84%
Basic Earnings per Share (RMB/Share)	0.39	0.28	39.29%
Diluted Earnings per Share (RMB/Share)	0.39	0.27	44.44%

Weighted Average ROE	10.17%	8.74%	1.43%
	At the End of the Current Reporting Period	At the End of Last Year	YoY Change (%)
Total Assets (RMB)	29,158,975,279.09	27,961,214,156.28	4.28%
Net Assets Attributable to Shareholders of the Listed Company (RMB)	13,893,398,852.72	12,941,310,409.42	7.36%

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

1. Difference in net profits and net assets of this financial report between International Financial Reporting Standards and China Accounting Standards

Applicable Not applicable

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

2. Difference in net profits and net assets of this financial report between Overseas Accounting Standards and China Accounting Standards

Applicable Not applicable

There is no difference in net profits and net assets of this financial report between Overseas Accounting Standards and China Accounting Standards in the reporting period.

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

Applicable Not applicable

Unit: RMB

Items	Amount	Note
Gains or Losses from Disposal of Non-current Assets (Including the Write-off for the Accrued Impairment of Assets)	-3,064,084.40	
The Government Subsidies Included in the Current Gains and Losses (Excluding the Government Subsidies Closely Related to Regular Businesses of the Company and Issued in the Quota or Quantity Based on the National Standards)	44,899,780.71	
Gains or Losses Attributed to the Changes in Fair Value for Holding Held-for-trading financial assets, Derivative Financial Assets, Trading Financial Liabilities, Derivative Financial Liabilities and Investment Income from Disposal of Held-for-trading financial assets, Derivative Financial Assets, Trading Financial Liabilities, Derivative Financial Liabilities and Other Debt Investment, Excluding Hedging	-133,362,738.92	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. From January to June 2023, the profit of futures is 4.3452 million yuan, and the forward loss is 137.708 million yuan. From January to June 2022, the futures

Businesses Related to the Regular Business Operation of the Company		loss is 9.5117 million yuan, and the forward loss is 64.9561 million yuan. Therefore, the amount of non-recurring profit and loss items fluctuated greatly in the first half of the two years. Meanwhile, the exchange gain from January to June 2023 is 194.1929 million yuan, and the exchange loss from January to June 2022 was 100.6505 million yuan. According to the <i>Explanatory Announcement No. 1 of Information Disclosure of Listed Companies – Non-recurring Gains and Losses</i> , foreign exchange gains and losses are recurring gains and losses, while futures and forward gains and losses are non-recurring gains and losses.
Non-operating Revenue and Expenditures Other Than the Above	1,961,169.92	
Other Gains and Losses Items that Fit in the Definition of Non-recurring Gains and Losses	2,096,067.98	
Less: Impact of Income Tax	-15,456,546.00	
Impact of Minority Equity (after tax)	616,159.13	
Total	-72,629,417.84	

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

Applicable Not applicable

The Company has no circumstances of other gains and losses items that meet the definition of non-recurring gains and losses.

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. The Principal Business of the Company during the Reporting Period

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. Relying on strong manufacturing capabilities and a well-established supply chain, Chinese manufacturers are expected to continue to lead global supply. 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. The Company takes improving energy efficiency level of various end products as its responsibility, leading the global transformation of energy-saving and environmental protection products. 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 Electric Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Omega Pump ranks first globally. The market share of the Company's Service Valve, Automotive Thermal Expansion Valve and Receiver Drier is in the leading position in the world.

II. Core Competitiveness Analysis

1. Clear strategic layout

The Company adheres to the "Focus, Lead, Innovate, and Transcend" 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 components 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 3,622 patents both domestic and abroad, including 1,779 invention patents. The Company has established a comprehensive multi-disciplinary R&D team for product development and technical research, and established a matrix R&D organizational structure. Utilizing the model of product development driven by technological research, we can promote innovation. Meanwhile, a technical expert committee has been established to guide and manage technological development. 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 Electric Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Omega Pump ranks first globally. The market share of Service Valve, Automotive 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, National Technological Innovation Demonstration Enterprise 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 in practice, we have trained a number of management talents who can meet the needs of business development in different countries and regions.

III. Main Business Analysis

Overview

In the first half of 2023, with the comprehensive restoration of normalized operation of China's economy and society, as well as the effective implementation of macroeconomic policies, the national economy has recovered and steadily advanced towards high-quality development. At the same time, in the context of the continuous acceleration of

global energy transformation and intelligent development, the market growth of new energy vehicles, heat pumps, commercial refrigeration, energy storage, artificial intelligence, and other industries is strong.

Specifically, in the industry where the Company operates, due to the combined stimulation of high temperature weather and consumer recovery, the Company's refrigeration and air conditioning electrical components business has steadily increased its market share both domestically and internationally, and its performance has steadily increased. While, the automotive components business has achieved rapid growth in performance, thanks to the vigorous development of the new energy vehicle industry and the continuous release of orders.

During the reporting period, the Company's total revenue is RMB 12.529 billion, with year-on-year increase of 23.32%; the net income is RMB 1.679 billion, with year-on-year increase of 35.57%; the net profit attributable to shareholders of the listed Company is RMB 1.395 billion, with year-on-year increase of 39.03%. The revenue of refrigeration and air conditioning electrical components business is RMB 7.706 billion, with year-on-year increase of 10.70%; the revenue of automotive components business is RMB 4.823 billion, with year-on-year increase of 50.78%.

1. Focus on operation and deepen industrial layout

(1). Refrigeration and air conditioning electrical components business

The refrigeration and air conditioning electrical components business seizes the development opportunities of related business products in the fields of energy efficiency upgrading, refrigerant switching, VRF, kitchen appliances, and energy storage. In the first half of 2023, due to the Company's focus on increasing market share, the market share of its leading products steadily increased. The Company has achieved comprehensive cost reduction and improved its profitability by focusing on high margin products, continuous technological iteration and innovation, as well as optimizing procurement management. At the same time, we will take multiple measures in new fields, new customers, new products, and other directions to break through the bottleneck in the development of the home appliance stock market and achieve continuous growth. In addition, in the process of globalization, we will continue to increase the layout of overseas factories in Vietnam, Mexico, and Thailand for global manufacturing, R&D, and the construction of talent teams.

(2). Automotive components business

Under the opportunity of rapid development in the new energy vehicle thermal management industry, the automotive components business utilizes the benchmark customer demonstration effect to strengthen its first mover advantage, accelerates the construction of a supporting system with customers, enriches product series, deepens industry technical barriers, and maintains a leading technological level in industry development. The Company continues to promote intelligent manufacturing and lean production, improve equipment automation and self-production capabilities, and continuously improve profitability. At the same time, we strengthen technological innovation and joint development with strategic customers, and create value for customers through standard module thermal management defined by Sanhua in vehicle design. In addition, in order to achieve rapid growth in the wave of global automotive electrification and intelligence, we accelerate the construction of domestic and foreign production bases in the process of globalization, increase production capacity layout, emphasize talent team construction, and promote global standards in the aspects of manufacturing, production, material flow, operation management, etc.

(3). Other business

In the first half of 2023, the energy storage business successfully broke through industry benchmark customers and achieved revenue. The Company seizes the time window of demand explosion in the energy storage industry, comprehensively expands, and strives to become a leading supplier of global energy storage thermal management solutions

In the field of biomimetic robots, the Company focuses on electromechanical actuators, fully cooperating with customer product R&D, trial production, adjustment, and ultimately achieving mass production and landing. At the same time, we actively plan the overseas production layout of electromechanical actuator in line with the customer's mass production goals.

2. Strengthen the creation of product strength and promote industry development through technological progress

During the reporting period, the Company's R&D investment was 580 million yuan, with year-on-year increase of 21.16%. The Company strengthens its product strength through continuous investment in R&D, continuously optimizes iterations, participates in market competition with new products, new technologies, and differentiation, and responds to market changes with the best products.

3. Accelerate the construction of a clean, low-carbon, safe, and efficient energy system, and promote carbon neutrality

In terms of carbon emission reduction, the Company has accelerated the application of photovoltaic and energy storage in our industry parks. The energy utilization efficiency of the Company's smart micro-grid project has achieved multi energy complementarity and has been included in the "Zhejiang Province 2023 New Power System Pilot Project Plan". In July 2023, the Company disclosed *2022 Carbon Disclosure Project (CDP)*.

4. Proposed issuance of Global Depositary Receipts (GDR) and listing on the Swiss Stock Exchange

In order to further promote the globalization strategy, The Company is continuously promoting this GDR issuance. The raised funds are intended to expand the Company's global business layout, strengthen the production and manufacturing of refrigeration control components, new energy thermal management and robot electromechanical actuator businesses, improve the Company's R&D investment and technological innovation, and enhance the Company's intelligent manufacturing, digitization, and informatization level.

Changes in key financial data over the corresponding period of last year

Unit: RMB

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)	Note of Change
Total Revenue	12,528,920,625.59	10,159,952,995.52	23.32%	Mainly due to the increase in market share of refrigeration and air conditioning control components, and the rapid development of new energy vehicle industry, which

				promotes the steady development of the Company's sales
Cost of sales	9,295,615,081.75	7,702,347,707.94	20.69%	Mainly due to the cost growth driven by the sales growth
Selling Expenses	277,177,564.79	219,831,170.12	26.09%	
Administrative Expenses	619,856,574.65	468,457,579.13	32.32%	Mainly due to the increase in labor costs, depreciation and amortization, and office expenses during the current period
Financial Expenses	-151,660,370.01	-85,227,439.31	-77.95%	Mainly due to the increase in exchange gains in the current period
Income Tax Expenses	263,470,197.45	224,588,797.63	17.31%	
R&D Investments	580,269,632.04	478,918,631.31	21.16%	Mainly due to the increase in R&D personnel salaries, material and power investment in this period
Net Cash Flows from Operating Activities	1,718,673,593.61	761,013,129.16	125.84%	Mainly due to the increase in cash received from sales of goods and provision of services in the current period
Net Cash Flows from Investment Activities	-990,771,136.32	-1,493,780,685.20	33.67%	Mainly due to receiving land compensation of 546 million yuan from Xialiquan in this period
Net Cash Flows from Financing Activities	-877,206,246.29	-123,929,030.92	-607.83%	Mainly due to a decrease in cash received from borrowings in the current period and an increase in cash paid for dividend distribution
Net Increase in Cash and Cash Equivalents	271,578.55	-769,569,702.01	100.04%	

Whether there is significant change in Company's profit structure or profit source during the reporting period

Applicable Not applicable

There is no such case during the reporting period

Revenue structure

Unit: RMB

	Current Reporting Period		Corresponding Period of Last Year		YoY Change (%)
	Amount	Proportion to total revenue	Amount	Proportion to total revenue	
Total Revenue	12,528,920,625.59	100%	10,159,952,995.52	100%	23.32%
Classified by Industry					
General Equipment Manufacturing Industry	12,528,920,625.59	100.00%	10,159,952,995.52	100.00%	23.32%
Classified by Product					
Refrigeration A/C Electrical Components	7,706,021,104.32	61.51%	6,961,386,065.52	68.52%	10.70%
Automotive Components	4,822,899,521.27	38.49%	3,198,566,930.00	31.48%	50.78%
Classified by Region					
Domestic Sales	6,776,150,179.62	54.08%	5,237,886,317.54	51.55%	29.37%
Overseas Sales	5,752,770,445.97	45.92%	4,922,066,677.98	48.45%	16.88%

Industries, products or regions accounting for more than 10% of the Company's operating revenue or operating profit

√ Applicable □ Not applicable

Unit: RMB

	Revenue	Cost of sales	Gross margin	YoY Change (%) of operating revenue	YoY Change (%) of Cost of sales	YoY Change (%) of gross margin
Classified by industry						
General Equipment Manufacturing Industry	12,528,920,625.59	9,295,615,081.75	25.81%	23.32%	20.69%	1.62%
Classified by product						
Refrigeration A/C Electrical Components	7,706,021,104.32	5,713,713,098.06	25.85%	10.70%	7.50%	2.20%
Automotive Components	4,822,899,521.27	3,581,901,983.69	25.73%	50.78%	50.04%	0.37%
Classified by region						

Domestic Sales	6,776,150,179.62	5,088,723,058.93	24.90%	29.37%	27.70%	0.98%
Overseas Sales	5,752,770,445.97	4,206,892,022.82	26.87%	16.88%	13.16%	2.40%

In the case that the Company's main business data statistics are adjusted during the reporting period, the Company's main business data of the latest reporting period were adjusted according to the statistics at the end of the last reporting period

Applicable Not applicable

IV. Non-Main Business Analysis

Applicable Not applicable

Unit: RMB

	Amount	Proportion to net profit	Note of Change	Sustainability
Investment Income	-46,142,073.31	-2.75%	Floating gains and losses on futures derivatives, floating gains and losses on exchange rate derivatives, gains and losses on bank wealth management products, etc.	No
Gains and Losses from Change of Fair Value	-88,814,525.03	-5.29%	Floating gains and losses on exchange rate derivatives, futures derivatives, and bank wealth management products	No
Non-operating Revenue	4,564,351.93	0.27%	Payment exemption, compensation and penalty gains, fixed asset retirement gains, etc.	No
Non-operating Expenditures	5,260,738.91	0.31%	Fixed asset retirement losses, compensation and breach of contract expenses, donation expenses, etc.	No
Credit Impairment Loss	-72,153,972.68	-4.30%	bad debt losses	No
Assets Impairment Loss	-24,923,403.90	-1.49%	Inventory impairment loss, goodwill impairment loss, etc.	No
Gains on Disposal of Properties	-406,527.50	-0.02%	Gains from disposal of fixed assets	No
Other Gains	62,816,875.53	3.74%	Government subsidies, value-added tax refunds for "Employment of Persons with Disabilities" and	The value-added tax refund for "Employment of Persons with Disabilities" and

			Disabilities ", software product value-added tax refunds, etc	software product value-added tax refund are sustainable, while the rest are not sustainable
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V. Analysis of Assets and Liabilities

1. Material changes of assets

Unit: RMB

	At the End of Current Reporting Period		At the End of Last Year		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and bank balance	5,576,764,606.33	19.13%	5,878,243,652.55	21.02%	-1.89%	
Accounts receivable	6,386,811,942.25	21.90%	5,228,117,225.57	18.70%	3.20%	
Inventories	4,005,376,113.49	13.74%	4,334,875,287.86	15.50%	-1.76%	
Real estate held for investment	8,303,262.37	0.03%	8,204,266.97	0.03%	0.00%	
Long-term equity investment	35,234,954.43	0.12%	32,438,204.13	0.12%	0.00%	
Fixed assets	6,693,075,353.04	22.95%	6,374,896,070.41	22.80%	0.15%	
Construction in progress	2,030,840,443.80	6.96%	1,032,505,633.51	3.69%	3.27%	
Assets with right of use	285,384,456.50	0.98%	284,277,365.32	1.02%	-0.04%	
Short-term borrowings	1,141,938,063.73	3.92%	1,294,083,319.58	4.63%	-0.71%	
Contractual liabilities	86,674,142.26	0.30%	57,955,080.60	0.21%	0.09%	
Long-term borrowings	660,544,808.74	2.27%	1,801,574,166.67	6.44%	-4.17%	
Lease liabilities	204,812,488.97	0.70%	202,028,482.09	0.72%	-0.02%	
Notes receivable	2,117,646,111.41	7.26%	2,203,948,983.83	7.88%	-0.62%	
Notes payable	2,755,748,552.44	9.45%	2,580,274,767.64	9.23%	0.22%	
Accounts payable	4,186,618,386.31	14.36%	3,884,603,370.16	13.89%	0.47%	
Non-current liabilities due within one year	1,718,720,282.57	5.89%	568,126,341.67	2.03%	3.86%	

Bonds payable	2,801,454,320.48	9.61%	2,776,763,361.83	9.93%	-0.32%	
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2. Main overseas assets

√Applicable □ Not applicable

Content of Assets	Formation	Assets Scale (RMB)	Location	Operation Mode	Control measures to ensure asset safety	Income (RMB)	Proportion of overseas assets in net assets of the Company	Whether there is significant impairment risk
Sanhua International Inc. (USA) (Consolidated)	Equity Investment	2,908,200,213.01	The United States	R&D, Manufacturing, Marketing and Investment Management	Financial supervision and entrusted external audit	-8,129,660.86		No
Sanhua International Singapore Pte. Ltd. (Consolidated)	Equity Investment	4,717,032,118.69	Singapore	Manufacturing, Marketing and Investment Management	Financial supervision and entrusted external audit	-23,070,002.77		No

3. 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)	100,025,980.08	388,505.61			30,000,000.00	130,000,000.00		414,485.69
2. Derivative Financial Assets	8,938,874.05	-5,097,538.01						3,841,336.04
Subtotal	108,964,854.13	4,709,032.40				130,000,000.00		4,255,821.73
Total	108,964,854.13	4,709,032.40				130,000,000.00		4,255,821.73
Financial Liabilities	48,671,373.81	84,105,492.63						132,776,866.44

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

Yes No

4. Limitation of asset rights as of the end of reporting period

Items	Closing Book value (RMB)	Reasons for being restricted
Cash and Bank Balance	71,979,671.11	Margin deposit
	213,176,666.67	Pledge financing
	2,046,000.00	Judicial restrictions
Notes Receivable	1,927,529,849.96	Pledge financing
Total	2,214,732,187.74	--

VI. Analysis of Investments

1. Overview

Applicable Not applicable

Investment during the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year (RMB)	Fluctuation Rate (%)
145,114,207.25	547,740,000.00	-73.51%

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 investment

(1) Securities Investments

Applicable Not applicable

No securities investments during this reporting period.

(2) Derivatives Investments√Applicable Not applicable

1) Derivative investments for hedging purposes during the reporting period

√Applicable Not applicable

Unit: RMB in 10 thousand

Type of derivatives investment	Opening amount	Gains and losses from changes in fair value in the current period	Accumulated fair value changes recognized in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Closing amount	Ratio of closing amount to the company's net assets at the end of the reporting period
Futures contracts, foreign exchange contracts							
Total							
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as explanations on whether there have been significant changes compared to the previous reporting period	N/A						
Explanation of actual gains and losses during the reporting period							
Explanation of hedging effectiveness							
Capital source of	Company's self-owned fund						

derivatives investment	
Risk analysis and control measures (including but not limited to, market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) of holding derivatives during the reporting period	In order to avoid the price risk of raw materials and exchange rate risk, the Company and its subsidiaries have carried out derivative business, including futures contracts and foreign exchange forward contracts. The Company and its subsidiaries strictly comply with the relevant provisions listed in the <i>Management Measures for Future Hedging Business</i> and <i>Management Measures for Foreign Exchange Hedging Business</i> .
Change of market price or fair value of invested derivatives during the reporting period; specific methods, related assumptions and parameter setting of the derivatives' fair value analysis should be disclosed	Not applicable
Litigation (if applicable)	N/A
Special opinions of independent directors on derivatives investment and risk control of the Company	<p>1. After verification, the independent directors made the following independent opinions: The approval process of the Company and its subsidiaries to carry out futures hedging business with their own funds complies with relevant national laws, regulations and the relevant provisions of the <i>Articles of Association</i>. At the same time, the Company has formulated the <i>Management Measures for the Operation of Futures Hedging Business</i>, which can effectively carry out internal control and management and implement risk prevention and control measures. On the premise of ensuring normal production and operation, the Company's hedging business is conducive to avoiding market risks, hedging the impact of raw material prices on the Company's production and operation, and realizing the Company's long-term steady development. Therefore, we agree that the Company and its subsidiaries carry out futures hedging business, and agree to submit the proposal to the general meeting of shareholders of the Company for deliberation.</p> <p>2. After verification, the independent directors made the following independent opinions: The approval process of the Company and its subsidiaries to carry out foreign exchange hedging business complies with relevant national laws, regulations and the relevant provisions of the <i>Articles of Association</i>. At the same time, the Company has formulated the <i>Management System of Foreign Exchange Hedging Business</i>, which can effectively carry out internal control and management and implement risk prevention and control measures. On the premise of ensuring normal production and operation, the Company's foreign exchange hedging business is conducive to controlling exchange rate risks, reducing exchange losses, reducing the impact of exchange rate fluctuations on</p>

	the Company's normal operations, and realizing the long-term steady development of the Company. Therefore, we agree that the Company and its subsidiaries carry out foreign exchange hedging business, and agree to submit the proposal to the general meeting of shareholders of the Company for deliberation.
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2) Derivatives investments for speculative purposes during the reporting period

Applicable Not applicable

No derivative investments for speculative purposes during this reporting period.

5. Use of raised funds

√ Applicable □ Not applicable

(1) Overall use of raised funds

√ 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
2021 年	Public offering	298,753.1	20,957.33	193,738.68				109,035.57		
Total	--	298,753.1	20,957.33	193,738.68				109,035.57	--	

Description of Overall Usage of Raised Funds

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 million 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
Accumulated amount as of the beginning of the period	Project investment	172,781.35
	Net income from raised funds	2,979.99
Amount incurred in this reporting period	Project investment	20,957.33
	Net income from raised funds	1,041.16

Accumulated amount by the end of the period	Project investment	D1=B1+C1	193,738.68
	Net income from raised funds	D2=B2+C2	4,021.15
Calculated balance of raised funds		E=A-D1+D2	109,035.57
Actual balance of raised funds		F	109,035.57
Difference		G=E-F	0.00

(2) Promised fund-raising projects√ 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 commercial refrigeration and air conditioning intelligent control components with an annual output of 65 million sets	No	148,700	148,700	16,905.03	95,258.82	64.06%	May 1, 2025		N/A	No
Technical transformation project of high-efficiency and energy-saving refrigeration and	No	69,800	69,800	4,052.3	17,206.93	24.65%	August 1, 2024		N/A	No

air conditioning control components with an annual output of 50.5 million sets										
Supplementary of working capital	No	81,500	81,500		81,272.93	99.72%			N/A	No
Subtotal of committed investment projects	--	300,000	300,000	20,957.33	193,738.68	--	--		--	--
Investment of over raised funds										
/										
Total	--	300,000	300,000	20,957.33	193,738.68	--	--		--	--
Circumstances and reasons for not reaching the planned progress or expected income (by specific project)	N/A									
Significant changes in the feasibility of projects	N/A									
Amount, usage and use progress of over-raised	N/A									

Funds	
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 substitution of projects invested with raised funds	Applicable In 2021, the Company substituted the initial investment amount of 179.3857 million yuan with raised funds.
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	N/A
Applications of	Deposited in the special account for raised funds and the subscription of large amount certificates of deposit.

unused raised funds	
Problems or other situations in the use and disclosure of raised funds	N/A

(3) Changes of raised funds

Applicable Not applicable

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

VII. 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

VIII. 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 Commercial Refrigeration Co., Ltd	Subsidiary	Manufacturing and sales of refrigeration and air conditioning electrical components	1,655.29 million	3,125,661,042.33	1,942,218,526.44	1,122,939,530.02	248,025,326.41	217,007,387.07
Sanhua (Hangzhou) Micro Channel	Subsidiary	Manufacturing and sales of refrigeration	360 million	2,141,295,709.28	1,219,277,394.39	1,029,478,162.87	138,886,464.07	109,701,832.34

Heat Exchanger Co.,Ltd.		n and air conditioning electrical components						
Zhejiang Sanhua Trading Co., Ltd.	Subsidiary	Sales of refrigeration and air conditioning electrical components	50 million	4,665,983,716.55	124,269,262.11	2,896,832,692.68	37,025,835.84	- - 30,042,966.66
Zhejiang Sanhua Automotive Components Co., Ltd	Subsidiary	Manufacturing and sales of automotive parts	2,160 million	9,774,704,517.62	5,449,313,386.74	4,822,899,521.27	729,753,617.95	630,971,034.91
Sanhua International, Inc. (USA) (Consolidated)	Subsidiary	Manufacturing and sales of refrigeration and air conditioning electrical component, investment management	37.55 million USD	2,908,200,213.01	388,359,035.48	2,561,753,404.65	11,942,181.35	- - 8,129,660.86
Sanhua International Singapore Pte. Ltd. (Consolidated)	Subsidiary	Manufacturing and sales of refrigeration and air conditioning electrical component, investment management	150.5805 million USD	4,717,032,118.69	1,111,515,678.38	3,279,236,347.03	19,534,205.50	- - 23,070,002.70

Information about obtaining and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company name	Methods of acquiring and disposing subsidiaries during the reporting period	Impact on overall production, operation and performance
Guangdong Sanhua New Energy Vehicle Components Co., Ltd.	Establishment of subsidiaries	No significant impact
Hangzhou Sanhua Intelligent Equipment Co., Ltd.	Establishment of subsidiaries	No significant impact
Shenyang Sanhua New Energy Vehicle Components Co., Ltd	Establishment of subsidiaries	No significant impact
Sanhua Industry(Thailand) Co., Ltd	Establishment of subsidiaries	No significant impact
Minh Sanhua Auto Parts Poland Sp.zoo	Establishment of subsidiaries	No significant impact

Suzhou Xinzhi Automotive Parts Co., Ltd.	Liquidation and cancellation	No significant impact
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IX. Structural Entities Controlled by the Company

Applicable Not applicable

X. Risks and Countermeasures of the Company

(1) Risk of price fluctuation of raw materials

The raw materials needed 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) Exchange rate fluctuation risks

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.

Section IV Corporate Governance

I. Annual General Meeting and Extraordinary General Meetings Convened During the Reporting Period

1. Annual General Meeting convened during the current reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
2022 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	66.89%	May 19, 2023	May 20, 2023	<i>The announcement of resolutions of the 2022 annual general meeting of shareholders (2023-036) was published in the Securities Times, Shanghai Securities Journal and CNINFO.</i>

2. Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights

Applicable Not applicable

II. Changes of directors, supervisors and senior management personnel

Applicable Not applicable

There were no changes in the Company's directors, supervisors, and senior management during the reporting period. Please refer to the 2022 Annual Report for details

III. Profit distribution and conversion of capital reserve to share capital during the reporting period

Applicable Not applicable

Bonus share issued per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	0.50
Total capital share basis for the distribution proposal (share)	3,726,786,475
Total cash dividend (RMB) (tax inclusive)	186,339,323.75
Cash dividend amount in other ways (such as share repurchase) (RMB)	0.00

Total cash dividends (including other ways) (RMB)	186,339,323.75
Distributable profits (RMB)	1,026,080,660.48
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 3,726,786,475 shares of capital stock as of August 20, 2023 [note], cash dividend of RMB 0.50 (tax inclusive) will be distributed to all shareholders for every 10 shares. The Company will not distribute bonus shares or convert capital reserves to share capital. A total of RMB 186,339,323.75 will be distributed, and the Company's remaining undistributed profits are carried forward to the next year.</p> <p>Note: As of August 20, 2023, the share capital of the Company is 3,732,795,935 shares, of which the number of repurchased shares is 6,009,460. 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.</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>	

IV. 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 governance structure, promote to establish and improve the incentive and restraint mechanism, attract and retain excellent talents, and effectively mobilize the enthusiasm of the core talents, the Company has continuously launched equity incentive schemes.

1. In 2020, the Company launched the 2020 restricted stock incentive plan, granting 12.045 million shares of restricted stock to 914 incentive objects. The granting date of this equity incentive plan is February 24, 2020, and the granting price of restricted stock is 9.85 yuan/share. The listing date of this restricted stock is 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 unlocking conditions of 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 4.59615 million shares were released.

- (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.
- (5) On May 9, 2022, the Company held the 4th interim meeting of the 7th board of directors and the 4th interim meeting of the 7th 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 unlocking conditions of the second vesting period of the restricted stock incentive plan in 2020* were approved. The listing date of the restricted shares was May 19, 2022. The number of shareholders meeting the unlocking condition was 844. A total of 4.4343 million shares were released.
- (6) On May 25, 2022, the second extraordinary general meeting of shareholders in 2022 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 268,450 restricted shares held by unqualified incentive objects in the 2020 restricted stock incentive plan.
- (7) On April 27, 2023, the Company held the 11st interim meeting of the 7th board of directors and the 9th interim meeting of the 7th board of supervisors, in which *Proposal on the achievement of unlocking conditions of the third vesting period of the restricted stock incentive plan in 2020* was approved. The listing date of the restricted shares was May 15, 2023. The number of shareholders meeting the unlocking condition was 825. A total of 5.85 million shares were released.

2. In 2022, the Company launched the 2022 restricted stock incentive plan and stock appreciation right incentive plan, granting 17.585 million restricted shares to 1,366 incentive objects and 485,000 stock appreciation rights to 41 incentive objects. The granting date of this equity incentive plan is May 31, 2022. The granting price of restricted shares and stock appreciation rights is 10 yuan/share. The listing date of the restricted shares is June 30, 2022.

- (1) On June 20, 2023, the Company held the 12nd interim meeting of the 7th board of directors and the 10th interim meeting of the 7th board of supervisors, in which following proposals were approved: *Proposal on Adjusting the Exercise Price of the 2022 Stock Appreciation Rights Incentive Plan*, *Proposal on the Achievement of Exercise Conditions during the First Vesting Period of the 2022 Stock Appreciation Rights Incentive Plan*, *Proposal on Cancellation of Partial Stock Appreciation Rights*, *Proposal on Adjusting the Repurchase Price of 2022 Restricted Stock Incentive Plan*, *Proposal on Repurchase and Cancellation of some Restricted Stocks* and *Proposal on the Achievement of Unlocking Conditions of the First Vesting Period of the Restricted Stock Incentive Plan in 2022*. The listing date of the restricted shares was June 30, 2023. The number of shareholders meeting the unlocking condition was 1,345. A total of 5.238 million shares were released. The total number of incentive objects eligible for the exercise of stock appreciation rights was 39, and the number of exercisable shares was 139,500.

2. Employee stock ownership plan

Applicable Not applicable

3. Other employee incentive schemes

Applicable Not applicable

Section V Environmental and Social Responsibility

I. Significant environmental issues

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

Yes No

Environmental protection related policies and industry standards

During the reporting period, the Company strictly adhered to national environmental protection related laws and regulations in its daily production and operation, such as the *Environmental Protection Law*, the *Air Pollution Prevention and Control Law*, the *Water Pollution Prevention and Control Law*, the *Solid Waste Pollution Environmental Prevention and Control Law*, the *Environmental Noise Pollution Prevention and Control Law*, the *Soil Pollution Prevention and Control Law*, the *Environmental Impact Assessment Law*, etc. The Company strictly implements national environmental protection related industry standards, such as the *Electroplating Pollutant Discharge Standard (GB2190-2008)*, *Comprehensive Air Pollutant Discharge Standard (GB16297-1996)*, *Comprehensive Wastewater Discharge Standard (GB8978-1996)*, *Emission Standard for Air Pollutants from Boilers (GB13271-2014)*, *Emission Standard for Pollutants in the Synthetic Resin Industry (GB31572-2015)*, *Unorganized Emission Control Standard for volatile organic compounds (GB37822-2019)*, the *Electroplating Water Pollutant Discharge Standard (DB33/2260-2020)* in Zhejiang Province and *Indirect Emission Limits of Nitrogen and Phosphorus Pollutants in Industrial Enterprise Wastewater (DB33/887-2013)*, and *Emission Standard for Environmental Noise at the Boundary of Industrial Enterprises (GB 12348-2008)*.

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 24 EIA permits. All the projects have passed. In August 2020, the Company obtained the national emission permit.

2. Since 2013, Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. has invested in Xialiquan of Xinchang County, and has obtained 6 EIA permits. All the projects have passed. In July 2020, the Company obtained the national version of the pollution discharge license. In June 2022, it was relocated to the new factory of Daming City, and the production entity was changed to Zhejiang Sanhua Commercial Refrigeration Co., Ltd. The new company has obtained the pollution discharge permit.

Industry emission standards and specific situations of pollutant emissions involved in production and business activities

Name of Company or subsidiary	Main pollutants and types of characteristic pollutants	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	Waste	COD	Sewer	1	North	≡	The	21.63T	61.867 T	Not

Sanhua Intelligent Controls Co., Ltd.	water		system			500mg/L	limitation of COD in GB8978-1996 <i>Integrated Wastewater Emission Standard</i> is 500mg / L		/year	exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Waste water	Ammonia Nitrogen	Sewer system	1	North	≦ 35mg/L	The limitation listed in DB33/887-2013 <i>Indirect Emission Limits of Nitrogen and Phosphorus Pollutants from Industrial Wastewater</i> is 35mg / L	2.16T	6.186 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Waste gas	SO ₂	Direct emission	1	North	≦ 50mg/m ³	The limitation listed in GB13271-2014 <i>Emission Standard of Air Pollutants for Boilers</i> is 50mg/m ³	0.12T	2.15 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Waste gas	Nitrogen Oxide	Direct emission	1	North	≦ 50mg/m ³	According to the low Nitrogen emission requirement	0.11T	10.06 T /year	Not exceeding the standard

							ents of local government, the limitation of gas-fired boiler is 50mg / m ³			
Zhejiang Sanhua Commercial Refrigeration Co., Ltd.	Waste water	COD	Sewer system	1	Inside	≦ 500mg/l	The limitation from GB8979-1996 is 500mg / L	9.39T	20.73T /year	Not exceeding the standard
Zhejiang Sanhua Commercial Refrigeration Co., Ltd.	Waste water	COD	Sewer system	1	Inside	≦ 35mg/L	The limitation listed in DB33/887-2013 <i>Indirect Emission Limits of Nitrogen and Phosphorus Pollutants from Industrial Wastewater</i> is 35mg / L	0.939T	2.07T /year	Not exceeding the standard
Zhejiang Sanhua Commercial Refrigeration Co., Ltd.	Waste water	Total Copper	Sewer system	1	South	≦ 2.0mg/l	The limitation from GB8979-1996 is 2.0mg/l	0.0511T	/	Not exceeding the standard

Treatment of pollutants

The Company has established a comprehensive EHS (environment, safety and health) management system, set up a "Safety Committee" leading organization to implement the relevant work, and also formulated *Sewage Prevention and Control Procedures*, *Waste Gas Prevention and Control Procedures*, *Solid Waste Control Procedures* and other procedural control documents. The Company has formed an environmental protection system, mainly based on *Productive Waste Management Measures*, *Regulations on the Treatment of Non-productive Waste Materials*, *Solid*

Waste Control Procedures, Hazardous Waste Management Measures and etc.

During the reporting period, the Company actively constructed and optimized the EHS (environment, safety and health) management system. Relying on the "Safety Committee" and other leading organizations, we comprehensively promote energy conservation and emission reduction, strictly comply with the *Sewage Prevention and Control Procedures, Waste Gas Prevention and Control Procedures, Solid Waste Control Procedures* and other procedural control documents. We also continuously operate and optimize the *Productive Waste Management Measures, Regulations on the Treatment of Non-productive Waste Materials, Solid Waste Control Procedures, Hazardous Waste Management Measures* and etc.

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. 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, total chromium, total nickel 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 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. In 2022, the Company carried out an upgrade and transformation of diesel powered mobile source emissions, upgrading from the original National II emission standard to National IV, greatly reducing particulate matter emissions.
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. In July 2020, the Company became one of the first "waste free factories" in Shaoxing. The Company commissioned a third-party testing agency to conduct soil and groundwater testing in 2022, and no contamination was found. Among them, hazardous waste management is an important risk in environmental protection management. For hazardous waste, according to the Company's *Hazardous Waste Management Measures*, we make a list of hazardous wastes for ledger management and implement the whole process of control to ensure compliance throughout the collection, storage and disposal. We also sign a hazardous waste disposal agreement with qualified third parties to entrust the disposal and fill out the transfer linkage list on the Solid Waste Supervisory Information System of Zhejiang Province and upload it to the national platform.

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.

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 improve the management ability and emergency response ability of Zhejiang Sanhua Commercial Refrigeration Co., Ltd. for sudden environmental incidents and reduce the environmental hazards caused by sudden environmental pollution accidents, Zhejiang Sanhua Commercial Refrigeration Co., Ltd. reprepared the Emergency Plan for Sudden Environmental Pollution Accidents of Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (simplified version) in August 2022, which was filed with the Environmental Protection Bureau of Xinchang County on September 27, 2022 (Record No. 330624-2022-51-1)

Investment in environmental governance and protection, and payment of environmental protection taxes

During the reporting period, the Company's environmental governance investment and payment of environmental protection tax amounted to 13.06 million yuan.

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, total chromium, total nickel, 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 Commercial Refrigeration Co., Ltd. Daming Industrial Park 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. The Company obtained the national pollution discharge license in January 2022. 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

There are direct greenhouse gas emissions from the use of natural gas, gasoline, and diesel fuel, as well as indirect greenhouse gas emissions from purchased electricity in the Company's production and operations. In this regard, the Company is committed to energy saving and emission reduction practices, as well as continues to innovate green product technologies to ensure effective use of resources and improve operational efficiency. As of the end of the reporting period, the Company had prepared and issued the *Energy Management Measures*, *Gas and Liquid Management Measures*, *Compressed Air Use Inspection and Reward & Penalty Management Regulations*, *Trial Management Measures for Compressed Air Cost Reduction*, *Program on the Implementation of Peak and Valley Electricity Tariff Incentives of the Business Unit in 2022*, and *Water Conservation System*, and other management systems relating to resource conservation. By regularly checking usage, we aim to minimize the consumption of water, electricity, fuel, and other resources, and actively assist society in energy conservation and emission reduction while optimizing our own energy resource costs. At the same time, the Company has always adhered to the business philosophy of energy saving and environmental protection, constantly innovating products and technologies, and is committed to promoting the green and low-carbon development of the industry.

1. Low carbon design: Introduce low-carbon thinking from the design and development stage, follow the low-carbon management throughout the product lifecycle, and prioritize the selection of low-carbon raw materials (including but not limited to hydroelectric smelting of metals, recycled metals, etc.), recyclable materials, and miniaturized design while ensuring technical requirements.

2. Optimize the energy structure: In order to achieve the goals of clean energy and higher resource utilization efficiency, distributed photovoltaics are widely used in industrial areas to replace the original purchased electricity and adopt waste heat recovery technology. On the other hand, the energy storage system in the production park can

comprehensively take advantage of peak and valley electricity, which improves the efficiency of distributed photovoltaic utilization.

3. Accurate control of energy efficiency: 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.

4. Promote green technology: The Company 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.

5. Strengthen green cooperation: In order to reduce the energy consumption required for liquefaction during the transportation of oxygen and nitrogen, and reduce the impact on climate, the company has replaced the method of purchasing liquid oxygen and nitrogen with self-made oxygen and nitrogen.

6. Production layout: Sanhua adheres to the concept of "wherever customers are, Sanhua is there" By setting up factories nearby, we not only serve customers but also reduce carbon emissions in transportation. We have established production bases in Mexico, Poland, Vietnam, India, Hangzhou, Wuhu, Zhongshan, and other areas.

At the same time, as a leading global manufacturer of thermal management system control components for new energy vehicles, the Company fully grasps the business opportunities brought by the development of the global new energy vehicle industry, actively explores green and efficient refrigeration technology, and continues to bring professional and green product solutions to the industry.

Other environmental information

Not applicable

II. Social responsibility

Corporate Integrity Related Policies and Standards

The Company is striving to cultivate a good atmosphere of doing business in a positive and smooth manner and to continuously promote the healthy and sustainable development of the Company in terms of high quality.

For employees, the Company has formulated and released the *Employee Integrity and Self-Discipline Agreement*. We promote the study and implementation of the Company's cleanliness and self-discipline provisions in the Company, consciously enhance the awareness of cleanliness and self-discipline, and strictly fulfill the clean practice of the system. As of the end of the reporting period, the Company and its business units have completed the signing of all employees belonging to the Company. For suppliers, the Company has formulated the *Integrity and Self-Discipline Cooperation Agreement*, advocating the common purpose of pursuing a fair and transparent business environment with suppliers, in order to ensure the smooth progress of sunshine cooperation and transactions, and safeguard the legitimate interests of both parties.

Company Integrity Practice Work

Integrity building is an important work that the Company has been working on for a long time. In order to give full play to the supervisory role of employees and external affiliates, to effectively protect the legitimate rights and interests of whistleblowers, to further establish a positive atmosphere, to create a fair, open and impartial working environment of integrity, and to stimulate positive energy, the Company has carried out a number of integrity practice work:

1. For behaviors that violate the construction of integrity, the Company's internal system shall be notified and taken as a warning; organize training activities to promote integrity build-in, during the Reporting Period, the Company conducted a training program in Hangzhou and Xinchang to promote the awareness of management and employees of their obligations under anti-corruption laws and the practice of business ethics.
2. The Company has publicized complaint, and reporting channels (including reporting phone numbers, reporting email addresses, microblogging, addresses, etc.), and encouraged employees or third parties to report any corruption, malpractice and misconduct in the course of business operations. The Company accepts anonymous reports, and also encourages real-name reports to improve the efficiency of follow-up investigations, strict and high confidentiality of the informant's information, and strictly prohibit any blowback, retaliation and unfair treatment of the informant and other behavior.

Employee Rights and Interests Protection

The Company has formulated a perfect system of human resources rules and regulations, including the *Recruitment Management Measures*, *Attendance and Vacation Management Measures*, *Quota Employee Management Measures* and so on. During the recruitment process, the identity of applicants is strictly verified to ensure that no child labor is employed. At the same time, the Company respects the human rights of employees, strictly prohibits the employment of child labor and forced labor and organizes internal inspections from time to time to ensure that the employment of labor is legal and compliant to the maximum extent.

The Company has formulated a series of systems related to labor security, employee compensation and benefits, such as the *Attendance and Vacation Management System*, *Year-end Bonus Management System*, *Labor Contract Management System*, etc., which comprehensively clarify the provisions on labor employment, employee vacations, overtime, etc., and strictly comply with the implementation of national labor laws and regulations, to protect the lawful rights and interests of workers. Employees are provided with additional benefits such as annual physical examination and holiday benefits. At the same time, the Company attaches great importance to the construction of relations with employees, regular communication with employees, the establishment of communication channels, such as the Mid-Autumn Festival Symposium, excellent cadres Symposium, and so on. We also organize satisfaction surveys on catering, vehicles, etc., and listens extensively to the opinions of employees to continuously optimize the Company's management and promote the achievement of the company's business objectives.

Employee Training and Development

The Company attaches importance to talent cultivation and builds targeted training systems at different levels and in different sequences, including but not limited to "Overseas Factory Manager Training Camp", "Purchasing Elite Class", "Performance Training for Managers", "Management Training Program", "TDR Training" and other thematic training methods, to provide a more systematic and comprehensive cultivation for managers, technical and

professional talents. The Company has also optimized its employee training program in line with the Company's strategic needs, and has increased its efforts to cultivate talents in areas such as international talent cultivation and digital transformation empowerment.

Section VI Significant Events

I. Complete and Incomplete Commitments of the Company and Its Actual Controller, Shareholders, Related parties, Acquirers, and Other Related Parties 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 and capital occupation	Sanhua Holding Group promises: after the completion of this transaction, Sanhua Holding Group and Sanhua	January 5 th , 2009	Long term	Strict performance

			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 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.,	Commitment on horizontal competition, related party transactions and capital occupation	In order to avoid horizontal competition with Sanhua intelligent controls, Zhang Daocai, Zhang	July 24 th , 2015	Long term	Strict performance

	Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.		<p>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</p>			
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			<p>Controls' business after expansion, I (or the Company) and other controlled enterprises will withdraw from Sanhua Intelligent Controls in the following ways of competition:</p> <p>A. Stop the businesses that compete or may compete with Sanhua Intelligent Controls;</p> <p>B. Inject the competitive business into Sanhua Intelligent Controls;</p> <p>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 advantage of the business opportunity within a reasonable</p>			
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			<p>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>Commitment on horizontal competition, related party transactions and capital occupation</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</p>	<p>July 24th, 2015</p>	<p>Long term</p>	<p>Strict performance</p>

			<p>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>			
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			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	July 24 th , 2015	Long term	Strict performance

			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.			
	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</p>	September 18 th , 2017	Long term	Strict performance

			<p>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 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.</p>			
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	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</p>	September 18 th , 2017	Long term	Strict performance
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			<p>me (or the Company) will withdraw from Sanhua intelligent controls in the following ways of competition:</p> <p>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 advantage of the business opportunity within a reasonable period specified in the notice, it shall do its best to give the business</p>			
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			<p>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>Other commitment</p>	<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</p>	<p>September 18th, 2017</p>	<p>Long term</p>	<p>Strict performance</p>

			shareholders.			
Commitment made during initial public offering or refinancing	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	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.	June 7 th , 2005	Long term	Strict performance
Other commitments made to minority shareholders of the Company	The controlling shareholders of the listed Company Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd., and Mr. Zhang Yabo	Other commitment	Will not actively reduce holdings of the Company's shares within eighteen months from August 18, 2022.	August 18 th , 2022	18 months	Strict performance
Are the commitments fulfilled on time	Yes					

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 provision of guarantees for external parties

Applicable Not applicable

No such case during the reporting period.

IV. Engagement and disengagement of the CPA firm

Whether this financial report was audited

Yes No

This report was not audited.

V. Explanation Given by the Board of Directors and Supervisory Committee Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Reporting Period

Applicable Not applicable

VI. Explanation Given by the Board of Directors Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Prior Year

Applicable Not applicable

VII. Bankruptcy and Restructuring

Applicable Not applicable

No such case during the reporting period.

VIII. Material Litigation and Arbitration

Material Litigation and Arbitration

Applicable Not applicable

No such case during the reporting period.

Other litigations

Applicable Not applicable

IX. Punishments and Rectifications

Applicable Not applicable

No such case during the reporting period.

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

Applicable Not applicable

XI. Significant Related-party Transaction

1. Significant 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.

XII. Significant Contracts and 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

Please refer to the notes of leasing instructions for details under Section X Financial Report.

Projects with gains and losses exceeding 10% of the Company's total profit during the reporting period

Applicable Not applicable

No such case in 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	Disclosure date of announcement of the guarantee cap	Guarantee Cap	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	Disclosure date of announcement of the guarantee cap	Guarantee Cap	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
SANHUA AWECO ELECTRICAL EQUIPMENT (WUHU) CO., LTD.	March 25, 2022	5,000	April 1, 2022	3,816.17	Joint liability guarantee			2022.04.01-2023.04.01	Yes	Yes
SANHUA INTERNATIONAL SINGAP	March 25, 2022	230,000	May 10, 2022	3,938.55	Joint liability guarantee			2022.05.10-2023.05.10	Yes	Yes

ORE PTE. LTD.										
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	November 11, 2022	7,877.1	Joint liability guarantee			2022.11.11-2023.5.10	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	March 25, 2022	230,000	May 23, 2022	5,780.64	Joint liability guarantee			2022.05.23-2023.05.23	Yes	Yes
SANHUA INTERNATIONAL, INC.	March 25, 2022	50,000	June 17, 2022	10,838.7	Joint liability guarantee			2022.06.17-2023.06.09	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	September 5, 2022	7,877.1	Joint liability guarantee			2022.9.5-2023.9.4	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	October 19, 2022	10,240.23	Joint liability guarantee			2022.10.19-2023.10.18	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	October 21, 2022	5,513.97	Joint liability guarantee			2022.10.21-2023.10.20	No	Yes
SANHUA INTER	August 13, 2022	240,000	October 21, 2022	5,513.97	Joint liability guarantee			2022.10.21-2023.10.	Yes	Yes

NATIONAL SINGAPORE PTE. LTD.								20		
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	October 26, 2022	4,726.26	Joint liability guarantee			2022.10.26-2023.10.25	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	November 21, 2022	7,877.1	Joint liability guarantee			2022.11.21-2023.11.20	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	November 21, 2022	7,225.8	Joint liability guarantee			2022.11.21-2023.11.20	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	November 25, 2022	14,451.6	Joint liability guarantee			2022.11.25-2023.11.24	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	December 20, 2022	7,225.8	Joint liability guarantee			2022.12.20-2023.12.19	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE	August 13, 2022	240,000	March 24, 2023	5,513.97	Joint liability guarantee			2023.3.24-2024.3.23	No	Yes

PTE. LTD.										
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 4, 2023	3,150.84	Joint liability guarante e			2023.5.4 - 2024.5.3	No	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 4, 2023	4,726.26	Joint liability guarante e			2023.5.4 - 2024.5.3	No	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 11, 2023	3,938.55	Joint liability guarante e			2023.5.1 1- 2024.5.1 0	No	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 19, 2023	14,451.6	Joint liability guarante e			2023.5.1 9- 2024.5.1 8	No	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 22, 2023	7,225.8	Joint liability guarante e			2023.5.2 2- 2024.5.2 1	No	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 22, 2023	14,966.4 9	Joint liability guarante e			2023.5.2 2- 2024.5.2 1	No	Yes

SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	340,000	May 23, 2023	5,780.64	Joint liability guarantee			2023.5.23-2024.5.22	No	Yes	
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	340,000	May 31, 2023	7,877.1	Joint liability guarantee			2023.5.31-2024.5.30	No	Yes	
SANHUA INTERNATIONAL, INC.	April 29, 2023	95,000	June 9, 2023	10,838.7	Joint liability guarantee			2023.6.9-2024.6.5	No	Yes	
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)			550,000	Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2)						78,469.95	
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)			550,000	Total Balance of Guarantees Actually Paid to Subsidiaries by the End of the Reporting Period (B4)						114,053.31	
Subsidiaries' Guarantees to Subsidiaries											
Guaranteed Party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	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)			550,000	Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)						78,469.95	
Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)			550,000	Total Balance of Guarantees Actually Paid by the End of the Reporting Period (A4+B4+C4)						114,053.31	
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the											8.21%

Company's Net Assets	
Of which:	
Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)	114,053.31
Total Amount of the Above Three Guarantees (D+E+F)	114,053.31

3. Entrusted wealth management

Applicable Not applicable

Unit: RMB in 10 thousand

Specific types	Capital source	Amount	Balance before maturity	Overdue uncollected amount	Accrued impairment amount of overdue unrecovered financial product
Bank financial products	The Company's self-owned funds	13,000			
Total		13,000			

Specific situation of high-risk entrusted financial management with large single amount or low security and poor liquidity

Applicable Not applicable

Unit: RMB in 10 thousand

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)
Zhejiang Sanhua Intelligent Controls Co., Ltd.	bank	12 month maturity, RMB structured deposits linked to a basket of customized indices	5,000	Self-owned funds	June 16, 2022	June 13, 2023		Floating income with guarantee of principal						Yes		
Zhejiang Sanhua Intelligent Controls Co., Ltd.	bank	100% guaranteed structured deposits in the JPMorgan XRP index	5,000	Self-owned funds	June 27, 2022	June 27, 2023		Floating income with guarantee of principal			41.45	41.45		Yes		
Zhejiang Sanhua Intelligent Controls Co., Ltd.	security	Galaxy Jinshan "Income Voucher 13459 (Principal Guaranteed Fixed Income Voucher)	3,000	Self-owned funds	March 21, 2022	April 17, 2023		Floating income with guarantee of principal	4.00%		3.62	3.62		Yes		
Total			13,000	--	--	--	--	--	--		45.07	--		--	--	--

Entrusted financial management is expected to be unable to recover the principal or there are other situations that may lead to impairment

Applicable Not applicable

4. Other significant contracts

Applicable Not applicable

No such case in the reporting period.

XIII. Other significant events

Applicable Not applicable

No such case in the reporting period.

XIV. Significant events of the Company's subsidiaries

Applicable Not applicable

No such case in the reporting period.

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)	53,413,591	1.49%				10,711,000	-10,711,000	42,702,591	1.19%
1) Shares held by the states									
2) Shares held by State-owned corporate									
3) Other domestic shares	53,190,591	1.48%				10,549,200	-10,549,200	42,641,391	1.18%
Of which: Shares held by domestic legal person									
Shares held by domestic natural person	53,190,591	1.48%				10,549,200	-10,549,200	42,641,391	1.18%
4) Shares held by overseas investors	223,000	0.01%				-161,800	-161,800	61,200	0.00%

Of which: Shares held by overseas legal person									
Shares held by overseas natural person	223,000	0.01%				-161,800	-161,800	61,200	0.00%
2. Shares without restriction	3,537,455,874	98.51%				12,262,803	12,262,803	3,549,718,677	98.81%
1) RMB common shares	3,537,455,874	98.51%				12,262,803	12,262,803	3,549,718,677	98.81%
2) Domestically listed foreign shares									
3) Foreign shares listed overseas									
4) Others									
3. Total	3,590,869,465	100.00%				1,551,803	1,551,803	3,592,421,268	100.00%

Reason for the changes in share capital

Applicable Not applicable

- At the beginning of each year, the number of locked shares held by senior executives of the Company shall be recalculated according to 75% of the total shares held by senior executives.
- May 15, 2023, the third vesting period of the 2020 Restricted stock incentive plan matured, and 5.85 million Restricted stock of 825 incentive objects who meet the conditions were listed for circulation.
- June 30, 2023, the first vesting period of the 2022 Restricted stock incentive plan matured, and 5.238 million Restricted stock of 1,345 incentive objects who meet the conditions were listed for circulation.
- From January 1, 2023 to June 30, 2023, the "Sanhua convertible bonds" decreased by RMB 32,744,000 (327,440 pieces) due to share conversion, and the number of shares converted was 1,551,803.

Approval for changes in share capital

Applicable Not applicable

1. April 27, 2023, the Company held the 11st interim meeting of the 7th board of directors and the 9th interim meeting of the 7th board of supervisors, in which *Proposal on the achievement of unlocking conditions of the third vesting period of the restricted stock incentive plan in 2020* was approved. The number of shareholders meeting the unlocking condition was 825. A total of 5.85 million shares were released.
2. June 20, 2023, the Company held the 12nd interim meeting of the 7th board of directors and the 10th interim meeting of the 7th board of supervisors, in which *Proposal on adjusting the repurchase price of 2022 restricted stock incentive plan, Proposal on repurchase and cancellation of some restricted stocks and Proposal on the achievement of unlocking conditions of the first vesting period of the restricted stock incentive plan in 2022* were approved. The number of shareholders meeting the unlocking condition was 1,345. A total of 5.238 million shares were released.

Transfer of shares

Applicable Not applicable

Information about the implementation of share repurchase

Applicable Not applicable

As of June 30, 2023, the number of shares repurchased by the Company through the special securities account for share repurchases through centralized bidding transactions were 1,395,400 shares, accounting for about 0.0389% of the Company's current total share capital. The highest repurchase price is 21.97 yuan / share, the lowest repurchase price is 21.09 yuan / share, and the total transaction amount is RMB 29,993,731 (excluding transaction costs).

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

Applicable Not applicable

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	Increased in current period	Closing balance of restricted shares	Note for restricted shares	Date of unlocking
Zhang Yabo	29,268,150			29,268,150	According to the relevant provisions of shares	According to the relevant provisions of shares

					management for senior executives	management for senior executives
Wang Dayong	252,562			252,562	According to the relevant provisions of shares management for senior executives + equity incentive	According to the relevant provisions of shares management for senior executives + equity incentive
Ni Xiaoming	245,062			245,062	According to the relevant provisions of shares management for senior executives + equity incentive	According to the relevant provisions of shares management for senior executives + equity incentive
Chen Yuzhong	252,562			252,562	According to the relevant provisions of shares management for senior executives + equity incentive	According to the relevant provisions of shares management for senior executives + equity incentive
Hu Kaicheng	252,562			252,562	According to the relevant provisions of shares management for senior executives + equity incentive	According to the relevant provisions of shares management for senior executives + equity incentive
Yu Yingkui	276,042			276,042	According to the relevant provisions of shares management for senior executives + equity incentive	According to the relevant provisions of shares management for senior executives + equity incentive
Mo Yang	10,926			10,926	According to the relevant provisions of shares management for senior executives	According to the relevant provisions of shares management for senior executives
Chen Xiaoming	8,325			8,325	According to the relevant provisions of shares management for senior executives	According to the relevant provisions of shares management for senior executives
Other incentive objects	22,847,400	10,711,000		12,136,400	According to the relevant provisions of shares management	According to the relevant provisions of shares management

					for equity incentive	for equity incentive
Total	53,413,591	10,711,000	0	42,702,591	--	--

II. Issuance and Listing of Securities

Applicable Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: Share

Total Number of Common Shareholders at the End of the Reporting Period		61,865		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		
Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Shareholding 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	26.44%	950,012,326.00	-28,853,459		950,012,326.00	Pledged	47,222,593
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Domestic non-state-owned corporation	20.68%	742,747,954.00	4,160,000		742,747,954.00	Pledged	150,000,000
Hong Kong Central Clearing Limited	Overseas corporation	16.34%	587,115,033.00	39,476,144		587,115,033.00		
Zhang Yabo	Domestic Individual	1.09%	39,024,200.00	0	29,268,150	9,756,050		
China Merchants Bank Co., Ltd. - Quanguo Xuyuan three-year holding period hybrid Investment fund	Others	0.90%	32,325,419.00	11,027,377		32,325,419.00		
Industrial and Commercial Bank of China	Others	0.87%	31,406,574.00	0		31,406,574.00		

Bank of China Limited GF Multi factor Flexible Allocation Hybrid Investment fund								
China Life Insurance Company Co., Ltd. - Traditional - General Insurance Products - 005L - CT001 Shanghai	Others	0.52%	18,767,212.00	18,767,212		18,767,212.00		
Kuwait Investment Authority	Overseas corporation	0.49%	17,558,823.00	17,558,823		17,558,823.00		
Fang Wenyan	Domestic Individual	0.47%	16,786,200.00	16,786,200		16,786,200.00		
Agricultural Bank of China Co., Ltd. - Cathay Pacific Intelligent Automobile Stock Investment fund	Others	0.39%	14,160,202.00	14,160,202		14,160,202.00		
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 Relationship or Concerted Actions among the Above-Mentioned Shareholders	Among the above shareholders, Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng 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.	950,012,326.00	RMB common stock	950,012,326.00					

Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	742,747,954.00	RMB common stock	742,747,954.00
Hong Kong Central Clearing Limited	587,115,033.00	RMB common stock	587,115,033.00
China Merchants Bank Co., Ltd. - Quanguo Xuyuan three-year holding period hybrid Investment fund	32,325,419.00	RMB common stock	32,325,419.00
Industrial and Commercial Bank of China Limited GF Multi factor Flexible Allocation Hybrid Investment fund	31,406,574.00	RMB common stock	31,406,574.00
China Life Insurance Company Co., Ltd. - Traditional - General Insurance Products -005L - CT001 Shanghai	18,767,212.00	RMB common stock	18,767,212.00
Kuwait Investment Authority	17,558,823.00	RMB common stock	17,558,823.00
Fang Wenyan	16,786,200.00	RMB common stock	16,786,200.00
Agricultural Bank of China Co., Ltd. - Cathay Pacific Intelligent Automobile Stock Investment fund	14,160,202.00	RMB common stock	14,160,202.00
Bank of China Limited - Huaxia CSI New Energy Vehicle Trading Open Index Investment fund	12,761,613.00	RMB common stock	12,761,613.00
Explanation of Associated Relationship or Concerted Actions among Top Ten Common Shareholders without Trading Restrictions, and among Top Ten Common Shareholders without Trading Restrictions and Top Ten Common Shareholders	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> .		
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.

IV. Shareholding changes of directors, supervisors, senior management personnel

Applicable Not applicable

There was no change in the shareholding of the company's directors, supervisors, and senior management during the reporting period. Please refer to the 2022 annual report for details.

V. Changes in Controlling Shareholders or Actual Controllers

Change of the controlling shareholder during the current reporting period

Applicable Not applicable

No such cases in the reporting period.

Change of the actual controller during the reporting period

Applicable Not applicable

No such cases in the current reporting period.

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

June 9, 2023, the Company completed the 2022 annual equity distribution plan. According to the relevant provisions on the price adjustment of convertible bonds, the conversion price of "Sanhua convertible bonds" was adjusted from 21.30 yuan / share to 21.10 yuan / share. The adjusted conversion price took effect since June 9, 2023.

2. Share Conversions (Accumulative)

Applicable Not applicable

Convertible bond abbreviation	Start and end date of share conversion	Total issuance (piece)	Total issuance amount	Cumulative amount of share conversion (yuan)	Cumulative number of shares transferred (shares)	Proportion of the number of converted shares to the total share capital of the Company before the date of conversion	Amount of shares not yet converted (yuan)	Proportion of the amount of non-converted shares to the total amount of issuance
Sanhua Convertible Bond	December 7, 2021- May 31, 2027	30,000,000	3,000,000,000.00	34,298,300.00	1,624,110	0.05%	2,965,701,700.00	98.86%

3. Top 10 Holders of the Convertible Bond

	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	Bank of China Limited - China Merchants Advantage Enterprise Flexible Allocation of Hybrid Investment fund	Others	2,734,393	273,439,300.00	9.22%
2	China Minsheng Bank Co., Ltd. - Everbright Prudential Credit Tianyi Bond Investment fund	Others	1,859,293	185,929,300.00	6.27%
3	Huatai Financial Holdings (Hong Kong) Limited - Customer Funds	Overseas corporation	785,333	78,533,300.00	2.65%
4	Bank of China Limited - Ping An Strategic Pioneer Hybrid Investment fund	Others	702,447	70,244,700.00	2.37%
5	China Merchants Bank Co., Ltd. - Huabao Convertible Bond Investment fund	Others	642,189	64,218,900.00	2.17%
6	Industrial Bank Co., Ltd. - GF Chuyu Bond Investment fund	Others	502,867	50,286,700.00	1.70%
7	Taikang Asset Credit Increase Fixed Income Pension Product - Bank of China Limited	Others	480,000	48,000,000.00	1.62%
8	Agricultural Bank of China Co., Ltd. - Penghua Convertible Bond Investment fund	Others	467,311	46,731,100.00	1.58%
9	Kunlun Health Insurance Co., Ltd. - Traditional Insurance Product 1	Others	375,008	37,500,800.00	1.26%
10	Guotai Jun'an Financial Holdings Co., Ltd. - Customer Funds	Overseas corporation	374,159	37,415,900.00	1.26%

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

Applicable Not applicable

5. The company's debt situation, credit changes, and cash arrangements for debt repayment in future years at the end of the reporting period

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 27, 2023, 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.

The specific content of the Company's financial indicators at the end of the reporting period is detailed in "VI The main accounting data and financial indicators of the Company for the past two years as of the end of the reporting period".

The convertible corporate bonds have triggered the conditional redemption clause stipulated in the *Zhejiang Sanhua*

Intelligent Controls Co., Ltd. Public Issuance of Convertible Corporate Bonds Prospectus. On July 7, 2023, the Company held the 13rd extraordinary meeting of the 7th Board of Directors and the 11st extraordinary meeting of the 7th Board of Supervisors, which reviewed and passed the *Proposal on Early Redemption of Sanhua Convertible Bonds* and agreed to the Company's exercise of the conditional redemption right and redemption of all unconverted Sanhua Convertible Bonds registered with China Securities Depository and Clearing Corporation Shenzhen Branch after the close of the market on the redemption registration date at the price of the face value plus accrued interest. Redemption registration date: July 31, 2023, redemption date: August 1, 2023, redemption price: 100.10 yuan/piece (including accrued interest, annual interest rate is 0.60%, and tax inclusive).

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. 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	1.72	1.98	-13.13%
Asset liability ratio	51.72%	53.08%	-1.36%
Quick ratio	1.35	1.53	-11.76%
	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Net profit after deducting non-recurring profit and loss	146,739.03	103,004.75	42.46%
EBITDA total debt ratio	23.90%	18.69%	5.21%
Time interest earned ratio	14.24	12.12	17.49%
Cash interest guarantee times	22.63	19.40	16.65%
EBITDA Time interest earned ratio	17.24	14.49	18.98%
Repayment of debt (%)	100.00%	100.00%	
Payment of interest (%)	100.00%	100.00%	

Section X Financial Report

I. Audit report

Whether the semi-annual report is audited

Yes No

The Company's 2023 Semi-annual Financial Report has not been audited.

II. Financial Statements

Units of financial reports in the notes: RMB

1. Consolidated balance sheet

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

June 30, 2023

Unit: RMB

Items	June 30, 2023	January 1, 2023
Current asset:		
Cash and Bank Balances	5,576,764,606.33	5,878,243,652.55
Settlement funds		
Loans to other banks		
Held-for-trading financial assets	414,485.69	100,025,980.08
Derivative financial assets	3,841,336.04	8,938,874.05
Notes receivable	2,117,646,111.41	2,203,948,983.83
Accounts receivable	6,386,811,942.25	5,228,117,225.57
Receivable financing		
Advances paid	172,047,557.20	117,887,007.07
Premium receivable		
Reinsurance accounts receivable		
Reinsurance reserves receivable		
Other receivables	221,023,564.86	726,641,478.35
Including: Interest receivable		
Dividends receivable		
Repurchasing of financial assets		
Inventories	4,005,376,113.49	4,334,875,287.86
Contract assets		
Assets held for sales		
Non-current assets due within one year		
Other current assets	220,859,769.86	157,025,076.05
Total current assets	18,704,785,487.13	18,755,703,565.41
Non-current assets:		

Loans and advances paid		
Debt investments		
Other debt investments		
Long-term receivable	3,939,553.50	3,712,290.00
Long-term equity investments	35,234,954.43	32,438,204.13
Other equity instrument investments		
Other non-current financial assets		
Investment property	8,303,262.37	8,204,266.97
Fixed assets	6,693,075,353.04	6,374,896,070.41
Construction in progress	2,030,840,443.80	1,032,505,633.51
Productive biological assets		
Oil & gas assets		
Right-of-use assets	285,384,456.50	284,277,365.32
Intangible assets	837,562,783.11	727,263,351.69
Development expenditures		
Goodwill	6,986,878.69	7,591,830.61
Long-term prepayments	72,388,825.74	56,157,277.16
Deferred tax assets	76,462,638.89	221,158,674.48
Other non-current assets	404,010,641.89	457,305,626.59
Total non-current assets	10,454,189,791.96	9,205,510,590.87
Total assets	29,158,975,279.09	27,961,214,156.28
Current liabilities:		
Short-term borrowings	1,141,938,063.73	1,294,083,319.58
Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities	3,500,000.00	3,500,000.00
Derivative financial liabilities	129,276,866.44	45,171,373.81
Notes payable	2,755,748,552.44	2,580,274,767.64
Accounts payable	4,186,618,386.31	3,884,603,370.16
Advances received		
Contract liabilities	86,674,142.26	57,955,080.60
Selling of repurchased financial assets		
Absorbing deposit and interbank deposit		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee benefits payable	390,573,261.52	475,157,429.15
Taxes and rates payable	187,312,069.77	190,789,559.16
Other payables	265,496,861.29	354,255,114.06
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	1,718,720,282.57	568,126,341.67
Other current liabilities		2,007,578.03
Total current liabilities	10,865,858,486.33	9,455,923,933.86
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	660,544,808.74	1,801,574,166.67
Bonds payable	2,801,454,320.48	2,776,763,361.83
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	204,812,488.97	202,028,482.09
Long-term payables	63,262,764.23	4,831,202.13
Long-term employee benefits payable	36,945,945.75	
Provisions		
Deferred income	249,767,960.07	254,044,715.64
Deferred tax liabilities	174,337,414.74	288,757,921.37
Other non-current liabilities	23,729,805.25	57,990,181.87
Total non-current liabilities	4,214,855,508.23	5,385,990,031.60
Total liabilities	15,080,713,994.56	14,841,913,965.46
Equity:		
Share capital	3,592,240,868.00	3,590,869,465.00
Other equity instruments	405,072,140.01	409,544,970.41
Including: Preferred shares		
Perpetual bonds		
Capital reserve	369,819,924.10	282,602,695.98
Less: Treasury shares	233,984,615.53	330,022,975.53
Other comprehensive income	85,602,895.80	-8,543,048.33
Special reserve		
Surplus reserve	863,523,059.01	863,523,059.01
General risk reserve		
Undistributed profit	8,811,124,581.33	8,133,336,242.88
Total equity attributable to the parent Company	13,893,398,852.72	12,941,310,409.42
Non-controlling interest	184,862,431.81	177,989,781.40
Total equity	14,078,261,284.53	13,119,300,190.82
Total liabilities & equity	29,158,975,279.09	27,961,214,156.28

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	June 30, 2023	January 1, 2023
Current assets:		
Cash and bank balances	3,216,031,781.02	3,453,268,955.31
Held-for-trading financial assets	414,485.69	100,025,980.08
Derivative financial assets	661,200.00	3,754,234.25
Notes receivable	1,125,402,238.14	1,108,678,741.44
Accounts receivable	989,149,311.68	804,258,235.12
Receivables financing		

Advances paid	7,215,018.78	9,470,841.56
Other receivables	1,232,345,466.82	650,791,643.96
Including: Interest Receivable		
Dividends Receivable		
Inventories	492,989,775.48	719,679,218.08
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		
Total current assets	7,064,209,277.61	6,849,927,849.80
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivable	420,000.00	420,000.00
Long-term equity investments	7,714,021,993.16	7,542,658,709.77
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	1,565,873,423.71	1,593,110,699.80
Construction in progress	62,133,822.40	36,026,798.77
Productive biological assets		
Oil & gas assets		
Right-of-use assets	9,851,350.52	11,493,242.24
Intangible assets	139,179,020.58	142,723,611.23
Development expenditures		
Goodwill		
Long-term prepayments	1,119,708.52	2,396,803.91
Deferred tax assets	35,642,621.40	33,318,204.92
Other non-current assets	42,346,736.73	40,289,058.97
Total non-current assets	9,570,588,677.02	9,402,437,129.61
Total assets	16,634,797,954.63	16,252,364,979.41
Current liabilities:		
Short-term borrowings		199,743,666.65
Held-for-trading financial liabilities		
Derivative financial liabilities		11,750.00
Notes payable	685,644,161.87	510,877,753.94
Accounts payable	1,472,100,070.44	1,384,664,289.76
Advances received		
Contract liabilities	159,784.37	154,996.96
Employee benefits payable	79,279,194.84	111,391,004.02
Taxes and rates payable	30,696,445.75	45,225,803.58
Other payables	2,334,308,482.53	1,852,846,536.99
Including: interest payable		
Dividends Payable		
Liabilities classified as held for sale		

Non-current liabilities due within one year	1,644,682,005.03	503,606,063.10
Other current liabilities		
Total current liabilities	6,246,870,144.83	4,608,521,865.00
Non-current liabilities:		
Long-term borrowings	660,544,808.74	1,801,574,166.67
Bonds payable	2,801,454,320.48	2,776,763,361.83
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	6,853,563.31	8,472,484.42
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	50,976,410.45	49,178,671.24
Deferred tax liabilities	82,857,002.38	85,516,449.61
Other non-current liabilities		
Total non-current liabilities	3,602,686,105.36	4,721,505,133.77
Total liabilities	9,849,556,250.19	9,330,026,998.77
Equity:		
Share capital	3,592,240,868.00	3,590,869,465.00
Other equity instruments	405,072,140.01	409,544,970.41
Including: Preferred shares		
Perpetual bonds		
Capital reserve	1,260,401,764.79	1,180,826,355.13
Less: treasury shares	233,984,615.53	330,022,975.53
Other comprehensive income		
Special reserve		
Surplus reserve	735,430,886.69	735,430,886.69
Undistributed profit	1,026,080,660.48	1,335,689,278.94
Total equity	6,785,241,704.44	6,922,337,980.64
Total liabilities & equity	16,634,797,954.63	16,252,364,979.41

3. Consolidated Income statement

Unit: RMB

Items	2023 Interim	2022 Interim
I. Total operating revenue	12,528,920,625.59	10,159,952,995.52
Including: Operating revenue	12,528,920,625.59	10,159,952,995.52
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	10,680,635,898.54	8,827,805,669.58
Including: Operating cost	9,295,615,081.75	7,702,347,707.94
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	59,377,415.32	43,478,020.39
Selling expenses	277,177,564.79	219,831,170.12
Administrative expenses	619,856,574.65	468,457,579.13
R&D expenses	580,269,632.04	478,918,631.31
Financial expenses	-151,660,370.01	-85,227,439.31
Including: Interest expenses	126,688,323.68	111,508,677.30
Interest income	87,661,462.57	99,255,925.36
Add: Other income	62,816,875.53	57,394,745.60
Investment income (or less: losses)	-46,142,073.31	47,271,481.68
Including: Investment income from associates and joint ventures	5,296,750.30	6,300,850.84
Gains from derecognition of financial assets at amortized cost	-8,174,613.92	-1,716,468.88
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)	-88,814,525.03	-114,976,611.99
Credit impairment loss (or less: losses)	-72,153,972.68	-71,124,663.90
Assets impairment loss (or less: losses)	-24,923,403.90	-11,922,725.03
Gains on asset disposal (or less: losses)	-406,527.50	-525,838.34
III. Operating profit (or less: losses)	1,678,661,100.16	1,238,263,713.96
Add: Non-operating revenue	4,564,351.93	4,109,594.03
Less: Non-operating expenditures	5,260,738.91	2,949,255.42
IV. Profit before tax (or less: total loss)	1,677,964,713.18	1,239,424,052.57
Less: Income tax expense	263,470,197.45	224,588,797.63
V. Net profit (or less: net loss)	1,414,494,515.73	1,014,835,254.94
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or less: net loss)	1,414,494,515.73	1,014,835,254.94
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)	1,394,760,848.85	1,003,187,335.23
2. Net profit attributable to non-controlling shareholders (or less: net loss)	19,733,666.88	11,647,919.71

VI. Other comprehensive income after tax	94,145,944.13	87,126,884.95
Items attributable to the owners of the parent Company	94,145,944.13	87,126,884.95
(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	94,145,944.13	87,126,884.95
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	94,145,944.13	87,126,884.95
7. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	1,508,640,459.86	1,101,962,139.89
Items attributable to the owners of the parent Company	1,488,906,792.98	1,090,314,220.18
Items attributable to non-controlling shareholders	19,733,666.88	11,647,919.71
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.39	0.28
(II) Diluted EPS (yuan per share)	0.39	0.27

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	2023 Interim	2022 Interim
I. Operating revenue	3,376,084,891.56	3,193,327,856.30
Less: Operating cost	2,625,734,196.14	2,583,435,014.85

Taxes and surcharges	16,723,005.44	11,476,966.33
Selling expenses	16,652,349.86	14,635,706.60
Administrative expenses	134,058,887.06	95,902,750.30
R&D expenses	153,802,234.31	132,514,241.91
Financial expenses	44,791,262.57	13,812,595.95
Including: Interest expenses	106,958,559.19	102,596,230.96
Interest income	59,962,732.06	52,980,388.10
Add: Other income	18,207,329.04	9,961,694.64
Investment income (or less: losses)	64,615,265.38	766,572,383.64
Including: Investment income from associates and joint ventures	4,605,330.06	5,599,588.25
Gains from derecognition of financial assets at amortized cost (or less: losses)		
Gains on net exposure to hedging (or less: losses)		
Gains on changes in fair value (or less: losses)	-2,692,778.64	-8,372,200.65
Credit impairment loss (or less: losses)	-3,773,476.35	-822,121.28
Assets impairment loss (or less: losses)		
Gains on asset disposal (or less: losses)	102,873.11	16,472.35
II. Operating profit (or less: losses)	460,782,168.72	1,108,906,809.06
Add: Non-operating revenue	522,218.81	798,996.34
Less: Non-operating expenditures	622,679.50	12,253.93
III. Profit before tax (or less: total loss)	460,681,708.03	1,109,693,551.47
Less: Income tax expense	53,317,816.09	64,027,813.00
IV. Net profit (or less: net loss)	407,363,891.94	1,045,665,738.47
(I) Net profit from continuing operations (or less: net loss)	407,363,891.94	1,045,665,738.47
(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	407,363,891.94	1,045,665,738.47
VII. Earnings per share (EPS):		
(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated Cash Flow Statement

Unit: RMB

Items	2023 Interim	2022 Interim
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	12,310,137,775.42	9,386,162,507.29
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	230,989,224.84	393,707,345.33
Other cash receipts related to operating activities	115,095,499.27	153,194,318.48
Subtotal of cash inflows from operating activities	12,656,222,499.53	9,933,064,171.10
Cash payments for goods purchased and services received	8,435,913,051.14	7,083,109,034.49

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	1,745,042,767.20	1,407,338,536.02
Cash payments for taxes and rates	370,908,197.71	278,913,274.35
Other cash payments related to operating activities	385,684,889.87	402,690,197.08
Subtotal of cash outflows from operating activities	10,937,548,905.92	9,172,051,041.94
Net cash flows from operating activities	1,718,673,593.61	761,013,129.16
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	11,925,092.64	43,500,525.32
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	560,463,829.79	1,192,948.89
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	454,311,380.20	646,640,000.00
Subtotal of cash inflows from investing activities	1,026,700,302.63	691,333,474.21
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	1,938,773,141.25	1,373,819,652.01
Cash payments for investments	3,500,000.00	
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	75,198,297.70	811,294,507.40
Subtotal of cash outflows from investing activities	2,017,471,438.95	2,185,114,159.41
Net cash flows from investing activities	-990,771,136.32	-1,493,780,685.20
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	7,090,938.20	175,850,000.00
Including: Cash received by subsidiaries from non-controlling	7,090,938.20	

shareholders as investments		
Cash receipts from borrowings	918,843,500.00	1,243,594,000.00
Other cash receipts related to financing activities	39,626,352.75	149,041,182.61
Subtotal of cash inflows from financing activities	965,560,790.95	1,568,485,182.61
Cash payments for the repayment of borrowings	967,560,802.01	1,002,826,150.00
Cash payments for distribution of dividends or profits and for interest expenses	806,707,757.88	583,563,129.96
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit	19,951,954.67	
Other cash payments related to financing activities	68,498,477.35	106,024,933.57
Subtotal of cash outflows from financing activities	1,842,767,037.24	1,692,414,213.53
Net cash flows from financing activities	-877,206,246.29	-123,929,030.92
IV. Effect of foreign exchange rate changes on cash & cash equivalents	149,575,367.55	87,126,884.95
V. Net increase in cash and cash equivalents	271,578.55	-769,569,702.01
Add: Opening balance of cash and cash equivalents	2,050,328,601.77	2,690,002,225.09
VI. Closing balance of cash and cash equivalents	2,050,600,180.32	1,920,432,523.08

6. Cash Flow Statement of the Parent Company

Unit: RMB

Items	2023 Interim	2022 Interim
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	2,915,020,263.22	2,899,104,267.44
Receipts of tax refund	59,871,119.99	76,326,054.50
Other cash receipts related to operating activities	59,140,225.47	32,979,392.30
Subtotal of cash inflows from operating activities	3,034,031,608.68	3,008,409,714.24
Cash payments for goods purchased and services received	1,801,889,579.35	2,017,479,986.14
Cash paid to and on behalf of employees	310,450,399.64	288,368,735.03
Cash payments for taxes and rates	81,786,514.53	49,746,243.40
Other cash payments related to operating activities	51,315,280.70	60,695,494.49
Subtotal of cash outflows from operating activities	2,245,441,774.22	2,416,290,459.06
Net cash flows from operating activities	788,589,834.46	592,119,255.18
II. Cash flows from investing activities:		
Cash receipts from withdrawal of		

investments		
Cash receipts from investment income	61,868,191.54	775,597,711.02
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	91,582,409.06	18,700.00
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	462,874,796.10	123,910,705.51
Subtotal of cash inflows from investing activities	616,325,396.70	899,527,116.53
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	82,942,530.86	92,038,000.65
Cash payments for investments	145,114,207.25	11,500,000.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	979,549,544.59	1,272,858,190.07
Subtotal of cash outflows from investing activities	1,207,606,282.70	1,376,396,190.72
Net cash flows from investing activities	-591,280,886.00	-476,869,074.19
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		175,850,000.00
Cash receipts from borrowings		1,070,000,000.00
Other cash receipts related to financing activities	573,060,328.06	6,000,000.00
Subtotal of cash inflows from financing activities	573,060,328.06	1,251,850,000.00
Cash payments for the repayment of borrowings	199,092,500.00	900,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses	768,979,698.33	578,648,166.97
Other cash payments related to financing activities	1,711,728.00	76,447,283.64
Subtotal of cash outflows from financing activities	969,783,926.33	1,555,095,450.61
Net cash flows from financing activities	-396,723,598.27	-303,245,450.61
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-199,414,649.81	-187,995,269.62
Add: Opening balance of cash and cash equivalents	996,678,169.38	1,379,413,954.98
VI. Closing balance of cash and cash equivalents	797,263,519.57	1,191,418,685.36

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Items	2023 Interim														
	Equity Attributable to parent Company												Non-controlling interest	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
	Preferred shares	Perpetual bonds	Others												
I. Balance at the end of prior year	3,590,869,465.00			409,544,970.41	282,602,695.98	330,022,975.53	-8,543,048.33		863,523,059.01		8,133,336,242.88		12,941,310,409.42	177,989,781.40	13,119,300,190.82
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	3,590,869,465.00			409,544,970.41	282,602,695.98	330,022,975.53	-8,543,048.33		863,523,059.01		8,133,336,242.88		12,941,310,409.42	177,989,781.40	13,119,300,190.82
III. Current period increase (or less: decrease)	1,371,403.00			-4,472,830.40	87,217,228.12	-96,038,360.00	94,145,944.13				677,788,338.45		952,088,443.30	6,872,650.41	958,961,093.71
(I) Total comprehensive	0.00						94,145,944.13				1,394,760,848.85		1,488,906,792.98	19,733,666.88	1,508,640,459.86

e income															
(II) Capital contributed or withdrawn by owners	1,371,403.00			-4,472,830.40	87,217,228.12	96,038,360.00							180,154,160.72	7,090,938.20	187,245,098.92
1. Ordinary shares contributed by owners	-180,400.00				-1,392,360.00	-1,572,760.00								7,090,938.20	7,090,938.20
2. Capital contributed by holders of other equity instruments	1,551,803.00			-4,472,830.40	33,834,551.10								30,913,523.70		30,913,523.70
3. Amount of share-based payment included in equity					39,079,881.17								39,079,881.17		39,079,881.17
4. Others					15,695,155.85	94,465,600.00							110,160,755.85		110,160,755.85
(III) Profit distribution													716,972,510.40	716,972,510.40	19,951,954.67
1. Appropriation of surplus reserve															
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners													716,972,510.40	716,972,510.40	19,951,954.67
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																
IV. Balance at the end of	3,592,240.8			405,072.	369,819,924.10	233,984,615.53	85,602,895.80		863,523,059.01		8,811,124,581.33		13,893,398,852.72	184,862,431.81	14,078,261,284.53	

current period	68.00			140.01											
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Amount of Previous Period

Unit: RMB

Items	2022 Interim														
	Equity Attributable to parent Company												Non-controlling interest	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
	Preferred shares	Perpetual bonds	Others												
I. Balance at the end of prior year	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
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	3,591,090,218.00			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
III. Current	13,51			-	-	-	87,126,8				467,852,		530,709,	11,647,9	542,357,792.

period increase (or less: decrease)	6.00			39,818.90	93,613,955.15	69,370,947.73	84.95				298.03		872.66	19.71	37
(I) Total comprehensive income							87,126,884.95				1,003,187,335.23		1,090,314,220.18	11,647,919.71	1,101,962,139.89
(II) Capital contributed or withdrawn by owners	13,516.00			-39,818.90	-93,613,955.15	-69,370,947.73							-24,269,310.32		-24,269,310.32
1. Ordinary shares contributed by owners						-287,338,900.00							287,338,900.00		287,338,900.00
2. Capital contributed by holders of other equity instruments	13,516.00			-39,818.90	287,694.78								261,391.88		261,391.88
3. Amount of share-based payment included in equity					17,587,250.07	143,388,177.50							-125,800,927.43		-125,800,927.43
4. Others					-111,488,900.00	74,579,774.77							-186,068,674.77		-186,068,674.77
(III) Profit distribution											-535,335,037.20		-535,335,037.20		-535,335,037.20
1. Appropriation of surplus reserve															
2. Appropriation of general risk reserve															

of current period															
(VI) Others															
IV. Balance at the end of current period	3,591,103,734.00			409,644,784.03	279,805,819.87	342,578,665.17	-42,283,962.44	701,784,529.70		7,083,541,904.10		11,681,018,144.09	113,930,257.01	11,794,948,401.10	

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

Amount of this period

Unit: RMB

Items	2023 Interim											
	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	3,590,869,465.00			409,544,970.41	1,180,826,355.13	330,022,975.53			735,430,886.69	1,335,689,278.94		6,922,337,980.64
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	3,590,869,465.00			409,544,970.41	1,180,826,355.13	330,022,975.53			735,430,886.69	1,335,689,278.94		6,922,337,980.64
III. Current period increase (or less: decrease)	1,371,403.00			-4,472,830.40	79,575,409.66	-96,038,360.00				-309,608,618.46		-137,096,276.20

(I) Total comprehensive income										407,363,891.94		407,363,891.94
(II) Capital contributed or withdrawn by owners	1,371,403.00			4,472,830.40	79,575,409.66	96,038,360.00						172,512,342.26
1. Ordinary shares contributed by owners	180,400.00				1,392,360.00	1,572,760.00						
2. Capital contributed by holders of other equity instruments	1,551,803.00			4,472,830.40	33,834,551.10							30,913,523.70
3. Amount of share-based payment included in equity					39,079,881.17							39,079,881.17
4. Others					8,053,337.39	94,465,600.00						102,518,937.39
(III) Profit distribution										716,972,510.40		716,972,510.40
1. Appropriation of surplus reserve												
2. Appropriation of profit to owners										716,972,510.40		716,972,510.40
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	3,592,240,868.00			405,072,140.01	1,260,401,764.79	233,984,615.53			735,430,886.69	1,026,080,660.48		6,785,241,704.44

Amount of Previous Period

Unit: RMB

Items	2022 Interim										
	Share	Other equity instruments	Capital	Other	Spec	Surplus		Othe	Total equity		

	Capital	Prefer red shares	Perpet ual bonds	Others	reserve	Less: treasury shares	comprehen sive income	ial reser ve	reserve	Undistribute d profit	rs	
I. Balance at the end of prior year	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
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	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
III. Current period increase (or less: decrease)	13,516.00			-39,818.90	-93,613,955.15	-69,370,947.73				510,330,701.27		486,061,390.95
(I) Total comprehensive income										1,045,665,738.47		1,045,665,738.47
(II) Capital contributed or withdrawn by owners	13,516.00			-39,818.90	-93,613,955.15	-69,370,947.73						-24,269,310.32
1. Ordinary shares contributed by owners						-287,338,900.00						287,338,900.00
2. Capital contributed by holders of	13,516.00			-39,818.90	287,694.78							261,391.88

other equity instruments												
3. Amount of share-based payment included in equity					17,587,250.07	143,388,177.50						-125,800,927.43
4. Others					111,488,900.00	-74,579,774.77						-186,068,674.77
(III) Profit distribution										-535,335,037.20		-535,335,037.20
1. Appropriation of surplus reserve												
2. Appropriation of profit to owners										-535,335,037.20		-535,335,037.20
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	3,591,103,734.00			409,644,784.03	1,173,993,902.46	342,578,665.17			573,097,357.38	1,278,977,230.25		6,684,238,342.95

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 3,590,797,158.00 yuan, total share of 3,592,240,868 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 refrigeration equipment, automatic control components, pressure pipeline components, electromechanical hydraulic control pump, electromechanical hydraulic control components, undertaking services of inspection, test and analysis of refrigeration accessories, and engaging in import and export business. Main products include refrigeration control components and automotive thermal management system control components.

The financial statements have been approved by the board of directors of the Company and disclosed on August 22nd, 2023.

Zhejiang Sanhua Commercial Refrigeration 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. The accounting period for the financial information contained in this financial statement is from January 1, 2023 to June 30, 2023.

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 share of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; If the combination cost is less than the fair value share of identifiable net assets obtained from the acquiree, the fair value of the identifiable assets, liabilities, and contingent liabilities obtained from the acquiree, as well as the measurement of the combination cost, need to be reviewed at first. After review, if the combination cost is still less than the fair value share of the identifiable net assets obtained from the acquiree, 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 or the approximate exchange rate similar to 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 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 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 on a collective basis and expected credit losses measured using three-stage model

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 using simplified approach

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	Bank acceptance	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 lifetime expected credit loss rate.
Notes receivable -Trade acceptance receivable	Trade acceptance	
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 , so as to calculate expected credit loss.

2) Comparison table of ages and lifetime expected credit loss rate of portfolio grouped with ages

Ages	Expected credit loss rate (%)
Within 1 year	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 this legal right is currently enforceable; (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 calculated by actual cost, inventories dispatched from storage are accounted for with weighted average method or specific identification method at the end of each month. Inventories calculated by planned cost, the company carry forward cost differences simultaneously at the end of the month.

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 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.

12. 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.

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.

13. Investment property

Measurement model of investment property

Cost method measurement

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.

14. 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

15. 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.

16. 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.

17. Intangible assets

(1) Valuation method, service life, impairment testing

1) Intangible assets include land use right, land ownership, application software and intellectual property 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) Internal research and development expenditure accounting policy

Expenditures on the research phase of an internal project are recognized as profit or loss when they are

incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can meet relevant conditions.

18. Impairment of part 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.

19. 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.

20. 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 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.

4. Other long-term employee benefits

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: (1) service cost; (2) net interest on the net liability or net assets of other long-term employee benefits; and (3) changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in

profit or loss or included in the cost of a relevant asset.

21. 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.

22. 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.

(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.

23. 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.

24. Revenue

Accounting policies adopted for 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.

For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the customer obtains control of relevant goods or services. 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. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(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 revenue from domestic sales of products shall be recognized based on sales contracts, settlement vouchers (delivery or usage), and other documents upon completion of product delivery; and the revenue from export of products shall be recognized according to the sales contract, customs declaration form, bill of lading, and other documents upon completion of customs declaration and export. The sales revenue of metal scrap is recognized after weighing and picking up the goods and obtaining the receipt certificate.

25. 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.

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.

26. 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 an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

27. 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.

28. Leases

1. 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.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line 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.

(1) 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 liabilities; 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; and 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.

(2) Lease liabilities

At the commencement date, 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. 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.

2. The Company as lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

For operating lease, lease receipts are recognized as lease income with straight-line 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.

29. 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.

30. 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).

31. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not applicable

Changes in accounting policies arising from changes in CASBEs

Since 2023, the company has implemented the 《Accounting Standards for Business Enterprises Interpretation No. 16》 promulgated by the Ministry of Finance "Accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction not applicable to initial recognition exemption". The individual transactions applicable to this regulation occurring between the beginning of the earliest period presented in the financial statements and the date of initial implementation shall be adjusted according to this regulation. For the lease liabilities and right-of-use assets recognized as a result of individual transactions applying the regulations at the beginning of the earliest period when the regulations are first implemented, as well

as the estimated liabilities related to the disposal obligations and the corresponding assets confirmed, taxable temporary In case of temporary differences and deductible temporary differences, in accordance with the regulations and the provisions of "Accounting Standards for Business Enterprises No. 18 - Income Tax", the cumulative impact amount is adjusted to the beginning retained earnings and other related financial statement items of the earliest period presented in the financial statements . This accounting policy change has no impact on the company's financial statements.

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) From 2023, the new accounting standards will be implemented for the first time to adjust the relevant items of the financial statements at the beginning of the year

Applicable Not applicable

VI. Taxes

1. Major categories of taxes and tax rates

Tax Type	Taxation basis	Tax rate
Enterprise income tax	Taxable income	15%,25%
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%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Zhejiang Sanhua Intelligent Controls Co., Ltd	15%
Zhejiang Sanhua Commercial Refrigeration 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

In January 1st to June 30th, 2023, the company and several subsidiaries can enjoy tax incentives for high-tech enterprises. The income tax expenses are temporarily calculated at a preferential tax rate of 15%.The information related to the income tax incentive period is shown in the table below:

Taxpayers	Certificate number of high-tech enterprise	Income tax preferential period
Zhejiang Sanhua Intelligent Controls Co., Ltd	GR202033004835	Year 2020—Year 2022
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	GR202233002834	Year 2022—Year 2024
Sanhua (hangzhou) Micro Channel Heat Exchanger Co., Ltd	GR202233000735	Year 2022—Year 2024
Zhejiang Sanhua Automotive Components Co., Ltd.	GR202133004115	Year 2021—Year 2023
Shaoxing Sanhua New Energy Automotive Components Co., Ltd	GR202133007810	Year 2021—Year 2023
Sanhua AWECO Appliance Systems (Wuhu) Co., Ltd.	GR202234002629	Year 2022—Year 2024
Wuhu Sanhua Automatic Control Components Co., Ltd	GR202234001441	Year 2022—Year 2024
Hangzhou Leaderway Electronics Co., Ltd	GR202133004649	Year 2021—Year 2023
Sanhua (Jiangxi) Self - control Components Co., Ltd	GR202036001021	Year 2020—Year 2022
Wuhu Sanhua Refrigeration Parts Co., Ltd	GR202234004635	Year 2022—Year 2024
Wuhan Sanhua Refrigeration Components Co., Ltd	GR202142001949	Year 2021—Year 2023
Zhuhai Hengtu Electronics Co., Ltd	GR202244013952	Year 2022—Year 2024

Several subsidiaries enjoy the preferential policy of immediate collection and refund for the “providing employment opportunities for disabled people”. 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	189,169.27	329,823.40
Cash in bank	5,491,499,794.08	5,790,429,124.91
Other cash and bank balances	85,075,642.98	87,484,704.24
Total	5,576,764,606.33	5,878,243,652.55
Including: Deposited overseas	630,843,003.55	425,176,344.58

Other remarks:

As of June 30, 2023, bank deposits containing large deposit certificates with fixed interest rates amounted to 3454.0468 million yuan.

2. Held-for-trading financial assets

Unit: RMB

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	414,485.69	100,025,980.08
Including:		
Bank financial products	414,485.69	100,025,980.08
Including:		
Total	414,485.69	100,025,980.08

3. Derivative Financial Assets

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	2,801,336.04	3,320,177.30
Futures tools	1,040,000.00	5,618,696.75
Total	3,841,336.04	8,938,874.05

4. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance	2,047,547,653.05	1,542,383,601.65
Trade acceptance	6,114,097.15	12,037,004.98
Finance company acceptance	63,984,361.21	649,528,377.20
Total	2,117,646,111.41	2,203,948,983.83

Unit: RMB

Category	Closing balance	Opening balance
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es	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	2,117,967,905.97	100.00%	321,794.56	0.02%	2,117,646,111.41	2,204,582,510.42	100.00%	633,526.59	0.03%	2,203,948,983.83
Including:										
Bank acceptance	2,047,547,653.05	96.68%			2,047,547,653.05	1,542,383,601.65	69.97%			1,542,383,601.65
Finance company acceptance	63,984,361.21	3.02%			63,984,361.21	649,528,377.20	29.46%			649,528,377.20
Trade acceptance	6,435,891.71	0.30%	321,794.56	5.00%	6,114,097.15	12,670,531.57	0.57%	633,526.59	5.00%	12,037,004.98
Total	2,117,967,905.97	100.00%	321,794.56	0.02%	2,117,646,111.41	2,204,582,510.42	100.00%	633,526.59	0.03%	2,203,948,983.83

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	2,047,547,653.05		
Finance company acceptance portfolio	63,984,361.21		
Trade acceptance portfolio	6,435,891.71	321,794.56	5.00%
Total	2,117,967,905.97	321,794.56	--

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, 2023	633,526.59			633,526.59
The balance as of January 1, 2023 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	-311,732.03			-311,732.03
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Balance on June 30, 2023	321,794.56			321,794.56

(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	
Provision for bad debt made on a collective basis	633,526.59	311,732.03	-			321,794.56

Total	633,526.59	311,732.03	-				321,794.56
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Remarks on the determination basis of portfolio:

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	1,927,529,849.96
Total	1,927,529,849.96

(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	20,904,346.23	
Total	20,904,346.23	

Remarks: 1. The Company derecognized the endorsed or discounted bank acceptance and financial company acceptance. However, if any bank acceptance is not recoverable when it is due, the company still holds joint liability on such acceptance.

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	13,128,746.08	0.19%	13,128,746.08	100.00%	0.00	4,641,982.82	0.08%	4,641,982.82	100.00%	0.00
Including:										
Receivables with provision made on a collective basis	6,724,213,035.73	99.81%	337,401,093.48	5.02%	6,386,811,942.25	5,504,204,109.60	99.92%	276,086,884.03	5.02%	5,228,117,225.57
Including:										
Total	6,737,341,781.81	100.00%	350,529,839.56	5.20%	6,386,811,942.25	5,508,846,092.42	100.00%	280,728,866.85	5.10%	5,228,117,225.57

Provision made on an individual basis:

Unit: RMB

Debtors	Closing balance			
	Book balance	Provision for bad debts	Accrued proportion	Reasons
Dayou Vinya (Thailand) Co., Ltd	5,805,795.56	5,805,795.56	100.00%	The credit status of the customer is abnormal, it is expected to be irrecoverable
Nanjing Zhixing Electric Vehicle Co., Ltd	2,921,871.93	2,921,871.93	100.00%	The credit status of the customer is abnormal, it is expected to be irrecoverable
Evergrande New Energy Vehicles (Tianjin) Co., Ltd	1,329,997.79	1,329,997.79	100.00%	The credit status of the customer is abnormal, it is expected to be irrecoverable
Tianji Automobile (Changsha) Group Co., Ltd	903,780.78	903,780.78	100.00%	The credit status of the customer is abnormal, it

				is expected to be irrecoverable
Others	2,167,300.02	2,167,300.02	100.00%	The credit status of the customer is abnormal, it is expected to be irrecoverable
Total	13,128,746.08	13,128,746.08	--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	6,712,614,677.94	335,630,733.89	5.00%
1 to 2 years	9,838,383.97	983,838.40	10.00%
2 to 3 years	467,328.62	140,198.59	30.00%
Over 3 years	1,292,645.20	646,322.60	50.00%
Total	6,724,213,035.73	337,401,093.48	--

Remarks on the determination basis of portfolio:

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

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	6,715,455,809.58
1 to 2 years	15,872,541.23
2 to 3 years	2,460,903.66
Over 3 years	3,552,527.34
Total	6,737,341,781.81

(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	4,641,982.82	8,486,763.26				13,128,746.08
Receivables with provision made on a collective basis	276,086,884.03	61,860,299.76		546,090.31		337,401,093.48
Total	280,728,866.85	70,347,063.02		546,090.31		350,529,839.56

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

Unit: RMB

Item	Write off
Small sporadic accounts	546,090.31

(4) Other remarks

1. Closing balance of top 5 debtors totaled 3,215,504,200 yuan, accounting for 48.13% of the total closing balance of accounts receivable.

2. Some of the company's accounts receivable are collected by digital and electronic debt vouchers. These debt vouchers have certain credit liquidity and can be used for discount financing or transfer payment. As of June 30, 2023, the company holds a total of 1,297,506,100 yuan of digital and electronic debt vouchers.

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

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	166,755,326.18	96.93%	111,759,824.57	94.80%
1 to 2 years	3,319,469.51	1.93%	3,542,204.41	3.01%
2 to 3 years	1,568,716.61	0.91%	1,425,109.32	1.21%
Over 3 years	404,044.90	0.23%	1,159,868.77	0.98%
Total	172,047,557.20	--	117,887,007.07	--

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

Closing balance of top 5 debtors totaled 47,772,873.47 yuan, accounting for 27.77% of the total closing balance.

7. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	221,023,564.86	726,641,478.35
Total	221,023,564.86	726,641,478.35

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

Unit: RMB

Items	Closing balance	Opening balance
Land compensation accounts receivable		546,216,590.00

Tax refund receivable	133,037,184.08	123,916,253.13
Guarantee deposits	51,502,794.89	36,247,343.32
Others	43,808,149.00	25,467,213.32
Total	228,348,127.97	731,847,399.77

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, 2023	1,690,955.36	927,834.88	2,587,131.18	5,205,921.42
The balance as of January 1, 2023 is in the current period	—	—	—	—
--Transferred to phase II	-476,459.45	476,459.45		
--Transferred to phase III		-716,938.18	716,938.18	
Provision made in the current period	1,404,093.40	265,562.76	448,985.54	2,118,641.69
Balance on June 30, 2023	2,618,589.31	952,918.91	3,753,054.90	7,324,563.11

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)	165,194,584.06
1 to 2 years	45,113,175.17
2 to 3 years	3,584,690.92
Over 3 years	14,455,677.82
Total	228,348,127.97

3) 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
Mexico VAT tax refund receivables	Tax refund	97,567,578.97	Within 2 year	42.73%	
Domestic export tax refund receivables	Tax refund	29,764,150.13	Within 1 year	13.03%	
US Customs	Customs deposit	19,871,672.58	Within 3 year	8.70%	
“Placement of the disabled in employment” VAT tax refund receivables	Tax refund	5,053,986.20	Within 1 year	2.21%	

Shanghai Yingheng Electronics Co., Ltd	Performance bond	3,494,680.00	Within 1 year	1.53%	174,734.00
Total	--	155,752,067.88	--	68.20%	174,734.00

4) 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 tax refund of "Placement of the disabled in employment"	5,053,986.20	Within 1 year	Expected to be fully received from July to October 2023, 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 provision for impairment of contract performance costs	Carrying amount	Book balance	Provision for decline in value of inventories or provision for impairment of contract performance costs	Carrying amount
Raw materials	1,126,208,615.43	48,374,602.96	1,077,834,012.47	1,050,007,307.69	59,101,594.10	990,905,713.59
Work-in-progress	607,381,285.94	1,747,580.63	605,633,705.31	711,592,586.63	2,028,013.70	709,564,572.93
Finished goods	2,398,396,894.83	77,295,162.97	2,321,101,731.86	2,696,034,401.13	66,515,797.40	2,629,518,603.73
Others	806,663.85		806,663.85	4,886,397.61		4,886,397.61
Total	4,132,793,460.05	127,417,346.56	4,005,376,113.49	4,462,520,693.06	127,645,405.20	4,334,875,287.86

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

Unit: RMB

Items	Opening	Increase in current period	Decrease in current period	Closing
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	balance	Accrued	Others	Reversal or write off	Others	balance
Raw materials	59,101,594.10	7,322,036.52		18,049,027.66		48,374,602.96
Work-in-progress	2,028,013.70	108,952.38		389,385.45		1,747,580.63
Finished goods	66,515,797.40	17,051,961.38		6,272,595.81		77,295,162.97
Total	127,645,405.20	24,482,950.28		24,711,008.92		127,417,346.56

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	184,263,698.55	133,303,058.03
Prepaid Enterprise income tax	36,234,514.12	22,470,498.36
Others	361,557.19	1,251,519.66
Total	220,859,769.86	157,025,076.05

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	3,939,553.50		3,939,553.50	3,712,290.00		3,712,290.00	
Total	3,939,553.50		3,939,553.50	3,712,290.00		3,712,290.00	--

11. Long-term equity investments

Unit: RMB

Investees	Opening balance	Increase/Decrease								Closing balance	Closing balance of provision for impairment
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividend / Profit declared for distribution	Provision for impairment	Others		
1. Associates											
2. Joint ventures											

Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	5,078,465.12			98,509.89	-					4,979,955.23	
Chongqing Tainuo Machinery Co., Ltd.	16,130,424.27			2,854,327.80		2,500,000.00				16,484,752.07	
Ningbo Jinlifeng Machinery Co., Ltd.	2,141,904.04			512,325.43						2,654,229.47	
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.	5,146,568.55			1,694,603.80						6,841,172.35	
Zhongshan Xuanyi Pipe Manufacturing Co., Ltd.	2,193,221.72			267,769.29						2,460,991.01	
Xinchang zhejiang energy sanhua comprehensive energy co. LTD	1,747,620.43			66,233.87						1,813,854.30	
Subtotal	32,438,204.13			5,296,750.30		2,500,000.00				35,234,954.43	
Total	32,438,204.13			5,296,750.30		2,500,000.00				35,234,954.43	

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	Total
□. Original Carrying amount			
1. Opening balance	11,995,674.89	3,273,498.90	15,269,173.79
2. Increase in current period	734,003.62	200,302.20	934,305.82
(1) Acquisition			
(2) Transferred in from inventory\fixed assets\ construction in progress			
(3) Acquisition			
(4) Converted difference in Foreign Currency Statements	734,003.62	200,302.20	934,305.82
3. Decrease in current period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	12,729,678.51	3,473,801.10	16,203,479.61
□. Accumulated depreciation and amortization			
1. Opening balance	7,064,906.82		7,064,906.82
2. Increase in current period	835,310.42		835,310.42
(1) Accrual or amortization	403,015.67		403,015.67
(2) Converted difference in Foreign Currency Statements	432,294.75		432,294.75
3. Decrease in current period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	7,900,217.24		7,900,217.24
□. 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			
□. Carrying amount			
1. Closing balance	4,829,461.27	3,473,801.10	8,303,262.37
2. Opening balance	4,930,768.07	3,273,498.90	8,204,266.97

13. Fixed assets

Unit: RMB

Items	Closing balance	Opening balance
Fixed assets	6,693,075,353.04	6,374,896,070.41
Total	6,693,075,353.04	6,374,896,070.41

(1) Fixed assets

Unit: RMB

Items	Buildings and structures	Machinery and equipment	Measurement analysis equipment	Transportation vehicles	Office and other equipment	Total
□. Original book value:						
1. Opening balance	3,360,496,386.32	5,701,259,308.59	135,378,683.04	42,330,286.64	255,616,625.98	9,495,081,290.57
2. Increase in current period	129,516,306.53	512,607,774.11	9,438,033.89	3,428,296.85	22,552,508.37	677,542,919.75
(1) Acquisition	9,715,323.73	212,330,535.61	1,648,853.06	2,980,873.29	9,808,036.67	236,483,622.36
(2) Transferred in from construction in progress	63,151,602.34	224,546,392.29	6,157,813.05	214,867.25	9,205,071.67	303,275,746.60
(3) Business combination						
(4) Transferred in from investment property	56,649,380.46	75,730,846.21	1,631,367.78	232,556.31	3,539,400.03	137,783,550.79
3. Decrease in current period	1,229,819.56	80,011,913.32	356,013.43	3,308,266.38	8,432,447.84	93,338,460.53
(1) Disposal or scrap	1,229,819.56	80,011,913.32	356,013.43	3,308,266.38	8,432,447.84	93,338,460.53
(2) Other decrease						
4. Closing balance	3,488,782,873.29	6,133,855,169.38	144,460,703.50	42,450,317.11	269,736,686.51	10,079,285,749.79
□. Accumulated depreciation						
1. Opening balance	617,289,101.86	2,265,586,904.96	54,450,679.89	29,302,894.64	141,787,435.54	3,108,417,016.89
2. Increase in current period	70,978,487.42	255,876,680.36	5,297,693.22	1,936,020.41	13,545,214.43	345,614,474.19
(1) Accrual	64,942,064.33	228,323,126.8	4,668,677.44	1,821,898.64	11,937,253.67	311,693,020.95

		7				
(2) Transferred in from investment property	6,036,423.09	27,553,553.49	629,015.78	114,121.77	1,607,960.76	33,921,453.24
3. Decrease in current period		60,197,795.84	9,354,913.45	2,986,022.86	8,621,129.59	79,140,240.09
(1) Disposal or scrap		60,197,795.84	9,354,913.45	2,986,022.86	8,621,129.59	79,140,240.09
4. Closing balance	688,267,589.28	2,461,265,789.48	50,393,459.66	28,252,892.19	146,711,520.38	3,374,891,250.99
□. Provision for impairment						
1. Opening balance		11,341,489.66			426,713.61	11,768,203.27
2. Increase in current period						
(1) Accrual						
3. Decrease in current period		449,057.51				449,057.51
(1) Disposal or scrap		449,057.51				449,057.51
4. Closing balance		10,892,432.15			426,713.61	11,319,145.76
□. Carrying amount						
1. Closing balance	2,800,515,284.01	3,661,696,947.75	94,067,243.84	14,197,424.92	122,598,452.52	6,693,075,353.04
2. Opening balance	2,743,207,284.46	3,424,330,913.97	80,928,003.15	13,027,392.00	113,402,476.83	6,374,896,070.41

(2) Fixed assets leased out through operating leases

Unit: RMB

Item	Closing balance
Buildings and structures	12,007,357.74

(3) Fixed assets with certificate of titles being unsettled

Unit: RMB

Item	Carrying amount	Reasons for unsettlement
Sitong factory	63,597,001.77	New assets, the certificate of title to be processed uniformly after the overall completion
13-15# factory in Meizhu North	145,245,769.29	New assets, the certificate of title to be

district		processed uniformly after the overall completion
Meizhu North District finished product and class A warehouse	31,255,987.05	New assets, the certificate of title to be processed uniformly after the overall completion
Commercial refrigeration factory (phase I and phase II projects)	515,787,316.70	New assets, the certificate of title to be processed uniformly after the overall completion
Wuhu Sanhua Automatic Control dormitory	67,314,593.81	New assets, the certificate of title to be processed uniformly after the overall completion
Shaoxing Thermal Management Factory Phase III Plant	89,905,266.36	New assets, the certificate of title to be processed uniformly after the overall completion

14. Construction in progress

Unit: RMB

Items	Closing balance	Opening balance
Construction in progress	2,030,840,443.80	1,032,505,633.51
Total	2,030,840,443.80	1,032,505,633.51

(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	259,382,236.24		259,382,236.24	224,972,262.42		224,972,262.42
Annual production of 1.5 million sets of new energy thermal management components project	147,253,180.77		147,253,180.77	108,269,402.41		108,269,402.41
Annual output of 11 million sets of new energy vehicles high efficiency heat exchanger	201,876,489.46		201,876,489.46	139,499,206.94		139,499,206.94

assembly project						
Annual output of 14 million sets cooling parts of new energy vehicles technical transformation project	72,367,521.97		72,367,521.97	62,488,698.25		62,488,698.25
Annual output of 3 million sets thermal management parts of new energy vehicles technical transformation project	8,477,446.60		8,477,446.60	29,805,708.02		29,805,708.02
Annual output of 11 million sets of parts and components technical transformation project	95,179,742.67		95,179,742.67	94,275,393.24		94,275,393.24
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	12,552,311.94		12,552,311.94	5,808,045.04		5,808,045.04
Annual production of 4 million sets of new energy vehicles technical transformation project of heat pump components	15,327,780.76		15,327,780.76	7,109,389.23		7,109,389.23
Annual production of 7.3 million sets of new energy				225,840.24		225,840.24

vehicle thermal management system components project						
Mexico industrial plant project	95,960,946.45		95,960,946.45	3,725,739.80		3,725,739.80
Annual production of 1.13 million sets of controller components project	46,165,833.96		46,165,833.96			
Annual production of 7.05 million sets of microchannel heat exchangers construction project	47,759,926.10		47,759,926.10			
Sanhua poland automotive parts production line project	126,286,425.11		126,286,425.11			
Annual production of 12 million sets of new energy vehicle intelligent thermal management components technical transformation project	165,658,729.39		165,658,729.39			
Annual output of 12.5 million sets of intelligent thermal management modules for new energy vehicles construction project	62,051,301.71		62,051,301.71			
Automotive component shift dormitory	56,965,944.24		56,965,944.24			
Tianjin automotive	50,089,833.19		50,089,833.19			

component factory area project						
Others	567,484,793.2 4		567,484,793.2 4	356,325,947.9 2		356,325,947.9 2
Total	2,030,840,443. 80		2,030,840,443. 80	1,032,505,633. 51		1,032,505,633. 51

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

Unit: RMB

Items	Budget	Opening balance	Increased in current period	Transferred to fixed assets in the current period	Other amounts decreased in current period	Closing balance	Accumulated investment to budget (%)	Completion percentage (%)	Accumulated amount of capitalized interest	Including: capitalized interest in current period	Capitalization rate for interest in current period	Fund source
Annual production of 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	1,780,550,000.00	224,972,262.42	97,279,068.02	62,869,094.20		259,382,236.24	56.86%					
Annual production of 1.5 million sets of new energy thermal management components project	760,500,000.00	108,269,402.41	87,545,162.81	48,561,384.45		147,253,180.77	113.95%					
Annual	760,00	139,49	132,24	69,869,		201,87	71.32%					

output of 11 million sets of new energy vehicles high efficiency heat exchanger assembly project	0,000.00	9,206.94	6,830.86	548.34		6,489.46						
Annual output of 14 million sets cooling parts of new energy vehicles technical transformation project	217,781,500.00	62,488,698.25	20,193,374.26	10,314,550.54		72,367,521.97	60.74%					
Annual output of 3 million sets thermal management parts of new energy vehicles technical transformation project	206,290,400.00	29,805,708.02	6,615,107.48	27,943,368.90		8,477,446.60	91.68%					
Annual output of 11 million sets of parts and components technical transformation project	228,600,000.00	94,275,393.24	24,722,017.44	23,817,668.01		95,179,742.67	60.96%					

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	195,500,000.00	5,808,045.04	8,882,609.19	2,138,342.29		12,552,311.94	18.32%					
Annual production of 4 million sets of new energy vehicles technical transformation project of heat pump components	161,254,500.00	7,109,389.23	12,075,382.68	3,856,991.15		15,327,780.76	98.71%					
Annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-	785,570,000.00		20,121,586.67	20,121,586.67			20.92%					

conditioning control components												
Annual production of 7.3 million sets of new energy vehicle thermal management system components project	468,600,000.00	225,840.24		225,840.24			89.53%					
Mexico industrial plant project	\$39,745,600.00	3,725,739.80	108,056,869.12	15,821,662.47		95,960,946.45	122.11%					
Annual production of 1.13 million sets of controller components project	\$20,000,000.00		46,165,833.96			46,165,833.96	32.98%					
Annual production of 7.05 million sets of microchannel heat exchangers construction project	1,061,000,000.00		47,759,926.10			47,759,926.10	4.50%					
Sanhua poland automotive parts production Line Project	€21,000,000.00		126,286,425.11			126,286,425.11	77.10%					
Annual	291,12		165,65			165,65	56.90%					

production of 12 million sets of new energy vehicle intelligent thermal management components technical transformation project	0,000.00		8,729.39			8,729.39						
Annual output of 12.5 million sets of intelligent thermal management modules for new energy vehicles construction project	1,405,800,000.00		62,051,301.71			62,051,301.71	4.41%					
Automotive component shift dormitory	200,000,000.00		56,965,944.24			56,965,944.24	28.48%					
Tianjin automotive component factory area project	169,752,300.00		50,089,833.19			50,089,833.19	29.51%					
Total		676,179,685.59	1,072,716,002.23	285,540,037.26		1,463,355,650.56						

15. Right-of-use assets

Unit: RMB

Items	Houses and buildings	Vehicle	Total
□. Original Carrying amount			
1. Opening balance	416,197,719.61	5,551,120.98	421,748,840.59
2. Increased in current period	48,499,757.51	339,371.64	48,839,129.15
(1) Rent	33,568,195.20		33,568,195.20
(2) Effect of Foreign Currency Translation	14,931,562.31	339,371.64	15,270,933.95
3. Decreased in current period	1,776,271.43		1,776,271.43
(1) Disposal	1,776,271.43		1,776,271.43
4. Closing balance	462,921,205.69	5,890,492.62	468,811,698.31
□. Accumulated amortization			
1. Opening balance	135,550,130.72	1,921,344.55	137,471,475.27
2. Increased in current period	47,425,653.41	306,384.56	47,732,037.97
(1) Accrual	45,263,856.36	188,819.36	45,452,675.72
(2) Converted difference in Foreign Currency Statements	2,161,797.05	117,565.20	2,279,362.25
3. Decreased in current period	1,776,271.43		1,776,271.43
(1) Disposal	1,776,271.43		1,776,271.43
4. Closing balance	181,199,512.70	2,227,729.11	183,427,241.81
□. Provision for impairment			
1. Opening balance			
2. Increased in current period			
(1) Accrual			
3. Decreased in current period			
(1) Disposal			
4. Closing balance			
□. Carrying amount			
1. Closing balance	281,721,692.99	3,662,763.51	285,384,456.50
2. Opening balance	280,647,588.89	3,629,776.43	284,277,365.32

16. Intangible Assets

(1) Details of intangible assets

Unit: RMB

Items	Land use right	Overseas land ownership	Application software	Intellectual property	Total
□. Original Carrying amount					
1. Opening balance	713,720,608.55	83,863,040.61	44,529,249.83	65,624,940.36	907,737,839.35
2. Increased in current	108,306,062.55	13,819,950.91	3,400,485.00		125,526,498.4

period					6
(1) Acquisition	106,110,527.29	2,294,904.15	2,451,967.26		110,857,398.70
(2) Internal research and development					
(3) Business combination					
(4) Translation difference of foreign currency statements	2,195,535.26	11,525,046.76	948,517.74		14,669,099.76
3. Decreased in current period		3,473,801.10	532,262.93		4,006,064.03
(1) Disposal		3,473,801.10	532,262.93		4,006,064.03
4. Closing balance	822,026,671.10	94,209,190.42	47,397,471.90	65,624,940.36	1,029,258,273.78
□. Accumulated amortization					
1. Opening balance	103,834,913.72	596,533.10	32,928,912.94	38,991,387.94	176,351,747.70
2. Increased in current period	8,666,289.06	90,583.10	1,293,820.77	1,368,640.44	11,419,333.37
(1) Accrual	8,431,619.06	65,409.94	1,139,707.89	1,368,640.44	11,005,377.33
(2) Translation difference of foreign currency statements	234,670.00	25,173.16	154,112.88		413,956.04
3. Decreased in current period			443,902.77		443,902.77
(1) Disposal			443,902.77		443,902.77
4. Closing balance	112,501,202.78	687,116.20	33,778,830.94	40,360,028.38	187,327,178.30
□. Provision for impairment					
1. Opening balance		4,122,739.96			4,122,739.96
2. Increased in current period		245,572.41			245,572.41
(1) Accrual					
(2) Translation difference of foreign currency statements		245,572.41			245,572.41
3. Decreased in current period					
(1) Disposal					
4. Closing balance		4,368,312.37			4,368,312.37
□. Carrying amount					
1. Closing balance	709,525,468.32	89,153,761.85	13,618,640.96	25,264,911.98	837,562,783.11
2. Opening balance	609,885,694.83	79,143,767.55	11,600,336.89	26,633,552.42	727,263,351.69

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-asset group	5,839,387.56					5,839,387.56
Zhejiang Sanhua plate Exchange Technology Co., Ltd-non asset group	1,752,443.05					1,752,443.05
Total	39,550,922.21					39,550,922.21

(2) Provision for goodwill impairment

Unit: RMB

Investee or events resulting in goodwill	Opening balance	Increased in current period		Decreased in current period		Closing balance
		Provision made		Disposal		
R-Squared Puckett Inc.	31,959,091.60					31,959,091.60
Zhejiang Sanhua plate Exchange Technology Co., Ltd-non asset group		604,951.92				604,951.92
Total	31,959,091.60	604,951.92				32,564,043.52

18. Long-term prepayments

Unit: RMB

Items	Opening balance	Increased in current period	Amortization	Other decreases	Closing balance
Rental housing construction and transformation	45,670,895.53	27,445,071.30	5,326,583.28		67,789,383.55

expenditure				
Compensated use fee for emission rights	4,878,409.32		4,878,409.32	
Others	5,607,972.31	60,451.74	1,068,981.86	4,599,442.19
Total	56,157,277.16	27,505,523.04	11,273,974.46	72,388,825.74

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	283,245,689.54	58,828,508.89	195,934,543.92	39,038,062.56
Provision for inventory write-down	89,822,313.68	16,538,444.51	68,011,211.82	11,412,992.83
Unrealized profit from internal transactions	326,641,776.89	21,306,703.26	332,697,154.63	32,810,835.04
Deductible losses	188,714,802.13	28,435,572.13	380,148,112.81	58,645,816.34
Deferred income (government grants)	248,371,586.88	37,255,737.95	253,297,140.86	42,600,561.83
Provision for fixed assets impairments	8,571,816.59	1,285,772.49	9,930,453.59	1,533,546.13
Provision for intangible assets impairments	4,368,312.37	917,345.60		
Lease liabilities	119,600,619.20	21,230,371.49		
Share-based payment expenses (accounting standards)	37,540,078.55	5,754,329.79	71,597,367.25	11,139,948.95
Share-based payment expenses (difference between tax and accounting standards)	54,802,475.00	8,437,172.26	46,031,824.12	7,065,126.85
Convertible corporate bonds (difference between accounting and tax costs)	125,548,038.64	18,832,205.80	108,793,134.67	16,318,970.20
Floating loss of derivative instruments	3,152,880.00	472,932.00	3,949,625.00	592,813.75
Total	1,490,380,389.47	219,295,096.17	1,470,390,568.67	221,158,674.48

(2) Deferred tax liabilities before offset

Unit: RMB

Items	Closing balance	Opening balance
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	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Appreciation of assets appraisal of the business combinations not under common control	10,928,486.90	1,639,273.04	11,345,644.73	1,701,846.71
Accelerated depreciation of equipment	1,771,834,875.15	266,010,284.22	1,688,493,838.12	263,941,331.71
Floating gain on derivatives	1,040,000.00	156,000.00	5,585,129.25	1,048,679.39
Accrued interest of certificate of deposit	176,251,109.21	27,432,340.83	142,322,188.53	22,066,063.56
Right of use assets	125,430,255.46	21,931,973.93		
Total	2,085,484,726.72	317,169,872.02	1,847,746,800.63	288,757,921.37

(3) Deferred tax assets or liabilities after offset shown on a net offsetting basis

Unit: RMB

Items	Deferred tax assets and liabilities offset amount at the end of the balance amount	Closing balance of deferred tax assets or liabilities after offset	Deferred tax assets and liabilities offset amount at the beginning of the balance amount	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	142,832,457.28	76,462,638.89		221,158,674.48
Deferred tax liabilities	142,832,457.28	174,337,414.74		288,757,921.37

(4) Details of unrecognized deferred tax assets

Unit: RMB

Items	Closing balance	Opening balance
Provision for bad debt	74,930,507.69	90,633,770.94
Provision for inventory write-down	37,595,032.88	59,634,193.38
Deductible losses of subsidiaries	186,247,490.60	137,111,606.69
Investment losses recognized by the equity method	17,634,954.43	14,838,204.13
Floating loss on derivatives	122,282,650.40	44,721,748.81
Deferred income-government grants	1,396,373.19	747,574.78
Total	440,087,009.19	347,687,098.73

(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	1,173,108.75	1,176,424.56	
Year 2026	521,923.98	673,774.12	

Year 2027	19,167,919.77	20,123,335.62	
Year 2028	51,643,721.67	10,478,078.42	
Year 2029	16,716,170.44	7,488,066.67	
Year 2030	12,549,643.88	16,606,149.99	
Year 2031	69,321,405.03	66,879,893.60	
Year 2032	3,108,373.33	13,685,883.71	
Year 2033	12,045,223.75		
Total	186,247,490.60	137,111,606.69	

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	404,010,641.89		404,010,641.89	457,305,626.59		457,305,626.59
Total	404,010,641.89		404,010,641.89	457,305,626.59		457,305,626.59

21. Short-term borrowings

(1) Categories of short-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
Credit borrowings		100,000,000.00
Overseas loan under domestic guarantee	1,140,533,100.00	943,525,006.00
Bill discount financing		99,642,500.00
Factoring financing		149,714,725.37
Pledge and guaranteed loan		220,000.00
Accrued interest	1,404,963.73	981,088.21
Total	1,141,938,063.73	1,294,083,319.58

22. Trading financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
Including:		

Financial liabilities designated as at fair value through profit or loss	3,500,000.00	3,500,000.00
Including:		
Payable of contingent consideration in business combination	3,500,000.00	3,500,000.00
Total	3,500,000.00	3,500,000.00

23. Derivative financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
Exchange rate derivative	126,114,386.44	44,709,998.81
Futures derivative	3,162,480.00	461,375.00
Total	129,276,866.44	45,171,373.81

24. Notes payable

Unit: RMB

Categories	Closing balance	Opening balance
Bank acceptance	2,755,748,552.44	2,580,274,767.64
Total	2,755,748,552.44	2,580,274,767.64

25. Accounts payable

(1) Details of accounts payable

Unit: RMB

Items	Closing balance	Opening balance
Within 1 year	4,134,426,482.60	3,851,682,948.05
1 to 2 years	42,072,015.21	18,716,087.91
2 to 3 years	3,798,306.72	7,655,237.97
Over 3 years	6,321,581.78	6,549,096.23
Total	4,186,618,386.31	3,884,603,370.16

26. Contract liabilities

Unit: RMB

Items	Closing balance	Opening balance
Advance payment for sales	86,674,142.26	57,955,080.60
Total	86,674,142.26	57,955,080.60

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
□. Short-term employee benefits	464,664,017.26	1,603,494,608.20	1,686,512,218.80	381,646,406.66

□. Post-employment benefits - defined contribution plan	6,840,467.11	50,192,849.48	50,218,860.17	6,814,456.42
□. Termination benefits	3,652,944.78		1,540,546.34	2,112,398.44
Total	475,157,429.15	1,653,687,457.68	1,738,271,625.31	390,573,261.52

(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	426,154,617.00	1,195,430,365.73	1,302,842,543.34	318,742,439.39
2. Employee welfare fund	522,798.23	57,552,930.97	57,315,364.30	760,364.90
3. Social insurance premium	12,990,659.88	82,606,713.97	75,518,453.13	20,078,920.72
Including: Medicare premium	3,780,914.49	28,312,117.90	27,946,795.57	4,146,236.82
Occupational injuries premium	265,634.67	1,981,473.48	1,723,723.83	523,384.32
Overseas social security contributions	8,944,110.72	52,313,122.59	45,847,933.73	15,409,299.58
4. Housing provident fund	1,329,442.40	31,570,705.35	31,926,220.95	973,926.80
5. Trade union fund and employee education fund	1,133,382.46	9,776,244.65	8,844,515.69	2,065,111.42
Dispatching remuneration	17,315,817.31	217,541,947.53	210,065,121.39	24,792,643.45
Cash stock appreciation option	5,217,299.98	9,015,700.00		14,232,999.98
Total	464,664,017.26	1,603,494,608.20	1,686,512,218.80	381,646,406.66

(3) Details of defined contribution plan

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
1. Basic endowment insurance premium	6,609,221.19	48,557,865.09	48,585,247.56	6,581,838.72
2. Unemployment insurance premium	231,245.92	1,634,984.39	1,633,612.61	232,617.70
Total	6,840,467.11	50,192,849.48	50,218,860.17	6,814,456.42

28. Taxes and rates payable

Unit: RMB

Items	Closing balance	Opening balance
Enterprise income tax	57,811,356.01	71,995,026.46
VAT	26,997,605.32	18,411,585.20

Urban maintenance and construction tax	3,797,883.07	4,291,676.87
Education surcharge	2,065,827.39	2,043,785.75
Local education surcharge	1,172,096.57	1,362,523.90
Housing property tax	11,391,713.20	18,812,611.09
Land use tax	6,516,939.06	12,197,167.13
Local foundation for water works	126,322.01	497,420.79
Individual income tax	4,095,075.96	9,417,459.50
Overseas tax	68,355,475.27	46,713,362.21
Others	4,981,775.91	5,046,940.26
Total	187,312,069.77	190,789,559.16

29. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	265,496,861.29	354,255,114.06
Total	265,496,861.29	354,255,114.06

(1) Other payables

1) Other payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Restricted shares repo obligations	120,194,060.00	214,659,660.00
Compensation for product quality loss	9,913,165.14	15,270,978.03
Guarantee deposit	21,484,778.08	13,673,464.47
Rent and property fee	3,349,917.37	4,859,929.85
Collection of talent awards	4,972,661.00	4,592,661.00
Shareholding transfer payment		3,500,000.00
Loan	11,837,146.85	
Accrued expenses	56,352,103.98	52,914,800.82
Others	37,393,028.87	44,783,619.89
Total	265,496,861.29	354,255,114.06

30. Non-current liabilities due within one year

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	1,640,000,000.00	500,000,000.00
Accrued interest	1,492,691.27	465,277.78
Lease liabilities	77,227,591.30	67,661,063.89
Total	1,718,720,282.57	568,126,341.67

31. Other current liabilities

Unit: RMB

Items	Closing balance	Opening balance
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Output tax to be written off		2,007,578.03
Total		2,007,578.03

32. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	660,000,000.00	1,800,000,000.00
Accrued interest	544,808.74	1,574,166.67
Total	660,544,808.74	1,801,574,166.67

33. Bonds payable

(1) Bonds payable

Unit: RMB

Items	Closing balance	Opening balance
Sanhua Convertible bonds	2,801,454,320.48	2,776,763,361.83
Total	2,801,454,320.48	2,776,763,361.83

(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	Conversion from shares to equity instruments	Current interest payable	Ending balance
Sanhua Convertible bonds	100.00	Jun, 2021	6 years	3,000,000,000.00	2,776,763,361.83		6,500,000.00	61,098,047.15		-30,913,523.70	11,993,564.80	2,801,454,320.48
Total	--	--	--	3,000,000,000.00	2,776,763,361.83		6,500,000.00	61,098,047.15		-30,913,523.70	11,993,564.80	2,801,454,320.48

(3) Explanation of conditions and time of share conversion for convertible bonds

With the approval of China Securities Regulatory Commission in document zjxk [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 300 million 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. 72,307 shares were transferred in the prior period and 1,551,803 in the current period, for a total of 1,624,110 shares.

34. Leased liabilities

Unit: RMB

Items	Closing balance	Opening balance
Leased liabilities	282,040,080.27	269,689,545.98
Less: Leased liabilities due within 1 year	-77,227,591.30	-67,661,063.89
Total	204,812,488.97	202,028,482.09

35. Long-term payables

Unit: RMB

Items	Closing balance	Opening balance
Long-term payables	63,262,764.23	4,831,202.13
Total	63,262,764.23	4,831,202.13

(1) Long-term payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Energy fees payable	50,257,642.96	
Compensation for product quality losses	7,948,380.00	
Stock appreciation rights deposit	5,056,741.27	4,831,202.13

36. Long-term employee benefits payable

Unit: RMB

Items	Closing balance	Opening balance
Long term employee rights protection fund	36,945,945.75	
Total	36,945,945.75	

37. Deferred income

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance	Reasons for balance
Government grants	254,044,715.64	11,052,900.00	15,329,655.57	249,767,960.07	Related to assets
Total	254,044,715.64	11,052,900.00	15,329,655.57	249,767,960.07	--

38. Other non-current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Engineering agent construction fund	23,729,805.25	23,729,805.25
Long-term employee rights		34,260,376.62

protection payment		
Total	23,729,805.25	57,990,181.87

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	3,590,869,465.00				1,371,403.00	1,371,403.00	3,592,240,868.00

Other remarks:

In the current period, 1,551,803 shares were increased due to the conversion of "Sanhua convertible bonds", and 180,400 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

(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	29,984,457	409,544,970.41			327,440	4,472,830.40	29,657,017	405,072,140.01
Total	29,984,457	409,544,970.41			327,440	4,472,830.40	29,657,017	405,072,140.01

With the approval of the CSRC in document zjxk [2021] No. 168, the company publicly issued 30 million convertible corporate bonds in June 2021, each with par value of 100 RMB, with a total issuance amount of 300 million RMB. The initial classification of the convertible corporate bonds as equity instruments is 409,766,556.24 RMB. In this period, due to convertible corporate bonds converted into stocks, equity instruments decreased by 4,472,830.40 RMB.

41. Capital reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Capital premium (Share premium)	81,960,309.01	143,642,955.40		225,603,264.41
Other capital	200,642,386.97	-55,033,367.28	1,392,360.00	144,216,659.69

reserve				
Total	282,602,695.98	88,609,588.12	1,392,360.00	369,819,924.10

42. Treasury shares

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Restricted shares	214,659,660.00		96,038,360.00	118,621,300.00
Repo shares	115,363,315.53			115,363,315.53
Total	330,022,975.53		96,038,360.00	233,984,615.53

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 loss	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	
Items to be reclassified subsequently to profit or loss	- 8,543,048.33					94,145,944.13		85,602,895.80
Converted difference in Foreign	- 8,543,048.33					94,145,944.13		85,602,895.80
Other comprehensive income in total	- 8,543,048.33					94,145,944.13		85,602,895.80

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	837,028,002.43			837,028,002.43
Discretionary surplus reserve	8,681,137.20			8,681,137.20

Reserve fund	17,813,919.38		17,813,919.38
Total	863,523,059.01		863,523,059.01

45. Undistributed profit

Unit: RMB

Items	Current period	Previous period
Balance before adjustment at the end of the previous period	8,133,336,242.88	6,615,689,606.07
Balance after adjustment at the end of the previous period	8,133,336,242.88	
Add: Net profit attributable to shareholders of the parent Company for current year	1,394,760,848.85	2,573,344,179.92
Less: Appropriation of statutory surplus reserve		161,738,529.31
Payable dividends on ordinary shares	716,972,510.40	893,959,013.80
Closing balance	8,811,124,581.33	8,133,336,242.88

46. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	12,098,477,558.91	8,883,027,725.42	9,759,983,794.33	7,315,858,292.73
Other operations	430,443,066.68	412,587,356.33	399,969,201.19	386,489,415.21
Total	12,528,920,625.59	9,295,615,081.75	10,159,952,995.52	7,702,347,707.94

47. Taxes and surcharges

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	19,076,010.08	14,118,529.65
Education surcharge	9,549,962.48	7,275,685.11
Housing property tax	13,259,614.90	10,682,933.54
Land use tax	-2,555,201.21	1,342,126.29
Stamp duty	9,273,589.74	3,437,021.16
Local education surcharge	6,366,641.58	4,850,456.76
Local foundation for water works	615,607.60	507,592.79
Others	3,791,190.15	1,263,675.09
Total	59,377,415.32	43,478,020.39

48. Selling expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	144,826,488.29	131,724,833.74

Warehousing, freight and miscellaneous charges	45,966,149.44	32,810,085.05
Entertainment expense	23,340,048.05	15,770,497.66
Travel expense	15,714,428.65	8,570,995.46
Market maintenance fee	24,713,506.79	4,799,215.10
Advertising expense	11,667,636.92	11,067,900.52
Others	10,949,306.65	15,087,642.59
Total	277,177,564.79	219,831,170.12

49. Administrative expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	375,657,341.88	299,492,155.36
Share-based payment remuneration	33,770,669.95	14,034,920.50
Depreciation and amortization expense	69,142,975.31	43,663,581.82
Office expense	76,921,701.21	54,516,043.03
Intermediary organ expense	28,816,004.69	24,628,138.08
Entertainment expense	10,229,586.21	7,065,836.80
Vehicle expense	6,229,475.81	4,892,943.15
Sporadic renovation expense in the park	4,904,430.90	2,953,281.75
Others	14,184,388.69	17,210,678.64
Total	619,856,574.65	468,457,579.13

50. R&D expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	336,153,051.01	240,163,086.77
Direct input expense	176,171,267.76	167,084,372.30
Depreciation and amortization expense	20,543,216.56	19,284,261.30
Mold manufacturing expense	29,986,237.50	29,526,485.35
Royalties	4,486,936.80	3,108,071.99
Outsourcing R&D expense	784,296.40	2,289,971.70
Others	12,144,626.01	17,462,381.90
Total	580,269,632.04	478,918,631.31

51. Financial expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Interest expense	126,688,323.68	111,508,677.30
Including: bond payable interest	67,598,047.15	65,470,705.84
Interest on lease liabilities	795,945.00	681,129.80
Interest income	-87,661,462.57	-99,255,925.36
Exchange gains or losses	-194,192,937.27	-100,650,468.17
Others	3,505,706.15	3,170,276.92

Total	-151,660,370.01	-85,227,439.31
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52. Other income

Unit: RMB

Source of the other income	Current period cumulative	Preceding period comparative
Government subsidies related to assets	15,329,655.57	10,325,749.85
Government subsidies related to revenue	45,391,151.86	45,626,781.55
Handling fees for withholding individual income tax	2,096,068.10	1,442,214.20
Total	62,816,875.53	57,394,745.60

53. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	5,296,750.30	6,300,850.84
Gains and losses on bank financial products	86,531.50	3,321,714.32
Gains and losses on exchange rate derivatives	-53,498,269.42	29,992,896.35
Gains and losses on futures derivatives	9,338,561.14	9,372,489.05
Gains and losses on derecognition of financial assets	-8,174,613.92	-1,716,468.88
Other	808,967.09	
Total	-46,142,073.31	47,271,481.68

54. Gains or losses on changes in fair value

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Floating income of bank financing products	388,505.61	-1,143,374.74
Floating income of futures derivatives	-4,993,318.34	-18,884,225.18
Floating income of foreign exchange derivatives	-83,834,712.30	-94,949,012.07
Floating income of option derivatives	-375,000.00	
Total	-88,814,525.03	-114,976,611.99

55. Credit impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Provision for bad debt	-72,153,972.68	-71,124,663.90
Total	-72,153,972.68	-71,124,663.90

56. Assets impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
□. Inventory write-down loss and contract performance cost impairment loss	-24,318,451.98	-11,922,725.03
XI. Goodwill impairment loss	-604,951.92	
Total	-24,923,403.90	-11,922,725.03

57. Gains on asset disposal

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Gains on disposal of assets	-406,527.50	-525,838.34

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	2,349,197.54	1,104,324.28	2,349,197.54
Compensation and penalty income	1,610,099.34	1,620,977.49	1,610,099.34
Gains from retirement of fixed assets	152,173.06	983,385.08	152,173.06
Others	452,881.99	400,907.18	452,881.99
Total	4,564,351.93	4,109,594.03	4,564,351.93

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	2,809,729.96	2,617,627.82	2,809,729.96
Litigation for damages	1,767,511.58	165,164.19	1,767,511.58
Donation expenditures	106,988.95	128,378.69	106,988.95
Others	576,508.42	38,084.72	576,508.42
Total	5,260,738.91	2,949,255.42	5,260,738.91

60. Income tax expenses**(1) Income tax expenses**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	231,976,676.94	200,318,842.19
Deferred income tax expenses	31,493,520.51	24,269,955.44
Total	263,470,197.45	224,588,797.63

(2) Reconciliation of accounting profit to income tax expenses

Unit: RMB

Items	Current period cumulative
Income before tax	1,677,964,713.18
Income tax expense calculated at the applicable tax rate	277,285,173.57
Adjustment of preliminary income tax expense settlement and payment	10,518,549.10
Plus deduction of R&D expenses	-57,372,248.40
Others	33,038,723.17
Income tax expenses	263,470,197.45

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	41,527,261.26	71,493,052.09
Interest income	54,965,021.52	46,515,534.24
Rental income	5,521,293.13	5,622,360.24
Guarantee deposit	7,811,313.61	29,563,371.91
Other	5,270,609.75	
Total	115,095,499.27	153,194,318.48

(2) Other cash payments related to operating activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Guarantee deposit	15,255,451.57	
Net change in restricted funds	2,046,000.00	5,315,140.43
Expense payments for the period	368,383,438.30	397,375,056.65
Total	385,684,889.87	402,690,197.08

(3) Other cash receipts related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Redemption of bank financing products	440,000,000.00	646,640,000.00
Net change in restricted funds	14,311,380.20	
Total	454,311,380.20	646,640,000.00

(4) Other cash payments related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Subscription of large certificates of deposit	20,000,000.00	784,775,000.00
Net change in restricted funds	1,700,028.28	26,519,507.40
Loss on exchange rate derivatives instrument settlement	53,498,269.42	
Total	75,198,297.70	811,294,507.40

(5) Other cash receipts related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Net change in restricted funds	27,789,205.90	
Borrowing capital	11,837,146.85	
Accounts receivable factoring financing		149,041,182.61
Total	39,626,352.75	149,041,182.61

(6) Other cash payments related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Repo shares (include Restricted stock) expenses		77,021,741.42
Rental expenses	45,508,985.35	28,835,570.33
Net change in restricted funds	22,989,492.00	
Other		167,621.82
Total	68,498,477.35	106,024,933.57

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	1,414,494,515.73	1,014,835,254.94
Add: Provision for assets impairment loss	97,077,376.58	83,047,388.93
Depreciation of fixed assets, oil and gas assets, productive biological assets	312,096,036.62	283,016,679.51
Amortization of right-of-use assets	45,452,675.72	27,459,958.12
Amortization of intangible assets	11,005,377.33	13,614,220.13
Amortization of Long-term prepayments	11,273,974.46	1,290,270.02

Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	406,527.50	525,838.34
Loss on retirement of fixed assets (Less: gains)	2,657,556.90	1,634,242.74
Losses on changes in fair value (Less: gains)	88,814,525.03	114,976,611.99
Financial expenses (Less: gains)	94,787,827.63	58,906,550.50
Investment losses (Less: gains)	38,728,801.02	-48,987,950.56
Decrease of deferred tax assets (Less: increase)	144,696,035.59	-12,561,892.68
Increase of deferred tax liabilities (Less: decrease)	-114,420,506.63	36,831,848.12
Decrease of inventories (Less: increase)	305,426,294.80	-271,165,971.52
Decrease of operating receivables (Less: increase)	-1,460,686,740.42	-1,280,367,182.45
Increase of operating payables (Less: decrease)	672,088,278.73	720,370,012.96
Others	54,775,037.02	17,587,250.07
Net cash flows from operating activities	1,718,673,593.61	761,013,129.16
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	2,050,600,180.32	1,920,432,523.08
Less: Cash at the beginning of the period	2,050,328,601.77	2,690,002,225.09
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	271,578.55	-769,569,702.01

(2) Composition of cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
□ .Cash	2,050,600,180.32	2,050,328,601.77
Including: Cash on hand	189,169.27	329,823.40
Cash in bank that can be readily drawn on demand	2,035,406,952.37	2,049,996,724.25
Other monetary funds that can	15,004,058.68	2,054.12

be readily for payment		
<input type="checkbox"/> . Cash and cash equivalents at end of year	2,050,600,180.32	2,050,328,601.77

Other remarks:

On June 30, 2023, monetary funds include RMB 3,454,046,841.71 of principal and interest of CDS and time deposits, RMB 2,046,000.00 of frozen bank deposits, RMB 42,284,972.76 of margin deposits and RMB 27,786,611.54 of futures contract deposits, totals RMB 3,526,165,274.89. Such monetary funds do not belong to cash and cash equivalents.

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	71,979,671.11	Guarantee deposit
Cash and Bank Balances	213,176,666.67	Pledge financing
Cash and Bank Balances	2,046,000.00	Judicial restrictions
Notes receivable	1,927,529,849.96	Pledge financing
Total	2,214,732,187.74	--

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	61,895,096.90	7.2258	447,241,591.20
EUR	37,234,552.24	7.8771	293,300,291.45
Other currencies	11,454,677,000.82		70,442,765.85
Accounts receivable	--	--	
Including: USD	237,084,195.59	7.2258	1,713,122,980.50
EUR	68,192,671.16	7.8771	537,160,490.00
Other currencies	2,015,500,203.56		99,014,376.26
Other receivables	--	--	
Including: USD	3,763,106.82	7.2258	27,191,457.28
EUR	149,857.43	7.8771	1,180,441.96
Other currencies	2,862,116,329.26		110,810,806.47
Long-term receivable			
EUR	85,000.00	7.8771	669,553.50
Short-term borrowings			
Including: USD	48,000,000.00	7.2258	346,838,400.00
EUR	87,000,000.00	7.8771	685,307,700.00
Derivative financial liabilities			
USD	17,453,345.85	7.2258	126,114,386.44
Accounts payable			

Including: USD	21,565,554.85	7.2258	155,828,386.25
EUR	11,464,436.04	7.8771	90,306,509.13
Other currencies	29,726,621,056.68		53,166,041.89
Other payable			
Including: USD	3,193,214.33	7.2258	23,073,528.08
EUR	4,436,520.06	7.8771	34,946,912.16
Other currencies	3,491,150,360.11		13,298,018.69
Non-current liabilities due within one year			
USD	10,318,158.87	7.2258	74,556,952.36
Lease liabilities			
USD	6,777,469.03	7.2258	48,972,635.72
Long-term payable			
Including: USD	6,466,009.35	7.2258	46,722,090.36
EUR	325,873.29	7.8771	2,566,936.49
Other currencies	2,921,402.00		255,096.23

(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 of deferred income	Increase in current period	Amortization in the current period	Closing balance of deferred income	Current amortization financial reporting items
Grant for innovation ability construction project of National Enterprise Technology Center	1,875,000.24		312,499.98	1,562,500.26	Other income
Grant for construction project of 25 million sets of new energy-saving and environmental protection variable frequency air conditioning expansion valve	68,000.36		68,000.36		Other income
Intelligent factory technological transformation project based on the Internet of things technology	2,624,999.96		249,999.76	2,375,000.20	Other income
Annual production of 3 million self-circulating superconducting plates technology project	519,750.00		49,500.00	470,250.00	Other income

Grant for comprehensive upgrading and technical transformation project of intelligent manufacturing of refrigeration components	4,142,750.04		414,274.98	3,728,475.06	Other income
Grant for technical transformation project of 30 million sets of high efficiency energy saving refrigeration and air conditioning control components	4,799,999.96		400,000.02	4,399,999.94	Other income
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	9,591,912.50		605,805.00	8,986,107.50	Other income
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	18,556,258.30		997,800.00	17,558,458.30	Other income
Grant for an annual production of 1 million sets of efficient and energy-saving plate heat exchangers project	7,000,000.00		349,999.98	6,650,000.02	Other income
Grant for technical transformation project for the high efficiency and energy saving refrigeration and air conditioning control components with an annual output of 20 million sets		5,289,700.00	44,080.83	5,245,619.17	Other income
Grant for project of an intelligent factory with an annual output of 35 million sets of commercial refrigeration and air conditioning intelligent control components 1	3,989,992.50		204,615.00	3,785,377.50	Other income
Grant for project of an intelligent factory with an annual output of 35 million sets of commercial refrigeration and air conditioning intelligent control components 2		5,763,200.00		5,763,200.00	Other income
Special fund grant for multistory factory buildings of small and medium-sized enterprises	4,551,294.18		190,711.62	4,360,582.56	Other income
Technical transformation project for the production line of energy-saving residential air-conditioning control components with an annual output of 50 million sets	243,269.48		10,197.99	233,071.49	Other income
Industrial transfer projects and single equipment investment grant	41,476.01		1,911.23	39,564.78	Other income
Four-way reversing valve optimization project	253,333.52		10,619.88	242,713.64	Other income
Comprehensive award and compensation for investment in technological transformation of industrial enterprises	1,399,898.76		58,593.04	1,341,305.72	Other income
New industrialization fund subsidy	1,549,237.19		62,834.66	1,486,402.53	Other income
Grant for technical renovation equipment	1,815,786.70		78,228.94	1,737,557.76	Other income
Grant for affordable rental housing	7,559,941.67		316,916.80	7,243,024.87	Other income

Industrial transformation and upgrading, technological transformation and industrial investment	1,007,984.67		101,212.44	906,772.23	Other income
Grant for an annual output of 2 million sets of high-efficiency energy-saving inverter controllers	747,574.80		257,973.82	489,600.98	Other income
Grant for technical transformation project of newly increased 800000 sets of heat exchanger per year	758,000.00		379,000.00	379,000.00	Other income
Technical transformation project of newly increased 100000 large heat exchangers per year	3,371,240.00		421,405.00	2,949,835.00	Other income
Technical transformation project of large heat exchanger with annual output of 700,000 sets	4,686,150.00		334,725.00	4,351,425.00	Other income
Grant for the technical transformation project with an annual output of 2 million sets of air-conditioning parts	3,584,640.08		896,160.00	2,688,480.08	Other income
Grant for 1 million sets of air-conditioning thermal sensor technology transformation of new energy vehicle	3,661,400.29		457,674.96	3,203,725.33	Other income
Grant for an annual output of 7.3 million sets of new energy vehicle thermal management system components technical transformation	32,304,000.00		2,019,000.00	30,285,000.00	Other income
Grant for the annual production of 11.5 million sets of new energy auto parts project	80,832,202.99		4,445,530.23	76,386,672.76	Other income
Grant for an annual output of 11 million sets of new energy vehicles high efficiency heat exchanger assembly project	46,059,908.47		1,161,174.18	44,898,734.29	Other income
Comprehensive investment award for technological transformation of industrial enterprises in Wuhu City	2,269,472.00		178,944.00	2,090,528.00	Other income
Policy grant for Wuhu City's strong industrial base and manufacturing strong province	525,000.00		45,000.00	480,000.00	Other income
Grant for equipment of new technological transformation for industrialization	1,010,183.26		65,889.04	944,294.22	Other income
Grant for promoting new industrialization and support technological transformation of enterprises	367,536.86		20,601.86	346,935.00	Other income
Grant for technological transformation investment in manufacturing enterprises	2,276,520.85		118,774.98	2,157,745.87	Other income
Total	254,044,715.64	11,052,900.00	15,329,655.57	249,767,960.07	

2) Government grants related to income and used to compensate relevant cost, expenses or losses

Unit: RMB

Items	Current period cumulative	Financial Report Items
VAT refund on software products in excess of tax burden	9,066,856.84	Other income
VAT refund of "Placement of employment for people with disabilities"	6,754,170.00	Other income
Tax refund for attracting employment for key groups	1,093,000.00	Other income
Award of enterprise R&D investment	7,183,275.10	Other income
Talent introduction and job stabilization subsidies	4,546,903.04	Other income

Subsidy for numerical construction	2,984,400.00	Other income
Rewards for major technological innovation	2,850,100.00	Other income
Business economic rewards in 2022	1,585,000.00	Other income
Rewards for technical renovation	1,547,300.00	Other income
Reward for heat exchange technology innovation team of Xianji	1,300,000.00	Other income
Open economy incentive fund	1,131,013.00	Other income
Subsidy for manufacturing industry in 2023	1,000,000.00	Other income
Rewards for national technological innovation demonstration enterprises	1,000,000.00	Other income
Other	3,349,133.88	Other income
Subtotal	45,391,151.86	Other income

(2) The amount of government grant included in the profit or loss statement in the current period

Items	Current period cumulative
Related to assets	15,329,655.57
Related to income	45,391,151.86
Total	60,720,807.43

The government subsidies included in the current profit and loss are presented in the "other income" item.

VIII. Interest in other entities

1. Interest in subsidiaries

(1) Composition of enterprise group

Subsidiary name	Main operating place	Place of registration	Business nature	Holding proportion		Acquisition method
				Direct	Indirect	
Zhejiang Sanhua Climate and Appliance Controls Group Co., Ltd.	Zhejiang	Zhejiang	Refrigeration components	74.00%	26.00%	Business combination under common control
Zhejiang Sanhua Automotive Components Co., Ltd.	Zhejiang	Zhejiang	Automotive components	100.00%		Business combination under common control
Sanhua (hangzhou) Micro Channel Heat Exchanger Co., Ltd.	Zhejiang	Zhejiang	Refrigeration components	100.00%		Business combination under common control
Zhejiang Sanhua Trading Co., Ltd.	Zhejiang	Zhejiang	Refrigeration components	100.00%		Establishment
Zhejiang	Zhejiang	Zhejiang	Refrigeration	100.00%		Establishment

Sanhua Commercial Refrigeration Co. Ltd			components			t
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2. Changes in owner's equity share in subsidiaries and still controls transactions with subsidiaries

(1) Explanation of changes in owner's equity shares in subsidiaries

Subsidiy name	Change time	Shareholding ratio before change	Shareholding ratio After change
Xinchang Sitong Electrical and Mechanical Co., Ltd	2023-05-31	70%	86.5%

Due to our company's capital increase in Xinchang Sitong Electrical and Mechanical Co., Ltd., the company's equity ratio has increased from 70% to 86.50%.

(2) Impacts of the transactions on minority shareholders' equity and owner's equity attributable to the parent company

	Current period cumulative (Sitong Electrical and Mechanical)
Purchase cost/disposal consideration	86,609,061.80
--Cash	86,609,061.80
--Fair value of non cash assets	
Total purchase cost/disposal consideration	
Less: net asset share of subsidiaries calculated based on the proportion of equity acquired/disposed	86,609,061.80
Difference	
Wherein: Adjusting capital reserves	
Adjusting surplus reserves	
Adjusting undistributed profits	

3. Interest in joint venture or associates

(1) Aggregated financial information of insignificant joint ventures and associates

Items	Closing balance/Current period cumulative	Opening balance/Preceding period comparative
Joint ventures	--	--
Total of the following items calculated by shareholding ratio	--	--

Items	Closing balance/Current period cumulative	Opening balance/Preceding period comparative
Associates	--	--
Total book value of investment	35,234,954.43	32,438,204.13
Total of the following items calculated by shareholding ratio	--	--
-Net profit	5,296,750.30	6,300,850.84
-Total comprehensive income	5,296,750.30	6,300,850.84

IX. 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.

(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 conducts transactions with recognized and creditworthy customers, and credit risk is centrally managed by customers. As of June 30, 2023, the Company had certain credit concentration risks.

The accounts receivable from the Company's customers have been digitized and electronic, with certain credit liquidity. In addition, the balance of the Company's accounts receivable basically does not hold collateral or other credit enhancements.

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

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilizes financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

The financial liabilities of the company are classified and presented based on remaining time period till maturity in the table below:

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	1,141,938,063.73	1,176,811,676.44	1,176,811,676.44		
Held-for-trading financial liabilities	3,500,000.00	3,500,000.00	3,500,000.00		
Notes payable	2,755,748,552.44	2,755,748,552.44	2,755,748,552.44		
Accounts payable	4,186,618,386.31	4,186,618,386.31	4,186,618,386.31		
Other payable	265,496,861.29	265,496,861.29	265,496,861.29		
Non-current liabilities due within	1,718,720,282.57	1,776,754,924.63	1,776,754,924.63		

one year					
Long-term borrowings	660,544,808.74	699,409,472.23		699,409,472.23	
Bonds payable	2,801,454,320.48	2,801,454,320.48	2,801,454,320.48		
Lease liabilities	204,812,488.97	204,812,488.97	920,237.66	110,086,890.06	93,805,361.25
Subtotal	13,735,262,192.03	13,867,035,110.29	12,963,733,386.75	809,496,362.29	93,805,361.25

(Continued)

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	1,294,083,319.58	1,318,138,966.95	1,318,138,966.95		
Held-for-trading financial liabilities	3,500,000.00	3,500,000.00	3,500,000.00		
Notes payable	2,580,274,767.64	2,580,274,767.64	2,580,274,767.64		
Accounts payable	3,884,603,370.16	3,884,603,370.16	3,884,603,370.16		
Other payable	354,255,114.06	354,255,114.06	354,255,114.06		
Non-current liabilities due within one year	568,126,341.67	576,413,851.86	576,413,851.86		
Long-term borrowings	1,801,574,166.67	1,885,327,439.31		1,885,327,439.31	
Bonds payable	2,776,763,361.83	3,403,596,480.69	12,858,645.48	63,972,770.23	3,326,765,064.98
Lease liabilities	202,028,482.09	202,028,482.09	1,905,044.87	101,977,666.94	98,145,770.28
Subtotal	13,465,208,923.70	14,208,138,472.76	8,731,949,761.02	2,051,277,876.48	3,424,910,835.26

(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 rate risk and exchange rate risk.

1. Interest Rate Risk

The Company's interest risk in cash flows relates mainly to bank borrowings with floating interest rate. The Company's the cash flow interest risks arise from floating-rate financial instruments, while fair value interest risks arise from fixed-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the financing environment.

The scale of the company's liabilities need to pay interest is controlled at a reasonable level, and the burden of financial expenses is not heavy. An increase in interest rates within a reasonable range will not have a significant adverse impact on financial performance. The company's management will continue to monitor interest rate levels and take necessary response measures in a timely manner based on the latest market conditions

2. Exchange Rate Risk

The company's production base and sales market are distributed in major developed and developing countries, including the United States, the European Union, Japan, India, Mexico, etc. The business volume settled in euros and dollars has a certain proportion, and it faces significant exchange rate risks. Based on internal risk control policies, the company's management has taken several measures to respond exchange rate risks. Firstly, based on the trend of exchange rate fluctuations, timely settlement or delayed settlement of export receipts; Secondly, hedge foreign currency monetary assets and control net risk exposure by overseas financing through domestic guarantee and external loan; Thirdly, carry out forward exchange settlement and foreign currency swap business, and lock in exchange rates.

The company's foreign currency monetary assets and liabilities are detailed in the notes to the financial statements for foreign currency monetary items.

X. Disclosure of Fair Values

1. Fair values of the assets and liabilities at the end of the period

Unit: RMB

Item	Fair value as of the balance sheet date			
	Level 1	Level 2	Level 3	Total
I. Constant measurement at fair value	--	--	--	--
1. Held-for-trading financial assets	1,040,000.00	3,215,821.73		4,255,821.73
Financial assets measured at fair value through profit or loss	1,040,000.00	3,215,821.73		4,255,821.73
(1) Debt instrument investments		414,485.69		414,485.69
(2) Derivative financial assets	1,040,000.00	2,801,336.04		3,841,336.04
Total amount of assets constantly measured at their fair values	1,040,000.00	3,215,821.73		4,255,821.73
6. Held-for-trading liabilities	3,162,480.00	126,114,386.44	3,500,000.00	132,776,866.44
Derivative financial liabilities	3,162,480.00	126,114,386.44		129,276,866.44
Contingent payment consideration of business combination			3,500,000.00	3,500,000.00
Total amount of liabilities constantly measured at their fair values	3,162,480.00	126,114,386.44	3,500,000.00	132,776,866.44
II. Non-constant measurement at fair value	--	--	--	--

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 exchange rate 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.

4. Items under third level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of important parameters

Contingent payment consideration of business combination are measured according to the contract agreement based on the company's (Zhejiang Sanhua Board Exchange Technology Co., Ltd) 2023 profit data forecast.

XI. 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	47.12%	47.12%

Remarks on the parent Company:

As of June 30, 2023, Sanhua Holding Group Co., Ltd. (Hereinafter referred to as SHG) directly holds 26.44% of the Company's shares, and indirectly holds 20.68% of the shares through its subsidiaries, for a total of 46.18% of the shares. The final controllers of the Company are Mr Zhang Daocai, Mr Zhang Yabo and Zhang Shaobo.

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:

Associates or joint ventures	Relationship with the Company	Abbreviation of associate
Chongqing Tainuo Machinery Co., Ltd	Joint ventures	CTMC
Qingdao Sanhua Jinlifeng Machinery Co., Ltd	Joint ventures	QSJM
Zhongshan Xuanyi Pipe Making Co., Ltd	Joint ventures	ZXPM

4. Other related parties of the Company

Other related parties of the Company	Relationship with the Company	Abbreviation of associate
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd.	Shareholders, under the control of the same parent company	ZSGE
Hangzhou Sanhua Research Institute Co., Ltd.	Under the control of the same parent company	HSRI
Hangzhou Lvneng New Energy Vehicle Parts Co., Ltd	Previously controlled by Sanhua Research Institute	HLNE
Xinchang County Sanhua Property Management Co., Ltd.	Under the control of the same parent company	XCSP
Shanghai Sanhua Electric Co., Ltd	Under the control of the same parent company	SSE
Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.	Under the control of the same parent company	ZSZR
Zhejiang Haoyuan Technology Co., Ltd.	Under the control of the same parent company	ZHT
Ningbo Fuerda Smartech Co., Ltd.	Under the control of the same parent company	NFS

Wuhu Alda Technology Co., Ltd.	Joint-stock enterprise of the parent company	WAT
Hangzhou Formost Material Technology Co., Ltd	Joint-stock enterprise of the parent company	HFMT

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
SHG	Goods	6,273.30	500,000.00	No	
SHG	Services	4,182.20	74,600,000.00	No	
ZSGE	Services	1,143,487.12	74,600,000.00	No	372,182.27
HLNE	Services		74,600,000.00	No	272,851.46
HSRI	Services	22,686.23	74,600,000.00	No	19,087.92
NFS	Goods		500,000.00	No	27,620,720.03
ZXPM	Goods	10,034,439.41	22,400,000.00	No	9,758,753.69
ZHT	Services	374,957.03	74,600,000.00	No	444,993.31
QSJM	Goods	3,405,710.00	4,500,000.00	No	
WAT	Goods	25,823.00	500,000.00	No	

Sale of goods and rendering of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Goods	1,344.00	10,213.26
SHG	Services	842,009.44	842,009.42
HFMT	Services	74,377.36	74,377.36
ZHT	Services	509,001.99	526.19
QSJM	Goods	168,571.15	1,234,589.15
HLNE	Goods	4,167,522.63	
CTMC	Goods		298,843.05
HSRI	Goods	910,665.24	5,928,205.09
WAT	Services	39,875.00	18,384.00
ZSZR	Goods		7,893.80

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 transaction limit with Sanhua Holdings Group Co., Ltd. and its subsidiaries is approved through a consolidated summary, with a purchase goods limit of 0.5 million yuan and a purchase rent, equipment lease, property management, water and electricity power, and service fee limit of 74.60 million yuan.

(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	2,654,669.72	2,654,669.71
HFMT	Plant	150,171.42	150,171.40
WAT	Plant	624,733.92	

The Company as the lessee:

Unit: RMB

Lessor	Types of asset leased	Lease income for current period	Lease income for the preceding period
HSRI	Office building	528,514.29	444,685.71
ZSGE	Dormitory	317,647.48	71,536.06
	Plant	1,531,999.30	1,804,315.01

(3) Related party guarantees

The Company as guaranteed parties

Unit: RMB

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
SHG	RMB 2,303,000,000.00	September 28, 2021	October 13, 2025	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.

The above guarantee amount is the total data. The guarantee starting date is the earliest guarantee starting date, and the guarantee expiration date is the latest guarantee expiration date.

(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
HTM	Equipment		517,522.13
HSRI	Equipment		14,207.44

(5) Key management's emoluments

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	9,480,670.20	9,109,655.39

(6) Other related party transactions

Unit: RMB

Abbreviation of associate	Content of transaction	Current period cumulative	Preceding period comparative
ZSGE	Water and electricity payment	4,557,949.51	3,724,311.83

ZHT	Steam payment	18,426,129.97	6,793,343.17
SHG	Water and electricity collection	365,648.52	399,027.82
HFMT	Water and electricity collection	308,968.43	446,984.64
HSRI	Water and electricity collection	765,838.12	761,519.04
WAT	Water and electricity collection	268,572.72	133,665.88
ZSGE	Water and electricity collection	359,981.97	308,105.81
ZHT	Water and electricity collection	11,096,279.60	86,271.57

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	HSRI	814,463.21	40,723.16	577,932.65	28,896.63
Accounts receivable	HLNE			9,075,252.25	453,762.61
Accounts receivable	ZSGE	71,193.51	3,559.68		
Accounts receivable	WAT	336,559.61	16,827.98	6,139.97	307.00
Accounts receivable	HFMT	585,654.33	29,282.72		
Accounts receivable	QSJM	13,385.72	669.29		
Prepayments	ZHT	670,000.00			
Other receivables	ZHT			670,000.00	51,475.00

(2) Payables

Unit: RMB

Items	Related parties	Closing balance	Opening Balance
Accounts payable	QSJM	1,017,127.13	380,902.10
Accounts payable	ZXPM	7,090,811.70	14,415,289.63
Accounts payable	ZHT	100,458.61	352,333.66
Accounts payable	HSRI	719,760.50	719,760.50
Accounts payable	HSRI	81,177.00	
Received advances	HFMT	100,000.00	100,000.00
Other payable	ZSGE	72,576.31	
Other payable	HSRI		20,000.00

XII. 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	5,989,500.00
Total equity instruments retired in current period	200,400.00
The range of exercise prices of share options outstanding at the end of the period and the remaining contractual life	The adjusted restricted stock grant price is RMB 9.70, which will be unlocked in batches within 12 months after 12 months, 24 months, and 36 months from the grant date.
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 6.6615, which will be unlocked in batches within 12 months after 12 months, 24 months, and 36 months from the grant date. 2022 Restricted Stock Incentive Plan: The adjusted restricted stock grant price is RMB 9.70, which will be unlocked in batches within 12 months after 12 months, 24 months, and 36 months from the grant date.

Other remarks

(1) Incentive plan for Restricted stock implemented in 2020

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. In April 2022, the company implemented the 2021 equity distribution. In September 2022, the company implemented half of year 2022 equity distribution. In June 2023, the company implemented the 2022 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 6.6615.

(2) Incentive plan for Restricted stock implemented in 2022

In May 2022, the Company implemented a restricted stock incentive plan for core employees. Among them, the number of restricted stocks granted was 17.5850 million shares, the number of stock appreciation rights granted was 0.4850 million shares, and the grant price per share was RMB 10.00. The grant date was May 31, 2022, and it will be unlocked year by year in batches at a ratio of 30%:30%:40%.

In September 2022, the company implemented half of year 2022 equity distribution. In June 2023, the company implemented the 2022 equity distribution. According to the method stipulated in the "2022 Restricted Stock Incentive Plan" and "2022 Stock Appreciation Rights 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 17.5850 million shares, the number of stock appreciation rights granted was 0.4850 million shares, and the grant price per share was RMB 9.70.

2. Equity-settled share-based payment

Applicable Not applicable

Unit: RMB

Determination method for grant-date fair value of equity instruments	Calculated based on the closing price of the stock on the grant date 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	254,824,066.82
Total expenses incurred due to equity-settled share-based payment	39,079,881.17

Other remarks

Note: In 2020, the company initially granted 12.045 million restricted stocks to incentive object. Later, it was adjusted to 15.6585 million shares due to the annual distribution of equity in 2019. In 2022, the company initially granted 17.5850 million restricted stocks to incentive object. 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).

3. Cash-settled share-based payment

Applicable Not applicable

Unit: RMB

Determination method for the fair value of liability incurred by the Company and to be settled in cash or other equity instruments	Calculated based on the closing price of the stock on the balance sheet date minus the grant price of the stock appreciation rights
Accumulated amount of liabilities incurred due to cash-settled share-based payment	14,232,999.98
Total expenses incurred due to cash-settled share-based payment	9,015,700.00

XIII. Commitments and contingencies

1. Significant commitments

Significant commitments 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) Significant contingencies existing on the balance sheet date

As of June 30, 2023, there are no significant contingencies that need to be disclosed by the company.

(2) 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.

XIV. Events after the balance sheet date

1. Notes of other events after the balance sheet date

(1) Stock issue

Approved by resolution of the company's shareholders' meeting, the company submits the "Issuance Plan for Adding Domestic Basic A-share Shares through Overseas Issuance of Global Depository Receipts (GDR)" to the Shenzhen Stock Exchange. According to the plan, the newly added A-share basic securities represented by the company's GDR issuance this time shall not exceed 6.43% of the total common stock capital of the company before this issuance (According to the total share capital of the company as of June 15, 2023, it does not exceed 230,893,309 shares)(including securities issued due to the exercise of any over-allotment rights, if any).

(2) Redemption of convertible company bonds

Due to the triggering of the redemption clause of the "Sanhua Convertible Bond" by the closing price of the company's stock, and with the approval of the company's board of directors, the company plans to exercise the early redemption right of the convertible bond and redeem all the "Sanhua Convertible Bond" registered after the closing of the redemption registration date at the price of the bond face value plus accrued interest for the current period. On August 8, 2023, the company completed the redemption of convertible bonds.

XV. 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	January 2023 to June 2023			
	Operating revenue	Operating cost	Total assets	Total liabilities
Refrigeration and air-conditioning electrical parts business	770,602.11	571,371.31	1,921,013.83	1,067,515.32
Auto parts business	482,289.95	358,190.20	994,883.70	440,556.08
Total	1,252,892.06	929,561.51	2,915,897.53	1,508,071.40

Items	January 2022 to June 2022			
	Operating revenue	Operating cost	Total assets	Total liabilities
Refrigeration and air-conditioning electrical parts business	696,138.61	531,498.74	1,872,337.66	1,092,225.60
Auto parts business	319,856.69	238,736.03	668,836.68	269,453.90
Total	1,015,995.30	770,234.77	2,541,174.34	1,361,679.50

XVI. 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	840,398,829.60	83.78%	5,805,795.56	0.69%	834,593,034.04	605,744,200.07	74.35%			605,744,200.07
Including:										
Receivables	162,690,818.57	16.22%	8,134,540.93	5.00%	154,556,277.64	208,963,287.00	25.65%	10,449,251.95	5.00%	198,514,035.05

with provision made on a collective basis										
Including:										
Total	1,003,089,648.17	100.00%	13,940,336.49	1.39%	989,149,311.68	814,707,487.07	100.00%	10,449,251.95	1.28%	804,258,235.12

Provision made on an individual basis:

Unit: RMB

Name	Closing balance			
	Book balance	Provision for bad debt	Accrued proportion	Accrued reason
Several subsidiaries	834,593,034.04			
Dayou Vinya (Thailand) Co., Ltd	5,805,795.56	5,805,795.56	100.00%	
Total	840,398,829.60	5,805,795.56	--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Book balance	Book balance
Within 1 year	162,690,818.57	8,134,540.93	5.00%
Total	162,690,818.57	8,134,540.93	--

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

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	997,283,852.61
1 to 2 year	5,805,795.56
Total	1,003,089,648.17

(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	10,449,251.95	3,491,084.54				13,940,336.49
Total	10,449,251.95	3,491,084.54				13,940,336.49

Closing balance of top 5 debtors totaled 847,783,578.16 yuan, accounting for 84.52% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 3,553,371.17 yuan.

2. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	1,232,345,466.82	650,791,643.96
Total	1,232,345,466.82	650,791,643.96

(1) 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	1,220,352,748.49	532,760,000.00
Land accounts receivable		90,383,016.00
Tax refund receivable	2,035,577.53	18,982,883.07
Guarantee deposit	5,317,310.00	5,300,385.80
Others	5,260,570.05	3,703,706.53
Total	1,232,966,206.07	651,129,991.40

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, 2023	161,075.01	100,006.53	77,265.90	338,347.44
Balance in current period on January 1, 2023	—	—	—	—
--Transferred to phase II	-78,517.05	78,517.05		
--Transferred to phase III		-127,944.20	127,944.20	
Provision made in current period	96,660.39	106,454.72	79,276.70	282,391.81
Balance on June 30, 2023	179,218.35	157,034.10	284,486.80	620,739.25

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)	961,525,241.46
1 to 2 years	266,935,792.61
2 to 3 years	639,721.00
Over 3 years	3,865,451.00
Total	1,232,966,206.07

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	338,347.44	282,391.81				620,739.25
Total	338,347.44	282,391.81				620,739.25

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
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	Financial aid	495,850,000.00	Within 1 year	40.22%	
Sanhua International Singapore Pte. Ltd.	Financial aid	232,900,000.00	Within 1 year	18.89%	
Hangzhou Leaderway Electronics Co., Ltd	Financial aid	91,180,000.00	0-2 year	7.40%	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	Financial aid	70,076,800.00	1-2 year	5.68%	
Wuhu Sanhua Refrigeration Parts Co., Ltd	Financial aid	43,771,344.59	0-2 year	3.55%	
Total	--	933,778,144.59	--	75.74%	

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	7,682,958,322.83		7,682,958,322.83	7,513,700,369.50		7,513,700,369.50
Investments in associates and joint ventures	31,063,670.33		31,063,670.33	28,958,340.27		28,958,340.27
Total	7,714,021,993.16		7,714,021,993.16	7,542,658,709.77		7,542,658,709.77

(1) Investments in subsidiaries

Unit: RMB

Investees	Opening	Changed amount of the current period	Closing	Closing
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	balance(Carrying amount)	Investments increased	Investments decreased	Provision for impairment	Others	balance (Carrying amount)	balance of provision for impairment
Zhejiang Sanhua Automotive Components Co., Ltd.	2,722,469,868.51	9,822,176.62				2,732,292,045.13	
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd	657,057,189.81	3,174,347.46				660,231,537.27	
Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd	328,576,392.73	0.00				328,576,392.73	
Sanhua International Inc.	307,539,173.79	224,344.17				307,763,517.96	
Sanhua International Singapore Pte. Ltd	950,862,026.27	1,153,098.69				952,015,124.96	
Wuhu Sanhua Automatic Control Components Co., Ltd	261,737,631.13	18,985,696.86				280,723,327.99	
Sanhua (Jiangxi) Self-control Components Co., Ltd	94,024,591.81	142,150.74				94,166,742.55	
Xinchang Sitong Electrical and Mechanical Co., Ltd	48,551,469.55	87,271,732.79				135,823,202.34	
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	1,653,158,817.69	4,293,907.23				1,657,452,724.92	
Zhejiang Sanhua Trading Co.	57,843,827.50	1,243,219.18				59,087,046.68	

Ltd							
Changzhou Lanke four-way valve co., LTD	62,541,614.60	0.00				62,541,614.60	
Hangzhou Leaderway Electronics Co., Ltd	55,607,396.18	1,355,103.00				56,962,499.18	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	33,369,324.24	224,343.96				33,593,668.20	
Zhongshan Sanhua Air conditioning Refrigeration Components Co., Ltd	5,556,306.77	147,835.92				5,704,142.69	
Wuhan Sanhua Refrigeration Components Co., Ltd	4,959,860.95	226,713.69				5,186,574.64	
Zhongshan Sanhua Refrigeration Components Co., Ltd	6,587,521.80	195,066.18				6,782,587.98	
Suzhou Sanhua Air-Conditioner Parts Co.,Ltd	9,079,389.05	124,220.76				9,203,609.81	
Sanhua AWECO Appliance Systems (Wuhu) Co., Ltd.	152,877,775.96	437,362.44				153,315,138.40	
Zhejiang Sanhua Minshi Automotive Components Co., Ltd	51,000,000.00	0.00				51,000,000.00	
Sanhua New Energy Thermal Management	50,300,191.16	40,236,633.64				90,536,824.80	

t Technology (Hangzhou) Co., Ltd									
Total	7,513,700,369.50	169,257,953.3 3						7,682,958,322.8 3	

(2) Investments in associates and joint ventures

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	Investment income recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
<input type="checkbox"/> Joint ventures											
<input type="checkbox"/> Associates											
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	5,078,465.12			- 98,509.89						4,979,955.23	
Chongqing Tainuo Machinery Co., Ltd.	16,130,424.27			2,854,327.80			2,500,000.00			16,484,752.07	
Ningbo Jinlifeng Machinery Co., Ltd.	2,141,904.04			512,325.43						2,654,229.47	
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.	3,859,926.41			1,270,952.85						5,130,879.26	
Xinchang Zhejiang energy sanhua	1,747,620.43			66,233.87						1,813,854.30	

comprehensive energy co. LTD										
Subtotal	28,958,340.27			4,605,330.06			2,500,000.00			31,063,670.33
Total	28,958,340.27			4,605,330.06			2,500,000.00			31,063,670.33

(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 24,143,746.08 yuan.

4. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	3,187,342,829.65	2,446,105,548.71	2,989,734,423.46	2,394,290,430.11
Other operations	188,742,061.91	179,628,647.43	203,593,432.84	189,144,584.74
Total	3,376,084,891.56	2,625,734,196.14	3,193,327,856.30	2,583,435,014.85

5. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Long-term equity investment income calculated by cost method	46,862,001.82	750,000,000.00
Long-term equity investment income calculated by equity method	4,605,330.06	5,599,588.25
Investment income of bank financing products	86,531.50	3,136,982.23
Gains and losses on settlement of futures contracts	4,141,032.14	2,520,275.99
Gains and losses on settlement of foreign exchange contract	530,000.00	-1,483,174.62
Income of fund using fee	7,748,626.08	6,798,711.79
Others	641,743.78	
Total	64,615,265.38	766,572,383.64

6. Others

R&D expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	79,766,562.72	61,231,867.97
Material and power expense	66,348,245.97	63,136,509.25
Depreciation and amortization expense	5,448,825.42	4,620,689.50

Mold manufacturing expense	911,150.50	1,913,032.09
Royalties	632,046.18	727,637.07
Outsourcing R&D expense	356,340.18	433,214.76
Others	339,063.34	451,291.27
Total	153,802,234.31	132,514,241.91

XVII. 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 (Including the offsetting portion of the accrued provision for impairment of assets)	-3,064,084.40	
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)	44,899,780.71	
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	-133,362,738.92	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. January to June 2023, the futures income was 4.3452 million yuan and the forward loss was 137.708 million yuan; January to June 2022, the futures loss was 9.5117 million yuan and the forward loss was 64.9561 million yuan. Therefore, there were significant fluctuations in the amount of non-recurring profit and loss items in the first half of the two years. Meanwhile, the exchange gain from January to June 2023 was 194.1929 million yuan. The exchange income from January to June 2022 was 100.6505 million yuan. 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 the above items	1,961,169.92	
Other profit or loss satisfying the definition of non-recurring profit or loss	2,096,067.98	
Less: Enterprise income tax affected	-15,456,546.00	
Non-controlling interest affected	616,159.13	
Total	-72,629,417.84	--

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	10.17%	0.39	0.39
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	10.70%	0.41	0.41

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