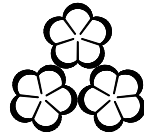


Zhejiang Sanhua Intelligent Controls Co., Ltd.

2020 Annual Report



March 2021

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 IX "Outlook for the Future Development of the Company" under Section IV " 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: With 3,581,818,372 as the base number, cash dividend of RMB 2.50 (including tax) will be distributed to all shareholders for every 10 shares. The Company will not distribute bonus shares or convert capital reserves to share capital.

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Definitions

Items	Refers to	Definition
The Company, Company	Refers to	Zhejiang Sanhua Intelligent Controls Co., Ltd.
<i>The Articles of Associations</i>	Refers to	<i>Articles of Associations for Zhejiang Sanhua Intelligent Controls Co., Ltd.</i>
The CSRC	Refers to	China Securities Regulatory Commission
SZSE	Refers to	Shenzhen Stock Exchange
Zhejiang Securities Regulatory Bureau	Refers to	Zhejiang Securities Regulatory Bureau of China Securities Regulatory Commission
General Meeting	Refers to	General Meeting of Zhejiang Sanhua Intelligent Controls Co., Ltd.
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		
Registered Address	Xialiquan, Qixing Street, Xinchang, Zhejiang		
Post Code of Registered Address	312500		
Office Address	No. 219, Woxi Avenue, Meizhu, Xinchang, Zhejiang, China		
Post Code of Office Address	312532		
Website	http://www.zjshc.com		
E-mail	shc@zjshc.com		

II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Hu Kaicheng	Wang Yutong
Address	No. 12 St., No. 289 Xiasha Economic Development, Hangzhou, Zhejiang, China.	No. 219, Woxi Avenue, Meizhu, Xinchang County, Zhejiang, China.
Tel.	0571-28020008	0575-86255360
Fax	0571-28876605	0575-86563888-8288
E-mail	shc@zjshc.com	shc@zjshc.com

III. Information Disclosure and Place of the Report

1. Company's contact information

Newspaper designated by the Company for information disclosure	<i>Securities Times, Shanghai Securities News</i>
Website specified by CSRC for release of the Annual Report	http://www.cninfo.com.cn
Place where the Annual Report is available for inspection	Office of the Board of Directors of the Company

IV. Company Registration and Alteration

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

V. Other Relevant Information

Accounting firm engaged by the Company

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

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

Applicable Not applicable

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

Applicable Not applicable

VI. Key Accounting Data and Financial Indicators

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

Yes No

	2020	2019	YoY Change	2018
Operating Revenue (RMB)	12,109,833,368.44	11,287,489,442.23	7.29%	10,835,990,677.51
Net Profit Attributable to Shareholders of the Listed	1,462,158,821.57	1,421,204,236.13	2.88%	1,292,349,782.17

Company (RMB)				
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	1,270,609,746.53	1,351,335,040.19	-5.97%	1,294,769,254.99
Net Cash Flow Generated by Operational Activities (RMB)	2,087,343,783.11	1,900,163,604.60	9.85%	1,287,595,477.72
Basic Earnings per Share (RMB/Share)	0.41	0.40	2.50%	0.36
Diluted Earnings per Share (RMB/Share)	0.41	0.40	2.50%	0.36
Weighted Average ROE	15.04%	16.08%	-1.04%	15.65%
	At the End of 2020	At the End of 2019	YoY Change	At the End of 2018
Total Assets (RMB)	17,032,530,730.18	14,790,190,170.64	15.16%	13,932,172,478.62
Net Assets Attributable to Shareholders of the Listed Company (RMB)	10,064,794,519.57	9,291,632,928.45	8.32%	8,614,844,555.48

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

Yes No

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

Yes No

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Operating income	2,483,672,660.52	2,834,505,966.25	3,275,037,359.22	3,516,617,382.45
Net profit attributable to shareholders of the Company	211,359,665.77	432,122,051.58	448,766,825.92	369,910,278.30
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	266,958,886.61	315,232,275.06	374,984,962.07	313,433,622.79
Net cash flows from operating activities	519,305,066.00	585,346,383.42	465,557,608.32	517,134,725.37

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

Yes No

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

Applicable Not applicable

Unit: RMB

Item	2020	2019	2018	Note
Profit or loss from disposal of non-current assets (including the write-off for the impairment provision of assets)	-14,770,607.27	-6,087,268.05	-3,220,333.08	
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous application according to the state industrial policy.)	134,101,082.00	86,311,151.49	43,294,732.23	
Capital occupation fees charged to non-financial enterprises included in current profits and losses		61,191.86		
Profits and losses attributed to change in fair value for held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities; and investment income from disposal of	91,394,679.61	563,966.95	-35,231,187.51	1. The floating income generated by futures hedging business is detailed in "Notes to income from changes in fair

<p>held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, excluding the effective hedging business related to the regular business operation of the Company.</p>				<p>value and investment income" of this financial report. According to the <i>Operation Management Measures of Futures Hedging Business</i>, the Company will continue to carry out the futures hedging business of raw materials such as copper, zinc, nickel and other raw materials in 2020, mainly for customer price and fixed price futures hedging business. As the number of contracts locked is consistent with the customer's orders, and the contract locked price is not higher than the customer's locked price. The Company can keep the stable profit margin of the above customer's business and achieve the purpose of hedging. The above clients who carry out futures hedging business are well-known domestic and foreign manufacturers, and have good historical credit. Since the</p>
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				<p>implementation of customer copper locking mechanism, there has been no breach of contract.</p> <p>2. Floating income of foreign exchange forward contract is calculated as follows: In order to avoid exchange rate risk, the Company has signed a forward foreign exchange contract with the bank, which will be exercised at the appointed price when it matures in the future, and the settlement will be based on the difference between the forward exchange rate on the starting date of the contract and the spot exchange rate at the time of settlement.</p>
Reversal of the receivables and contract assets depreciation reserves for separate impairment test			81,318.50	
Other non-operating income and expenditures except the items mentioned above	620,065.25	5,445,213.46	-3,933,272.04	
Other gains and losses items that fit the definition of non-recurring gains and losses	1,246,912.65	92,329.55		
Less: Impact of income tax	19,272,109.42	13,966,646.08	2,763,172.58	
Impact of the minority interests (after tax)	1,770,947.78	2,550,743.24	647,558.34	

Total	191,549,075.04	69,869,195.94	-2,419,472.82	--
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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 Corporate Business Overview

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

1. Main business

The Company adheres to the "Focus on Leading, Innovation, Transcendence" business path, concentrating on the research and application of heat pump technology and thermal management system products, focusing on the development of environmental thermal management solutions for heat exchange and temperature intelligent control, and is committed to the professional operation in the fields of building HVAC, electrical equipment and automotive thermal management. According to the different stages and characteristics of strategic business and their development, the Company's business is mainly divided into refrigeration and air conditioning electrical components business and automotive components business.

The main products of refrigeration and A/C electrical parts business include Four-way Reversing Valve, Electronic Expansion Valve, Solenoid Valve, Microchannel Heat Exchanger, Omega Pump, etc., which are widely used in A/C, refrigerator, cold chain logistics, dishwasher and other fields; the main products of automotive components business include Thermal Expansion Valve, Receiver Drier, Electronic Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Electronic Water Pump, etc., which are widely used in both traditional fuel vehicles and new energy vehicle.

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

2. Industry development

(1) Refrigeration and air conditioning electrical components industry

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

(2) Automotive components industry

The global automobile industry has been developing rapidly, which also drives the market demand of automotive A/C and 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 A/C and thermal management products no matter in hybrid, pure electric or hydrogen energy vehicles. Focusing on the in-depth research on A/C and thermal management system of new energy vehicles, the Company has gradually developed 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.

3. Industry status

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

II. Significant Changes in Main Assets

1. Significant changes in main assets

Major assets	Explanation on Major Changes
Fixed Assets	Increased by 459.80 million, +13.61%, compared with the beginning of the year, mainly due to investment of raised funds and the transformation of automation equipment
Construction in Progress	Increased by 147.77 million, +30.72%, compared with the beginning of the year, mainly due to investment of raised funds and the transformation of automation equipment

2. Major overseas assets

Applicable Not applicable

Content of Assets	Formation	Size of Assets	Location	Operation Mode	Control measures of security assets	Income Status	Proportion of overseas assets in net assets of the Company	Whether there is significant impairment risk
Sanhua International Limited (USA) (merger)	Equity Investment	1,351,516,858.23	The United States	R&D, Manufacturing, Marketing and Investment Management	Financial supervision and external audit	45,106,474.68		No
Sanhua	Equity	2,213,696,	Singapore	R&D,	Financial	44,696,908		No

International Singapore PTE. Ltd. (merger)	Investment	335.86		Manufacturing, Marketing and Investment Management	supervision and external audit	.08		
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III. Core Competitiveness Analysis

1. Clear strategic layout

The Company adheres to the "Focus on Leading, Innovation, Transcendence" business path, takes the research and application of heat pump technology and thermal management system products as the core, firmly grasps the development theme of energy conservation, environmental protection and intelligent control, upgrades from "mechanical parts development" to "system control technology solution development of electronic control integration". The Company's product series are expanded from household A/C and refrigerator components to the field of commercial A/C and commercial refrigeration, and extending to the direction of inverter control technology and system integration and upgrading. Meanwhile, after the injection of automotive business, it gives full play to the synergy effect with the original business, continues to deepen the research and development of automobile A/C and 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 granted 2379 patents both domestic and abroad, including 1168 invention patents. All products, services and quality of the Company are to meet the needs of customers as the first priority.

3. Quality assurance, scale economy effect

The Company's products cover refrigeration A/C electrical components and automotive components industry. The market share of the Company's Electronic Expansion Valve, Four-way Reversing Valve, Solenoid Valve, Microchannel Heat Exchanger, Automotive Electronic Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Omega Pump ranks first globally. The market share of Service Valve, Vehicle Thermal Expansion Valve and Receiver Drier is in the leading position in the world. The Company has established a complete and strict quality assurance system, achieved ISO9001, IATF16949, QC080000 quality system certification. The Company won the National Quality Award, Zhejiang Quality Award, and won the high comments from JCI, Daikin, Carrier, Gree, Midea, 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 and other places, and has preliminary ability to cope with globalization. And in practice, we have trained a number of management talents who can meet the needs of business development in different countries and regions.

Section IV Management's Discussion and Analysis of Operations

I. Overview

In 2020, China and foreign countries were negatively affected by the COVID-19. Globally, the U.S. economy is cooling, Europe's economic recovery is slow, while China's epidemic situation is under better control and takes the lead in economic recovery. However, under the challengeable international background of looser monetary policy of Federal Reserve and rising commodity prices, external industry environment of the Company is under pressure. Specific to the industry in which the Company operates, the Company's refrigeration and air conditioning electrical components business is affected by the epidemic, and the overall performance is under pressure in the short term. However, with the inventory clearance of the industry and the release of new energy efficiency standards for air conditioning, the demand has gradually begun to recover, even reaching a new high point. The automotive components business has been greatly affected by the overall decline of the automobile industry, but new energy vehicles develop rapidly.

During the reporting period, the operating revenue is RMB 12.11 billion, a year-on-year increase of 7.29%; the operating profit is RMB 1.70 billion, a year-on-year increase of 2.27%; the net profit attributable to shareholders of the listed Company is RMB 1.46 billion, a year-on-year increase of 2.88%. The operating revenue of refrigeration and air conditioning electrical components business is RMB 9.64 billion, a year-on-year increase of 0.04%; the operating revenue of automotive components business is RMB 2.47 billion, a year-on-year increase of 49.57%.

The main works of the Company in the first half of 2020 are as follows:

1. Focus on operation and deepen industrial layout

(1). Refrigeration and air conditioning electrical components business

The Company's refrigeration and air conditioning electrical components business was negatively affected by the epidemic. Under the pressure of a sharp decline in the first quarter, the Company paid close attention to the market trend, actively adjusted the market strategy, further strengthened the strategic relationship with customers externally, seized orders, and steadily increased the market share. At the same time, with the release of new energy efficiency standards for air conditioning, we will actively seize market opportunities such as energy efficiency upgrading and refrigerant switching, and continue to promote more competitive products. Due to long term work of integration of Aweco business, its revenue has been turned to positive. In addition, the construction of Vietnam's factories has achieved initial results, and is able to effectively coping with the challenge of US tariff increase.

(2). Automotive components business

On the premise of epidemic prevention and control, the automotive components business actively built global marketing network and production capacity layout. Production capacity's landing and climbing of a variety of products in Mexico factory has been realized, and steady expansion of Shaoxing Binhai factory actively responded to the delivery of orders from domestic and foreign customers. At the same time, Sanhua actively promoted integrated module projects among existing customers, so as to make products more standard,

integrated and platform oriented. With heat pump components and key components as the core business, the Company constantly improved the competitiveness of its products and actively developed new customers under guarantee of existing projects. In 2020, the Company achieved breakthroughs of many new customers and orders of many new projects, and became a tier 1 supplier of the top ten automobile manufacturers in the world, with the continuous rising in total life cycle value.

2. Unite as one and fight against the epidemic together

After the outbreak of the epidemic, under guidance of government departments, the Company concentrated on the prevention and control of the epidemic on one hand and the resumption of production on the other hand. In each subsidiary around the world, timely implemented the anti-epidemic material reserve, overcame plenty of difficulties, implemented of resumption of work in batches, provided timely products and service for customers, and ensured the normal operation and production. Due to timely, stable and effective epidemic prevention measures, the Company's annual revenue has achieved positive growth.

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

During the reporting period, the Company invested 518 million yuan in R & D, this continuous R & D investment is used to build the product strength. And the Company participated in market competition with new products and new technologies through continuous optimization iteration. In terms of patent layout, the main work is to "eliminate product patent risks and enhance patent rights" to sort out and summarize the patents of key products, so as to achieve resource sharing of each unit. By the end of the report period, 2379 patents have been authorized at home and abroad, including 1168 invention patents.

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

The Company continued to deepen the work of "strengthening the talents, streamlining and high efficiency", promote each business unit to optimize the talent development and elimination mechanism, and comprehensively apply the talent review results. At the same time, during the reporting period, the Company implemented the second phase of restricted stock incentive plan for directors, senior managers and other core talents, and further established and improved the Company's long-term incentive mechanism.

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

During the reporting period, the Company strengthened and improved the construction of internal control system, standardized the operation of the three committees, improved the Company's information disclosure, investor relationship management and other aspects. And ensured smooth communication between investors and listed company through interactive platform, investor call answering, on-site reception and other means. In 2020, the Company's market value reached a new record.

II. Main Business Analysis

1. Overview

Please refer to details in "I. Overview" of "Section IV Management's Discussion and Analysis of Operation"

2. Operating incomes and operating costs

1) Operating income structure

	2020		2019		YoY Change
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Total Revenue	12,109,833,368.44	100%	11,287,489,442.23	100%	7.29%
Classified by Industry					
General Equipment Manufacturing Industry	12,109,833,368.44	100.00%	11,287,489,442.23	100.00%	7.29%
Classified by Products					
Refrigeration A/C Electrical Components	9,640,647,193.31	79.61%	9,636,588,706.35	85.37%	0.04%
Automotive Components	2,469,186,175.13	20.39%	1,650,900,735.88	14.63%	49.57%
Classified by Region					
Domestic	5,864,589,812.78	48.43%	5,594,651,760.03	49.57%	4.82%
Overseas	6,245,243,555.66	51.57%	5,692,837,682.20	50.43%	9.70%

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

√ Applicable □ Not applicable

	Operating income	Operating cost	Gross margin	YoY Change of operating income	YoY Change of operating cost	YoY Change of gross margin
Classified by Industry						
General Equipment Manufacturing Industry	12,109,833,368.44	8,500,391,322.27	29.81%	7.29%	6.97%	0.21%
Classified by Products						
Refrigeration A/C Electrical Components	9,640,647,193.31	6,764,599,091.22	29.83%	0.04%	-0.55%	0.41%
Automotive Components	2,469,186,175.13	1,735,792,231.05	29.70%	49.57%	51.58%	-0.94%
Classified by Region						

Domestic	5,864,589,812. 78	4,214,522,983. 97	28.14%	4.82%	4.80%	0.02%
Overseas	6,245,243,555. 66	4,285,868,338. 30	31.37%	9.70%	9.18%	0.32%

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

Applicable Not applicable

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

Yes No

Industry	Item	Unit	2020	2019	YoY Change
General Equipment Manufacturing Industry	Sales	Yuan	12,109,833,368.44	11,287,489,442.23	7.29%
	Production	Yuan	12,170,122,424.44	11,337,224,679.64	7.35%
	Inventory	Yuan	2,402,338,998.74	2,273,270,394.25	5.68%

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

Applicable Not applicable

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

Applicable Not applicable

5) Operating cost structure

Unit: Yuan

Industry	Item	2020		2019		YoY Change
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
General Equipment Manufacturing Industry	Material	6,445,946,206. 35	75.83%	6,022,623,114. 62	75.79%	7.03%
General Equipment Manufacturing Industry	Labor	1,274,879,076. 04	15.00%	1,176,641,430. 25	14.81%	8.35%
General Equipment Manufacturing Industry	Depreciation	254,799,059.70	3.00%	224,908,694.23	2.83%	13.29%
General Equipment Manufacturing Industry	Energy Source	188,350,845.76	2.22%	194,227,590.85	2.44%	-3.03%
General	Other	336,416,134.42	3.96%	328,443,615.88	4.13%	2.43%

Equipment Manufacturing Industry						
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Unit: Yuan

Product	Item	2020		2019		YoY Change
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Refrigeration A/C Electrical Components	Material	5,186,890,211. 38	61.02%	5,241,925,556. 58	65.96%	-1.05%
Refrigeration A/C Electrical Components	Labor	1,059,871,851. 73	12.47%	1,045,010,795. 00	13.15%	1.42%
Refrigeration A/C Electrical Components	Depreciation	201,479,294.12	2.37%	189,097,669.75	2.38%	6.55%
Refrigeration A/C Electrical Components	Energy Source	140,848,963.04	1.66%	150,757,539.80	1.90%	-6.57%
Refrigeration A/C Electrical Components	Other	175,508,770.95	2.06%	174,957,696.44	2.20%	0.31%
Automotive Components	Material	1,259,055,994. 97	14.81%	780,697,558.04	9.82%	61.27%
Automotive Components	Labor	215,007,224.31	2.53%	131,630,635.25	1.66%	63.34%
Automotive Components	Depreciation	53,319,765.58	0.63%	35,811,024.48	0.45%	48.89%
Automotive Components	Energy Source	47,501,882.72	0.56%	43,470,051.05	0.55%	9.27%
Automotive Components	Other	160,907,363.47	1.89%	153,485,919.44	1.93%	4.84%

6) Any change in consolidation scope during the reporting period

Yes No

1. Disposal of subsidiaries

Lose control due to disposal

Name of subsidiary	Equity disposal price	Equity disposal ratio	Equity disposal method	Date of losing control
Qingdao Debaiyi Refrigeration Equipment Co.,	6,562,658.15	70%	Transfer to	2020-12-02

Ltd			Minority shareholders	
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(Continued)

Determination fo losing control	The difference between the disposal price and corresponding net asset of consolidated financial statements	Proportion of remaining equity on the date of loss of control	Net assets on disposal date	Net profit from the beginning of the period to the disposal date
Complete the registration procedures for industrial and commercial changes	-4,098,327.44	0.00	15,229,979.42	-1,609,483.26

2. Changes in the scope of consolidation due to other reasons

1) Increased scope of consolidation

Name	Method of obtaining equity	Date of equity acquisition	Actual contribution at the end of the period	Contribution ratio
Zhejiang Xianji Intelligent Technology Co., Ltd	New investment	2020-09-10	34.6 million yuan	100%
Sanhua Mexico Investment Co., Ltd	New investment	2020-09-15	200000 pesos	100%
Zhejiang Sanhua Commercial Refrigeration Co., Ltd	New investment	2020-10-09	68.29 million yuan	100%
Shaoxing Sanhua Automobile Thermal Management Technology Co., Ltd	New investment	2020-12-03	0.00	100%

2) Decreased scope of consolidation

Name	Method of disposal	Date of disposal	Net assets on disposal date	Net profit from the beginning of the period to the date of cancellation
Hangzhou Sanhuajia Electric Heating Management System Co., Ltd	Liquidation cancellation	2020-05-18	147,448.25	-78,092.41
Aweco Electrical Equipment (Shanghai) Co., Ltd	Liquidation cancellation	2020-06-02	6,669.73	22,351.38
Ma'anshan Sanhua Intelligent Technology Co., Ltd	Liquidation cancellation	2020-08-03	3,907,472.50	-478,491.11

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

Applicable Not applicable

8) Major customers and suppliers:

Sales to major customers of the Company

Sales to top five customers (RMB)	4,291,399,554.22
Total sales to top five customers as a percentage of the total sales for the year (%)	35.43%

Total sales to the related parties in top five customers as a percentage of the total sales of the year (%)	0.00%
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Information on top five customers

No.	Name of Customer	Sales Amount (RMB)	Percentage of total sales for the year
1	First	1,157,466,943.06	9.56%
2	Second	946,329,101.54	7.81%
3	Third	815,461,250.85	6.73%
4	Fourth	809,814,087.88	6.69%
5	Fifth	562,328,170.89	4.64%
Total	--	4,291,399,554.22	35.43%

Other information of major customers

Applicable Not applicable

Major suppliers of the Company

Total purchases from top five suppliers (RMB)	946,674,947.40
Total purchases from top five suppliers as a percentage of the total purchases for the year	15.37%
Total purchases from the related parties in the top five suppliers as a percentage of the total purchases for the year	0.00%

Information on top five suppliers of the Company

No.	Name of Supplier	Purchase Amount (RMB)	Percentage of total purchase for the year
1	First	324,721,054.98	5.27%
2	Second	273,488,083.85	4.44%
3	Third	132,846,224.35	2.16%
4	Fourth	116,287,076.44	1.89%
5	Fifth	99,332,507.78	1.61%
Total	--	946,674,947.40	15.37%

Other information on major suppliers

Applicable Not applicable

3. Expenses

Unit: Yuan

	2020	2019	YoY Change	Note of significant change
Sales expenses	602,954,759.17	588,547,454.16	2.45%	

Administrative expenses	764,084,428.88	595,781,120.22	28.25%	It is mainly due to the increase of employee compensation and share based payment in the current period.
Financial expenses	128,860,093.64	-7,772,819.07	1,757.83%	Mainly due to changes in gains and losses of exchange rate fluctuations
R&D expenses	518,401,363.63	532,012,335.99	-2.56%	

4. R&D Investment

Applicable Not applicable

	2020	2019	YoY Change
Number of R & D personnel	1,576	1,279	23.22%
Proportion of R & D personnel	12.06%	12.03%	0.03%
Amount of R&D expenses (RMB)	518,401,363.63	532,012,335.99	-2.56%
R&D investment as a percentage of operating income	4.28%	4.71%	-0.43%
Capitalized R&D expenses (RMB)	0.00	0.00	0.00%
Capitalized R&D expenses as a percentage of R&D expenses	0.00%	0.00%	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash flow

Item	2020	2019	YoY Change
Subtotal of cash inflows from operating activities	12,367,638,678.57	12,520,735,302.40	-1.22%
Subtotal of cash outflows from operating activities	10,280,294,895.46	10,620,571,697.80	-3.20%
Net cash flows from operating activities	2,087,343,783.11	1,900,163,604.60	9.85%
Subtotal of cash inflows from investing activities	644,636,918.39	1,123,706,197.07	-42.63%

Subtotal of cash outflows from investing activities	1,439,811,450.15	900,786,184.48	59.84%
Net cash flows from investing activities	-795,174,531.76	222,920,012.59	-456.71%
Subtotal of cash inflows from financing activities	2,163,516,795.02	2,283,952,930.77	-5.27%
Subtotal of cash outflows from financing activities	2,559,032,808.73	3,017,767,552.58	-15.20%
Net cash flows from financing activities	-395,516,013.71	-733,814,621.81	46.10%
Net increase in cash and cash equivalents	846,361,023.53	1,389,240,153.53	-39.08%

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

Applicable Not applicable

1. The net cash flow from investment activities decreased by 456.71%, mainly due to the decrease in redemption of bank financial products.
2. Net cash flow from financing activities increased by 46.10%, mainly due to the decrease of cash paid for debt.

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

Applicable Not applicable

It is mainly caused by changes in operating receivables and receivables. See the supplementary information of cash flow statement in the financial report for details.

III. Non-Core Business Analysis

Applicable Not applicable

Unit: RMB

	Amount	Proportion to net profit	Note of Change	Sustainability
Investment Income	89,078,877.16	5.26%	Gains and losses of futures contract settlement, foreign exchange forward contract settlement, bank financial product, etc.	No
Gains and Losses from Change of Fair Value	31,847,915.76	1.88%	Floating income of futures contracts, foreign exchange forward contracts, bank financial products, etc.	No
Non-operating	5,055,479.82	0.30%	Income from nonpayment,	No

Revenue			compensation and liquidated damages, gains from retirement of fixed assets, etc.	
Non-operating Expenditures	14,843,633.18	0.88%	Loss on retirement of fixed assets, litigation compensation loss, etc.	No
Credit Impairment Loss	-28,677,382.30	-1.69%	Bad debt loss, etc.	No
Assets Impairment Loss	-58,672,538.84	-3.47%	Loss on impairment of inventories	No
Gains on Disposal of Properties	-486,378.33	-0.03%	Gains on disposal of fixed assets	No
Other Gains	151,555,896.45	8.96%	Government subsidies, value-added tax rebate for civil affairs and welfare enterprises, value-added tax rebate for software products, etc.	The government grants of VAT refund of civil welfare enterprises and software product VAT exceeding tax burden are sustainable, while the rest are not sustainable

IV. Analysis of Assets and Liabilities

1. Material changes of assets

The Company implemented new income or lease standard and adjusted beginning balance of relevant items of financial statements for the first time in 2020.

Applicable

Unit: RMB

	December 31 st 2020		January 1 st 2020		YoY Change	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and Bank Balances	3,489,687,568.14	20.49%	2,663,719,770.15	18.01%	2.48%	Mainly due to the increase of net cash flow generated by the Company's operating activities
Account Receivable	2,355,613,299.57	13.83%	1,871,323,522.82	12.65%	1.18%	
Inventories	2,307,761,706.46	13.55%	2,180,838,596.07	14.75%	-1.20%	

Investment property	10,067,588.96	0.06%	27,025,974.05	0.18%	-0.12%	
Long-term Equity Investment	15,219,616.68	0.09%	14,522,259.80	0.10%	-0.01%	
Fixed Assets	3,839,408,059.45	22.54%	3,379,608,199.26	22.85%	-0.31%	
Construction in Progress	628,730,529.07	3.69%	480,959,262.46	3.25%	0.44%	
Short-term borrowings	383,088,296.60	2.25%	1,295,610,572.07	8.76%	-6.51%	
Long-term borrowings	1,707,918,994.87	10.03%	392,882,280.09	2.66%	7.37%	

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Items	Opening balance	Profit and loss of fair value change in the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	Current purchase amount	Current sale amount	Other changes	Closing balance
Financial Assets								
1. Held-for-trading financial assets (Excluding Derivative Financial Assets)	993,634,433.31	-241,409,571.53						752,224,861.78
2. Derivative Financial Assets	8,314,400.73	50,016,085.80						58,330,486.53
Subtotal of financial assets	1,001,948,834.04	-191,393,485.73						810,555,348.31
Total	1,001,948,834.04	-191,393,485.73						810,555,348.31

Financial Liabilities	126,364.40	7,813,593.51						7,939,957.91
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Whether there were any material changes on the measurement attributes of major assets of the Company during the reporting period:

Yes No

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

Items	Closing Book value	Reasons for being restricted
Cash and Bank Balances	46,093,170.51	Deposits
	32,327,359.09	Deposits in futures institutions
	11,123,000.00	Litigation frozen funds
Note Receivable	1,608,722,846.32	Pledge for financing
Total	1,698,266,375.92	-

V. Analysis of Investments

1. Overview

Applicable Not applicable

Investment during the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year (RMB)	YoY Change
277,394,000.00	11,038,318.85	2,413.01%

2. Significant equity investment during the reporting period

Applicable Not applicable

3. Significant non-equity investment during the reporting period

Applicable Not applicable

4. Financial asset portfolio

(1) Securities Investments

Applicable Not applicable

No such case in the reporting period.

(2) Derivatives Investments

Applicable Not applicable

5. Usage of raised funds

√Applicable □Not applicable

(1) Overall usage of raised fund

√Applicable □Not applicable

Unit: RMB in 10 thousand

Year	Method	Total amount of raised funds	Total amount of raised funds invested in the report period	Accumulated amount of raised funds invested	Total amount of raised funds with use alteration during the reporting period	Accumulated amount of raised funds with use alteration	Proportion of accumulated amount of raised funds with use alteration to the total amount of raised funds	Total amount of unused raised funds	Raised funds has not been used	Raised funds has not been used for two years
2015	Non-public offering	39,400	536.6	35,105.64		11,471.76	29.12%		-	
2017	Non-public offering	132,231	43,306.99	125,424.14				16,631.45	Deposited in the special account of raised funds and used for purchasing bank financial products	
Total	--	171,631	43,843.59	160,529.78		11,471.76	6.68%	16,631.45	--	0
Description of Overall Usage of Raised Funds										
The information in the above table includes the raised funds issued by the Company in 2015 and 2017.										

(1) Year 2015

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

Approved by China Securities Regulatory Commission (CSRC) [2015] No. 1454, the Company non-public offered 46,349,942 common shares, with a total raised fund of RMB 399,999,999.46. After deducting the issuance expenses of RMB 5,999,999.47, the net amount of raised funds is RMB 393,999,999.99. The raised funds were transferred in on December 21st, 2015, and it has been verified by Tianjian accounting firm, which has issued the *Capital Verification Report (TJY [2015] No. 531)*.

As the principal body of the project is Hangzhou Sanhua Microchannel Heat Exchanger Co., Ltd. (hereinafter referred to as Sanhua Microchannel) and its subsidiary Sanhua Mexico Industry s. de.r.l.de C.V. (hereinafter referred to as Mexico Microchannel), the Company allocated RMB 393,999,999.99 of raised funds to Sanhua Microchannel in the form of capital increase on December 29th, 2015.

2. Usage and balance of raised funds

The Company has used RMB 345.6904 million of raised funds in previous years. The amount of bank deposit interest and financial income net of bank charges received in previous years was RMB 12.2878 million. The surplus balance of raised funds amounted to RMB 26,100, all of which has been used to permanently replenish the Company's working capital. From January to December 2020, the actual use of raised funds is RMB 5.3660 million, the amount of bank deposit interest and financial income after deducting bank charges is RMB 444,100. The surplus balance of raised funds amounted to RMB 55.6494 million, all of which has been used to permanently replenish the Company's working capital. The accumulated amount of used raised funds was RMB 351.0564 million, the accumulated amount of bank deposits interest and financial income after deducting bank charges is RMB 12.7319 million. The accumulated surplus balance of raised funds amounted to RMB 55.6755 million, all of which has been used to permanently replenish the Company's working capital.

After being deliberated and approved by the Company's 2019 shareholders' meeting on May19,2020, the surplus raised funds will supplement working capital permanently, and all regulatory accounts for storing the raised funds were cancelled. As of December 31, 2020, the balance of raised funds is RMB 0.000.

(1) Year 2017

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

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

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

2. Usage and balance of raised funds

The Company has used RMB 821.1715 million of the raised funds in previous years, and the amount of bank deposit interest and financial income net of bank charges received in previous years was RMB 77.6239 million. In 2020, the actual usage of raised funds is RMB 433.0699 million, and the amount of bank deposit interest and financial income net of bank charges is RMB 20.62 million. The accumulated amount of used raised funds was RMB 1,254.2414 million, the accumulated amount of bank deposits interest and financial income after deducting bank charges is RMB 98.2459 million.

As of December 31, 2020, the balance of raised funds is RMB 116.3145 million (including the net amount of accumulated bank deposit interest and financial income deducting bank charges, etc.), and the balance of raised funds actually used by the Company to purchase financial products is RMB 50 million.

(2) Statement of Committed Investment Projects of Raised Funds

√ Applicable □ Not applicable

Unit: RMB in 10 thousand

Committed investment projects and allocation of over-raised funds	Whether project has been (or partially) altered	Total committed investment of raised funds	Total investment after alteration (a)	Investment in the current year	Accumulative investment at the end of the period (b)	Investment progress at the end of the period (%) (d)=(b)/(a)	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 of Microchannel Heat Exchanger production line in Mexico	Yes	22,755	11,760		11,739.6	99.83%	December 31 st , 2017		N/A	Yes
Technical transformation project of heat exchanger with an annual output of additional 800,000 units	No	7,996	7,996		7,996	100.00%	June 30 th , 2017		N/A	No
Replenish working capital	No	9,249	9,249		8,649	93.51%			N/A	No

Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units	No		11,471.76	536.6	6,721.04	58.59%	December 31 st , 2019		N/A	No
New energy auto parts construction project with annual output of 11.5 million sets	No	50,362	50,362	18,903.69	47,464.86	94.25%	December 31 st , 2021		N/A	No
Technical transformation project of Automotive thermal management system module with an annual output of additional 7.3 million units	No	45,495	45,495	21,922.48	47,150.26	103.64%	January 31 st , 2021		N/A	No
Technical transformation project of Automotive A/C control components with an annual output of additional 12.70 million units	No	20,874	20,874	1,204.69	19,064.52	91.33%	March 31 st , 2020		N/A	No
Expansion of product testing room and auxiliary production room project	No	13,400	13,400	1,276.13	9,686.65	72.29%	January 31 st , 2019		N/A	No
Payment of agents' fees	No	2,100	2,100		2,057.85	97.99%			N/A	No
Subtotal of committed investment projects	--	172,231	172,707.76	43,843.59	160,529.78	--	--	1,633.93	--	--
Investment of excess proceeds										
--										

Total	--	172,231	172,707.76	43,843.59	160,529.78	--	--	1,633.93	--	--
The situation and reasons of not reaching the planned schedule or expected income (by specific project)	<p>Funds raised in 2015:</p> <p>After deliberation and approval of the board of directors on August 6th, 2016, the date of asset ready for intended use of " Technical transformation project of heat exchanger with an annual output of additional 800,000 units " was extended from June 2016 to June 2017, and other contents of the project remained unchanged. This project has been completed. The specific reasons for postponement of the construction progress of the project are as follows: According to the medium and long-term development strategy, combined with the existing product structure, the Company adopted the strategy of prudent use and reasonable investment in the previous fund-raising. The new invested equipment tends to be more intelligent and systematic, and the equipment selection is carried out according to the latest technical requirements and product models. At the same time, due to the change of market demand, the production process needs to be improved, which leads to the equipment investment progress later than expected. In June 2017, the project has been completed.</p> <p>After deliberation and approval of the board of directors on November 30th, 2017, the Company made some changes to the purpose of the raised funds for the " Construction of Microchannel Heat Exchanger production line in Mexico", and transferred the remaining raised funds into " Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units". The new project plans to use RMB 114.7176 million of raised funds (including RMB 4.7676 million of bank deposit interest and financing income of raised funds), accounting for 29.12% of the net amount of funds raised in 2015. Reasons for the change: In order to accelerate the development of Microchannel business, improve the level of technical equipment, realize the adjustment and upgrading of product structure, and give full play to the resource advantages of Sanhua Microchannel Hangzhou factory in R&D, technology, equipment, and improve the utilization efficiency of raised funds. The Company postponed the investment in the third production line and other related supporting facilities of Mexico project. The investment of the third production line and other supporting facilities in Mexico project shall be arranged by the Company with own funding. " Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units " is implemented by Sanhua Microchannel, which is a technology transformation project with new production capacity, and the benefit of this project cannot be calculated separately.</p> <p>Funds raised in 2017:</p> <p>(1) After deliberation and approval by the board of directors of the Company on April 1st, 2019, the date of asset ready for intended use of " Technical transformation project of Automotive thermal management system module with an annual output of additional 7.3 million units " and " Technical transformation project of Automotive A/C control components with an annual output of additional 12.70 million units " was extended from January 2019 to January 2021, the other contents of the project will remain unchanged. Reasons for the change: Combined with the existing product structure and market trend, the Company adopts the strategy of prudent use and reasonable investment for the raised funds. As the new equipment tends to be more intelligent and systematic, the Company selects the equipment according to the latest technical requirements and product models, so that the investment progress of new equipment of the project is later than expected. In March, 2020, " Technical transformation project of Automotive</p>									

	<p>A/C control components with an annual output of additional 12.70 million units " has been completed. In January 2021, the " Technical transformation project of Automotive thermal management system module with an annual output of additional 7.3 million units " has been completed.</p> <p>(2) After deliberation and approval by the board of directors on April 27th, 2020, the date of asset ready for intended use of " New energy auto parts construction project with annual output of 11.5 million sets" was extended from December 2019 to December 2021, and other contents of the project remained unchanged. Reasons for the change: Combined with the existing product structure and market trend, the Company adopts the strategy of prudent use and reasonable investment for the raised funds. In combination with customer feedback and production scheduling plan, the Company will gradually release the production capacity according to the actual customer demand. In order to ensure that the investment progress can meet the actual production demand, the Company will adjust the equipment procurement timing of the raised fund investment project according to the customer's actual requirements, thus extend the investment period of the raised fund investment project.</p>
Significant changes in the feasibility of projects	<p>Funds raised in 2015:</p> <p>1. Basic information about the change of projects invested by raising funds</p> <p>After deliberation and approval of the board of directors on November 30th, 2017, the Company made some changes to the purpose of the raised funds for the " Construction of Microchannel Heat Exchanger production line in Mexico", and transferred the remaining raised funds into " Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units". The costs of this new project is around RMB 114.7176 million of raised funds (including RMB 4.7676 million of bank deposit interest and financing income of raised funds), accounting for 29.12% of the net amount of funds raised in 2015.</p> <p>2. Reasons for the change of the project invested by raising funds</p> <p>In order to accelerate the development of Microchannel business, improve the level of technical equipment, realize the adjustment and upgrading of product structure, and give full play to the resource advantages of Sanhua Microchannel Hangzhou factory in R&D, technology, equipment, and improve the utilization efficiency of raised funds. The Company postponed the investment in the third production line and other related supporting facilities of Mexico project. The investment of the third production line and other supporting facilities in Mexico project shall be arranged by the Company with own funding.</p> <p>3. Decision making procedures for the change of projects invested by raising funds</p> <p>The change of raised investment project was approved by the board of directors of the Company on November 30th, 2017.</p> <p>4. Information disclosure of changes in projects invested by raised funds</p> <p>On December 2nd, 2017, the Company disclosed the <i>Announcement on Changing the Usage of Part Raised Funds (Announcement No.: 2017-078)</i>.</p> <p>5. " Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units " is implemented by Sanhua Microchannel, which is a technology transformation project</p>

	with new production capacity, and the benefit of this project cannot be calculated separately.
Amount, usage and use progress of over-raised Funds	Not applicable
Change in implementation location of investment projects of Raised Funds	Not applicable
Adjustment to implementation method of investment projects of Raised Funds	Not applicable
Advance investment and replacement of projects invested with raised funds	Applicable <p>Raised funds in 2015: In 2016, the Company replaced the initial investment amount with raised funds of RMB 72.6453 million.</p> <p>Funds raised in 2017: In 2017, the Company replaced the initial investment amount by raised funds of RMB 140.5585 million.</p>
Temporary supplement of working capital with idle raised funds	Not applicable
The amount and reasons of the balance of raised funds in the project implementation	Applicable <p>Funds raised in 2015:</p> <p>After deliberation and approval of the board of directors on November 30th, 2017, the Company made some changes to the purpose of the raised funds for the " Construction of Microchannel Heat Exchanger production line in Mexico", and transferred the remaining raised funds into " Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units". The costs of this new project are around RMB 114.7176 million of raised funds (including RMB 4.7676 million of bank deposit interest and financing income of raised funds), accounting for 29.12% of the net amount of funds raised in 2015.</p> <p>In order to accelerate the development of Microchannel business, improve the level of technical equipment, realize the adjustment and upgrading of product structure, and give full play to the resource advantages of Sanhua Microchannel Hangzhou factory in R&D, technology, equipment, and improve the utilization efficiency of raised funds. The Company postponed the investment in the third production line and other related supporting facilities of Mexico project. The investment of the third production line and other supporting facilities in Mexico project shall be arranged by the Company with own funding.</p>

	<p>Funds raised in 2017:</p> <p>The project of " Technical transformation project of Automotive thermal management system module with an annual output of additional 7.3 million units " has been put into operation. The project was completed and checked before acceptance by the office of general manager on January 31, 2021. On January 31, 2021, the final payment of the project is about 52.7745 million yuan, which is paid with its own funds according to the contract, and the balance of the project is about 14.1079 million yuan.</p>
Use of unused raised funds	<p>Funds raised in 2017:</p> <p>It was deposited in the special account of raised funds and used to purchase bank financial products.</p>
Problems or other situations in the use and disclosure of raised funds	No

(3) Statement of Altered Investment Projects of Raised Funds

√ Applicable □ Not applicable

Unit: RMB in 10 thousand

Project after alteration	Project before alteration	Total Raised Funds to be invested to the project after alteration (a)	Actual investment in the current year	Actual accumulative investment (b)	Investment progress (%) (c)=(b)/(a)	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
Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units	Construction of Microchannel Heat Exchanger production line in Mexico	11,471.76	536.6	6,721.04	58.59%	December 31 st , 2019		Not applicable	No

Total	--	11,471.76	536.6	6,721.04	--	--	0	--	--
Alteration reason, decision making progress and information disclosure (of a specific project)	<p>1. Basic information about the change of projects invested by raising funds</p> <p>After deliberation and approval of the board of directors on November 30th, 2017, the Company made some changes to the purpose of the raised funds for the " Construction of Microchannel Heat Exchanger production line in Mexico", and transferred the remaining raised funds into " Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units". The new project plans to use RMB 114.7176 million of raised funds (including RMB 4.7676 million of bank deposit interest and financing income of raised funds), accounting for 29.12% of the net amount of funds raised in 2015.</p> <p>2. Reasons for the change of the project invested by raising funds</p> <p>In order to accelerate the development of Microchannel business, improve the level of technical equipment, realize the adjustment and upgrading of product structure, and give full play to the resource advantages of Sanhua Microchannel Hangzhou factory in R&D, technology, equipment, and improve the utilization efficiency of raised funds. The Company postponed the investment in the third production line and other related supporting facilities of Mexico project. The investment of the third production line and other supporting facilities in Mexico project shall be arranged by the Company with own funding.</p> <p>3. Decision making procedures for the change of projects invested by raising funds</p> <p>The change of raised investment project was approved by the board of directors of the Company on November 30th, 2017.</p> <p>4. Information disclosure of changes in projects invested by raised funds</p> <p>On December 2nd, 2017, the Company disclosed the <i>Announcement on Changing the Usage of Part Raised Funds (Announcement No.: 2017-078)</i>.</p> <p>5. " Automatic technical transformation project of heat exchanger with an annual output of additional 700,000 units " is implemented by Sanhua Microchannel, which is a technology transformation project with new production capacity, and the benefit of this project cannot be calculated separately.</p>								
The situation and reasons of not reaching the planned schedule or expected income (by specific project)	Not applicable								
Description of significant changes in the feasibility of the changed project	Not applicable								

VI. 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

VII. 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 Refrigeration Group Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	250 million	3,422,167,038.05	3,182,229,394.09	1,190,814,030.28	227,396,068.39	198,048,980.66
Hangzhou Sanhua Microchannel Heat Exchanger Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	360 million	1,631,228,511.78	1,043,129,777.10	1,277,658,814.36	169,082,160.80	141,993,665.67
Zhejiang Sanhua Trading Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components marketing	50 million	2,481,484,241.37	121,613,441.43	3,758,566,203.96	10,935,839.37	6,595,425.66
Zhejiang Sanhua	Subsidiary	Automotive	1,460	4,371,825,	2,961,182,	2,469,186,	377,143,40	331,778,97

Automotive Components Co., Ltd		components manufacturing and marketing	million	691.32	045.19	175.13	1.31	6.74
Sanhua International Limited (USA) (merger)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	37.55 million USD	1,351,516,858.23	255,307,748.50	2,472,709,133.91	61,453,322.54	45,106,474.68
Sanhua International Singapore PTE. Ltd. (merger)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	\$105.579833 million	2,213,696,335.86	604,832,010.57	3,428,049,807.50	60,076,824.35	44,696,908.08

Information about obtaining and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company name	Equity acquisition and disposal method during the reporting period	Impact on overall production results Hangzhou
Hangzhou Sanhua Household Thermal Management System Co., Ltd.	Liquidation cancellation	No significant impact
AWECO Electric Equipment (Shanghai) Co., Ltd.	Liquidation cancellation	No significant impact
Ma'anshan Sanhua Intelligent Technology Co., Ltd	Liquidation cancellation	No significant impact
Qingdao Debaiyi Refrigeration Equipment Co., Ltd	Equity transfer	No significant impact

Zhejiang Xianji Intelligent Technology Co., Ltd	New investment	No significant impact
Sanhua Mexico Investment Limited	New investment	No significant impact
Zhejiang Sanhua Commercial Refrigeration Co., Ltd	New investment	No significant impact
Shaoxing Sanhua Automobile Thermal Management Technology Co., Ltd	New investment	No significant impact

VIII. Structural Entities Controlled by the Company

Applicable Not applicable

IX. Outlook for the Future Development of the Company

1. Development strategy

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

2. Business plan for 2021

(1) Refrigeration air conditioning electrical parts business

The refrigeration and air conditioning electrical parts business will seize the opportunities of energy efficiency upgrading, refrigerant switching, multi-line and other related business products, continue to expand the customer base, strengthen the acquisition and transformation of business opportunities, and improve operation sales. The Company promotes intelligent manufacturing and lean production, increases special procurement management, deeply promotes team building, and constantly improves product competitiveness. Continue to integrate and improve the operation and management of Aweco at home and abroad, increase the construction of overseas factories in Vietnam and Mexico, improve the overall operation efficiency of overseas manufacturing and marketing, and create greater benefits. At the same time, we will accelerate the planning of new factories in Daming City, and lay a solid foundation in various commercial fields of consumption upgrading and industrial upgrading of the Chinese market in the future.

(2) Automotive components business

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

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

3. Main risks for future development

(1) Risk of price fluctuation of raw materials

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

(2) The risk of rising labor cost

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

(3) Trade and exchange rate risk

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

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

√ Applicable □ Not applicable

(1) Reception of research activities during the reporting period.

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	Main contents of discussion and materials provided	Index of basic situation of the research
June 2, 2020	Hangzhou	On-site research	Institution	Dongwu Securities: Chai Jiahui; Guangfa Fund: Mo Jiao; Dacheng Fund: Cheng Xiang	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050

July 1, 2020	Hangzhou	On-site research	Institution	CICC: Liu Chang; Jingshun Great Wall: Han Ting, Zhang Qingze	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
July 8, 2020	Hangzhou	On-site research	Institution	E Fund: Feng Bo, Qi He, Cai Rongcheng, Lin Gaobang, Jia Jian, He Chongkai, Li Zhongyang, Hu Yunfeng, Liu Wu, Chen Lixin, Zheng Xi, Wei Yixi, Lin Sen, Ge Qiushi, Wuyang, Ouyang Liangqi; Dongwu Securities: Feng Yanzhu, Zeng Duohong, Chai Jiahui	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
August 25, 2020	Hangzhou	On-site research	Institution	Huitianfu Fund: Yuan Jianjun, Wang Xu, Lao Jienan, Hu Xinwei, Zhao Pengfei, Ma Xiang, Yang Yican, Yang Fan, Tan Zhiqiang, Liu Weilin, Zhao Jian, Zheng Huilian, Zhang Peng, Weng Qiang, Bian Zheng, Rao Yunfei; Zheshang Securities: Wang	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050

				Haiyang, Zhang Yuyuan		
August 27-28, 2020	Hangzhou	On-site research	Institution	<p>Ping'an Asset Management: Xu Zhixiang; CICC Fund: Qiu Yanbing; Dingfeng Asset: Zhang Qijia; Anxin Securities: Li Yizhen; Baoxin Asset: Lin Haifeng; Everbright Asset Management: Ying Chao; Shenwan Appliance: Liu Yizhen Zheng; Shenwan Appliance: Shi Jinxing; GF Securities: Wang Chaoning; Tianchong Capital: Fu Jiesong; Jiaoyin Kanglian: Wang Yaoyong; Shanghai Bank Fund: Wang Kexin; First Beijing: Li Ancheng; Yimu Assets: Jiang Yue; Zijin Insurance: Sang Yadong; Hua'an Securities: Ye Qun; Debang Fund: Tao Yutao; Panjing Investment:</p>	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050

				Wang Linsen; GF Securities: Zhang Xiujun; Tianchong Capital: Jiang Xiaodong; Hangyin Financial Management: Shen Jiexin		
November 9, 2020	Hangzhou	On-site research	Institution	Huatai Securities: Xing Chongyang, Wang Tao; Huishitong Investment: Bao Yunan; Chao Tiancheng: Fang Sixin; Qianrui Assets: Wang Yongqiang; Zheshang Securities: Li Bohua; Pacific Securities: Fan Xiapei; Guotai Yuanxin: Lu Daming; Qiantou Finance: Zhou Wei, Chen Kai; Shangfeng Capital: Gu Jiahao; Shenghua Capital: Chai Shanshan; Ningju Investment: Luo Zhe	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
November 19, 2020	Hangzhou	On-site research	Institution	E-Fund: Zhu Yan; Ping'an Asset Management:	Introduction of the company's operation and reply to	http://irm.cninfo.com.cn/ssessgs/S002050

				Liu Ruiyuan, Ren Zheng, Han Yue, Zhang Ze, Cheng Zhucheng; Changjiang Securities: Wu Bohua	investors' questions	
December 8, 2020	Hangzhou	On-site research	Institution	Caitong Securities: Gong Siwen, Fu Zhenghao; Western Asset Management: Shuang Xing, Fu Yunchuan; Yipin Assets: Zhou Xin; Oriental Wealth Securities: Wang Ying, Yu Na; Xinda Securities: Wu Hao, Chen Lei; Shibei Investment: Qin Xuefeng; Yanxin Assets: Shen Mengkai, Tang Qingqing, Huang Huaying; Hongcheng Investment: Ding Lijia	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
December 16-17, 2020	Hangzhou	On-site research	Institution	CITIC Securities: Dong Yudan, Li Cong, Li Jingtao, Wang Hao, Qian Xiangjin, Li Hang; Kaiyin Capital: Shen Lingna; Yihui Investment:	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050

				<p>Wang Zhen; Kaiji Securities: Wei Hongda; Changsheng Fund: Guo Kun; Guotou Ruiyin: Ye Qing; Zhongtai Securities: Chen Chuanhong; Zheshang Fund: Chai Ming; Nord Fund: Luo Shifeng; Xinyuan Investment: Wen Zuobei; Guantong Futures: Zhao Yan; Yibo Investment: Lv Guojin; Qinghe Capital: Dong Xinghua and Xiao Han; Hongshan Capital: Song Yahui; Tianchong Capital: Fu Jiesong; Dongfang Financial Holding: Chen Xiaohe; Nanhua Fund: Li Fangfang; China Europe Fund: Shen Shaobo; Zhongtai Securities: Suchen; Huatai Baoxing; Liu Tengfei; Nord</p>	
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				Fund: Yan Anqi		
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Section V Significant Events

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

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

Applicable Not applicable

1. On April 30, 2020, The Company's 2019 Annual Profit Distribution Plan was approved in the 2019 Annual General Meeting of Shareholders. Based on 275,583,602 existing shares, excluding the repurchased shares, RMB 1.50 (including tax) was distributed to all shareholders for every 10 shares, with a total of RMB 413,337,540.30. Meanwhile, 3 shares were distributed for every 10 shares with capital reserve, with a total of 826,675,080 shares. After this, the total share increased to 3,592,041,778. The profit distribution plan has been completed on June 2, 2020.

2. Based on 3,582,258,682 shares of the Company, excluding the repurchased shares, RMB 1.00 (including tax) was distributed to all shareholders for every 10 shares, totaling of RMB 358,225,868.20. The profit distribution plan has been completed on September 16, 2020.

The formulation and implementation of the Company's cash dividend policy has been in strict compliance with the relevant laws and regulations, normative documents and the articles of association, in line with the provisions of the articles of association or the requirements of the resolution of the general meeting of shareholders. The dividend standard and proportion are clear, the relevant decision-making procedures and mechanisms are complete, the independent directors perform their duties and play their due role, and minor shareholders have fully expressed their views. The legitimate rights and interests of them have been fully protected.

Special Notes on Cash Dividend Policies	
Whether they comply with the requirements of the Company's articles of incorporation or the resolutions of the General Meeting of Shareholders:	Yes
Whether the dividend standards and proportions are distinct and clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors performed their duties and played their due role:	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected:	Yes
Whether relevant conditions and procedures are compliant and transparent when the cash dividend policies are being adjusted or	N/A

changed:

Profit distribution policy (proposal) and capitalizing of capital reserves policy (proposal) in last three years (including the current reporting period)

1. Profit distribution for the year 2018

(1) Profit distribution for the half year 2018: Based on the Company's total share capital of 2,120,316,835, the Company distributed cash dividend of RMB 1.00 (tax inclusive) per each 10 shares to all shareholders with a total of RMB 212,031,683.50.

(2) Profit distribution for the year 2018: Based on the Company's total share capital of 2,116,703,682, the Company distributed cash dividend of RMB 2.5 (tax inclusive) and 3 shares dividend per each 10 shares to all shareholders with a total of RMB 529,175,920.50 and 635,011,063 shares. After this, the total share capital was increased to 2,765,657,898.

2. Profit distribution for the year 2019

Profit distribution for the year 2019: Based on the Company's total share capital of 2,755,583,602, the Company distributed cash dividend of RMB 1.5 (tax inclusive) and 3 shares dividend per each 10 shares to all shareholders with a total of RMB 413,337,540.30 and 826,675,080 shares. After this, the total share capital was increased to 3,592,041,778.

3. Profit distribution proposal for the year 2020:

(1) Profit distribution for the half year 2020: Based on the Company's total share capital of 3,582,258,682, the Company distributed cash dividend of RMB 1.00 (tax inclusive) per each 10 shares to all shareholders with a total of RMB 358,225,868.20.

(2) Profit distribution for the year 2020: Based on the Company's total share capital of 3,581,818,372, the Company distributed cash dividend of RMB 2.50 (tax inclusive) per each 10 shares to all shareholders with a total of RMB 895,454,593.

Cash dividend of ordinary shares in last 3 years (including the current reporting period)

Unit: Yuan

Year	Cash dividend amount (tax included)	Net profit attributable to common stock shareholders of listed companies in the consolidated financial statement of the year for dividend	The ratio of cash dividends to the net profit attributable to ordinary shareholders of listed companies in the consolidated statements	The amount of cash dividends in other ways (such as share repurchase)	The proportion of cash dividends in other ways to the net profit attributable to ordinary shareholders of listed companies in the consolidated	Total amount of cash dividends (including other ways)	The ratio of total amount of cash dividends (including other ways) to the net profit attributable to ordinary shareholders of listed companies in the

		distribution			statements		consolidated statements
2020	1,253,680,461. 20	1,462,158,821. 57	85.74%	0.00	0.00%	1,253,680,461. 20	85.74%
2019	413,337,540.30	1,421,204,236. 13	29.08%	274,375,830.00	19.31%	687,713,370.30	48.39%
2018	741,207,604.00	1,292,349,782. 17	57.35%	29,995,518.45	2.32%	771,203,122.45	59.67%

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

Applicable Not applicable

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

Applicable Not applicable

Bonus share issued per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	2.50
Total capital share basis for the distribution proposal (share)	3,581,818,372
Total cash dividend (RMB) (tax inclusive)	895,454,593.00
Cash dividend amount in other ways (such as share repurchase) (RMB)	0.00
Total cash dividends (including other ways) (RMB)	895,454,593.00
Distributable profits (RMB)	1,089,748,875.88
Percentage of cash dividends in the total distributed profit (%)	100%
Cash dividends	
Other	
Detailed description of profit distribution or capital reserves conversion plan	
With 3,581,818,372 as the base number, cash dividend of RMB 2.50 (including tax) will be distributed to all shareholders for every 10 shares. A total of RMB 895,454,593 will be distributed. There are no bonus shares. The remaining undistributed profits of the Company shall be carried forward to the next year, and there is no conversion of capital reserve to share capital.	

III. Performance of commitments

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

√ Applicable □ Not applicable

Commitments	Giver of commitments	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
	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 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, 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	January 5 th , 2009	Long term	Strict performance

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

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

			engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other shareholders.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd.	Other Commitment	Zhang Daocai, Zhang Yabo, Zhang Shaobo and Sanhua holding Group, the controlling shareholder of the Company, made the following commitments: after the completion of the transaction, Sanhua intelligent controls will continue to improve the corporate governance structure and independent operation of the Company management system in accordance with the requirements of relevant laws and regulations and the articles of Association, and continue to maintain the independence of Sanhua intelligent controls in business, assets, finance, institutions, personnel, etc. to protect the interests of all shareholders.	July 24 th , 2015	Long term	Strict performance
	Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Commitment of restricted shares	The shares acquired in this transaction shall not be transferred within 36 months from the listing date of new shares after the completion of the issuance; within 6 months after the completion of the transaction, if the closing price of the shares of the listed Company is lower than the issue price of the shares to purchase assets for 20 consecutive trading days, or if the closing price at the end of 6th month is lower than the issue price of the shares to purchase assets, the locking period of the shares acquired by the Company due to this transaction will be automatically extended for at least 6 months.	September 20 th , 2017	September 19 th , 2020	Strict performance
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial	Commitment on horizontal competition, related party transactions and capital	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; 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; 3. If there are necessary and unavoidable related	September 18 th , 2017	Long term	Strict performance

	Group Co., Ltd.	occupa tion	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 ensure that it will not conduct transactions with Sanhua intelligent controls on terms that are obviously unfair compared with the market price, and will not use such transactions to engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other shareholders.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Comm itment on horizo ntal compe tition, related party transac tions and capital occupa tion	<p>1. I (or the Company) will not directly or indirectly engage in or participate in any business that may constitute potential direct or indirect competition with Sanhua intelligent controls and its subordinate enterprises; guaranteed that legal and effective measures will be taken to urge other enterprises controlled by me (or the Company) not to engage in or participate in any business that is competitive with Sanhua intelligent controls and its subordinate enterprises Business.</p> <p>2. If Sanhua intelligent controls further expands its business scope, I (or the Company) and other enterprises controlled by me (or the Company) will not compete with Sanhua intelligent controls' expanded business; if it is possible to compete with Sanhua intelligent controls' business after expansion, I (or the Company) and other enterprises controlled by me (or the Company) will withdraw from Sanhua intelligent controls in the following ways of competition: A. stop the businesses that compete or may compete with Sanhua intelligent controls; B. inject the competitive business into Sanhua intelligent controls; C. transfer the competitive business to an unrelated third party.</p>	September 18 th , 2017	Long term	Strict performance

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

		tions and capital occupa tion				
Are the commitments fulfilled on time	Yes					

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

Applicable Not applicable

IV. 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.

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

Applicable Not applicable

The Company implemented the *Accounting Standards for Business Enterprises No. 14 - Revenue* (hereinafter referred to as the new revenue standards) revised by the Ministry of Finance from January 1, 2020. According to this standard, the information of the comparable period will not be adjusted. The cumulative impact of retained earning and other related items in financial statements, due to the implementation of the new standards, shall be retroactively adjusted to January 1, 2020.

Since January 1, 2020, the implementation of the new revenue standards has no impact on the Company's retained earnings. Other affected items and amounts are shown in the following table:

Item	Balance sheet		
	December 31, 2019	Impact of new revenue standard	January 1, 2020
Advance payment	23,453,218.32	-23,453,218.32	
Contract liabilities		+23,453,218.32	23,453,218.32

VII. Explanation for retrospective restatement of major accounting errors during the reporting period

Applicable Not applicable

No such case during the reporting period.

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

Applicable Not applicable

1. Disposal of subsidiaries

Lose control due to disposal

Name of subsidiary	Equity disposal price	Equity disposal ratio	Equity disposal method	Date of losing control
Qingdao Debaiyi refrigeration equipment Co., Ltd	6,562,658.15	70%	Transfer to Minority shareholders	2020-12-02

(Continued)

Determination fo losing control	The difference between the disposal price and corresponding net asset of consolidated financial statements	Proportion of remaining equity on the date of loss of control	Net assets on disposal date	Net profit from the beginning of the period to the disposal date
Complete the registration procedures for industrial and commercial changes	-4,098,327.44	0.00	15,229,979.42	-1,609,483.26

2. Changes in the scope of consolidation due to other reasons

1) Increased scope of consolidation

Name	Method of obtaining equity	Date of equity acquisition	Actual contribution at the end of the period	Contribution ratio
Zhejiang Xianji Intelligent Technology Co., Ltd	New investment	2020-09-10	34.6 million yuan	100%
Sanhua Mexico Investment Co., Ltd	New investment	2020-09-15	200000 pesos	100%
Zhejiang Sanhua Commercial Refrigeration Co., Ltd	New investment	2020-10-09	68.29 million yuan	100%
Shaoxing Sanhua Automobile Thermal Management Technology Co., Ltd	New investment	2020-12-03	0.00	100%

2) Decreased scope of consolidation

Name	Method of disposal	Date of disposal	Net assets on disposal date	Net profit from the beginning of the period
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				to the date of cancellation
Hangzhou Sanhuajia Electric Heating Management System Co., Ltd	Liquidation cancellation	2020-05-18	147,448.25	-78,092.41
Aweco Electrical Equipment (Shanghai) Co., Ltd	Liquidation cancellation	2020-06-02	6,669.73	22,351.38
Ma'anshan Sanhua Intelligent Technology Co., Ltd	Liquidation cancellation	2020-08-03	3,907,472.50	-478,491.11

IX. Engagement and disengagement of the CPA firm

CPA firm engaged at present

Name of the domestic CPA firm	Pan-China Certified Public Accountants LLP
Remuneration of domestic accounting firms (in 10,000 yuan)	245.28
Consecutive years of the audit service provided by the domestic CPA firm	20
Name of the certified public accountants from the domestic CPA firm	Luo Xunchao, Ouyang Xiaoyun
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	1

Whether the CPA firm was changed in the current period

Yes No

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

Applicable Not applicable

During the reporting period, the Company did not change accounting firm. It continued to engage Tianjian accounting firm as the internal control audit accounting firm of the Company.

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

Applicable Not applicable

XI. Bankruptcy and Restructuring

Applicable Not applicable

No such case during the reporting period.

XII. Material Litigation and Arbitration

Applicable Not applicable

No such case during the reporting period.

XIII. Punishments and Rectifications

Applicable Not applicable

No such case during the reporting period.

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

Applicable Not applicable

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

Applicable Not applicable

In order to further improve the governance structure of the Company, establish and improve the incentive mechanism, attract and retain talents, and effectively mobilize core talents, the Company launched the second phase of equity incentive.

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

(1) On October 24, 2019, the Company held the 5th interim meeting of the sixth board of directors and the 5th interim meeting of the sixth board of supervisors respectively in which *Resolution on adjusting the repurchase price and repurchase quantity of restricted stock incentive plan in 2018, Resolution on the achievement of exercise conditions, adjustment of exercise price, quantity and cancellation of some stock appreciation rights in the first exercise period of 2018 stock appreciation rights incentive plan, Resolution on repurchase and cancellation of some restricted stocks, Resolution on the achievement of the unlocking conditions of first restriction period of 2018 restricted stock incentive plan* were approved.

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

(2) On November 11, 2019, the first extraordinary general meeting of shareholders of 2019 was held, in which the *Resolution on repurchase and cancellation of some restricted stocks* was approved. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects in 2018 restricted stock incentive plan, totaling of 0.2912 million shares.

(3) On October 20, 2020, the Company held the 13th interim meeting of the sixth board of directors and the 12th interim meeting of the sixth board of supervisors respectively in which *Resolution on adjusting the repurchase price and repurchase quantity of restricted stock incentive plan in 2018, Resolution on the*

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

The unlocking date of the restricted shares is November 6, 2020, and the number of incentive objects qualified for unlocking is 702. A total of 4.9889 million shares have been released, accounting for 0.1389% of the Company's current total share capital. There were 18 incentive objects meeting the conditions for the exercise of the stock appreciation right, and the number of exercisable shares is 131,820.

- (4) On November 5, 2020, the fourth extraordinary general meeting of shareholders of 2020 was held, in which *Resolution of repurchase and cancellation of some restricted stocks* was approved. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects in the 2018 restricted stock incentive plan, totaling of 0.3363 million shares.

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

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 0.1040 million shares.

XVI. Significant Related-party Transaction

1. Related-party transactions arising from routine operation

Applicable Not applicable

No such case in the reporting period.

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

Applicable Not applicable

No such case in the reporting period.

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

Applicable Not applicable

No such case in the reporting period.

4. Related credit and debt transactions

Applicable Not applicable

No such case in the reporting period.

5. Other significant related party transactions

Applicable Not applicable

No such case in the reporting period.

XVII. Significant Contracts and Their Execution

1. Matters on trusteeship, contracting, and leasing

(1) Trusteeship

Applicable Not applicable

No such case in the reporting period.

(2) Contracting

Applicable Not applicable

No such case in the reporting period.

(3) Leasing

Applicable Not applicable

Illustration of lease

Aweco Polskas Appliance sp.z.o.o sp.k, a wholly-owned subsidiary of the Company, acquired 2 buildings through leasing.

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

Applicable Not applicable

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

2. Significant guarantees

Applicable Not applicable

(1) Guarantees

Unit: RMB in 10 thousand

External Guarantees from the Company and its Subsidiaries (Excluding Guarantees to the Subsidiaries)								
Guaranteed Party	Announcement	Guarantee	Actual Occurrence	Actual Guarantee	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for

	Date of Disclosure of the Guarantee Amount	Amount	Date	Amount				Related Parties or Not
Company's Guarantees to Subsidiaries								
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Sanhua AWECO Appliance Systems GmbH	April 16, 2018	35,000	November 5, 2018	18,457.5	Joint liability guarantee	2018.11.05-2021.11.04	Y	Y
Sanhua AWECO Appliance Systems GmbH	April 3, 2019	41,000	April 8, 2020	12,840	Joint liability guarantee	2020.04.08-2021.11.04	Y	Y
Sanhua AWECO Appliance Systems GmbH	April 29, 2020	52,000	June 5, 2020	8,827.5	Joint liability guarantee	2020.06.05-2021.11.04	Y	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 16, 2018	132,000	September 17, 2018	13,241.25	Joint liability guarantee	2018.09.17-2022.09.16	Y	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	July 29, 2019	8,482.37	Joint liability guarantee	2019.07.29-2020.01.30	Y	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	September 23, 2019	6,524.9	Joint liability guarantee	2019.09.23-2020.09.23	Y	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	July 5, 2019	12,037.5	Joint liability guarantee	2019.07.05-2022.06.20	N	Y
SANHUA INTERNATIONAL, INC.	April 3, 2019	30,000	December 9, 2019	20,227.19	Joint liability guarantee	2019.12.09-2022.12.09	N	Y

SANHUA INTERNATIONAL, INC.	April 16, 2018	30,000	January 18, 2019	9,787.35	Joint liability guarantee	2019.01.18-2020.01.21	Y	Y
SANHUA INTERNATIONAL, INC.	April 3, 2019	30,000	January 21, 2020	9,787.35	Joint liability guarantee	2020.01.21-2020.07.09	Y	Y
SANHUA INTERNATIONAL, INC.	April 29, 2020	50,000	June 24, 2020	9,787.35	Joint liability guarantee	2020.06.24-2021.06.23	N	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	September 14, 2020	8,025	Joint liability guarantee	2020.09.14-2021.09.13	N	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	November 2, 2020	8,025	Joint liability guarantee	2020.11.02-2021.11.01	N	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	June 12, 2020	7,500	Joint liability guarantee	2020.06.12-2022.12.25	N	Y
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	February 10, 2020	10,432.5	Joint liability guarantee	2020.02.10-2021.02.09	N	Y
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)		310,000		Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2)		75,224.7		
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)		352,697.19		Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (B4)		76,034.54		
Subsidiaries' Guarantees to Subsidiaries								
Guaranteed Party	Announcement Date of Disclosure of the	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not

	Guarantee Amount						
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)	310,000	Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)	75,224.7				
Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)	352,697.19	Total Balance of Guarantees Actually Paid at the End of the Reporting Period (A4+B4+C4)	76,034.54				
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets				7.55%			
Of which:							
Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)				30,014.54			
Total Amount of the Above Three Guarantees (D+E+F)				30,014.54			

(2) Illegal external guarantees

Applicable Not applicable

No illegal external guarantees during the reporting period.

3. Entrusted wealth management**(1) Entrusted finances**

Applicable Not applicable

Unit: RMB in 10 thousand

Specific types	Capital source	Amount	Balance before maturity	Overdue uncollected amount
Bank financial products	The Company's owned funds and raised funds	163,871.5	75,048.5	0
Total		163,871.5	75,048.5	0

Specific situation of high-risk entrusted financial management with large single amount or low security, poor liquidity and without guarantee of principal

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)
Shaoxing Xinchang sub branch of Bank of Communications Co., Ltd	Bank	Cash deposit (Company)	19,500	Self-funds	December 31, 2019	January 15, 2020	Bank financial products	Floating income without guarantee of principal	3.24%		25.99	25.99		Yes	-	
Shaoxing Xinchang sub branch of Bank of Communications Co., Ltd	Bank	Cash deposit (Company)	10,000	Self-funds	January 15, 2020	January 21, 2020	Bank financial products	Floating income without guarantee of principal	3.39%		5.56	5.56		Yes	-	
Bank of Hangzhou	Bank	"Tianlibao"	10,000	Self-funds	January 21,	April 21,	Bank financial	Floating income	4.00%		94.08	94.08		Yes	-	

Xinchang sub branch		structured deposit products			2020	2020	1 product s	with guarantee of principal								
Shaoxing Xinchang sub branch of Bank of Communications Co., Ltd	Bank	Cash deposit (Company)	5,000	Self-funds	March 6, 2020	March 16, 2020	Bank financial products	Floating income without guarantee of principal	3.09%		5.50	5.50		Yes	-	
Shaoxing Xinchang sub branch of Bank of Communications Co., Ltd	Bank	Structured deposits 176 days	7,000	Self-funds	March 31, 2020	September 23, 2020	Bank financial products	Floating income with guarantee of principal	3.75%		119.41	119.41		Yes	-	
Bank of Hangzhou Xinchang sub branch	Bank	"Tianlibao " structured deposit products	20,000	Self-funds	March 26, 2020	May 26, 2020	Bank financial products	Floating income with guarantee of principal	3.80%		119.82	119.82		Yes	-	
ABC	Bank	Huilifeng	10,000	Self-fun	April	Decemb	Bank	Floating	3.70%		239.08	239.08		Yes	-	

Xinchang sub branch		issue 4840 of 2020 customized RMB structured deposit products (250 days)		ds	22, 2020	er 28, 2020	financia l products	income with guarantee of principal								
Bank of China Xinchang sub branch	Bank	Linked structured deposits	10,000	Self-funds	April 27, 2020	May 29, 2020	Bank financial products	Floating income with guarantee of principal	3.60%		29.78	29.78		Yes	-	
Bank of China Xinchang sub branch	Bank	Linked structured deposits	10,000	Self-funds	April 27, 2020	May 29, 2020	Bank financial products	Floating income with guarantee of principal	3.60%		29.78	29.78		Yes	-	
ABC Xinchang sub branch	Bank	Huilifeng no.4917 customized RMB structured	10,000	Self-funds	April 29, 2020	December 28, 2020	Bank financial products	Floating income with guarantee of	3.70%		232.39	232.39		Yes	-	

		deposit products in 2020 (243 days)						principal								
Shaoxing Xinchang sub branch of Bank of Communications Co., Ltd	Bank	Cash deposit (Company)	6,000	Self-funds	May 26, 2020	June 15, 2020	Bank financial products	Floating income without guarantee of principal	3.16%		10.37	10.37		Yes		
Shaoxing Xinchang sub branch of Bank of Communications Co., Ltd	Bank	97 days of Bank of Communications Yuntong wealth fixed term structured deposit	10,000	Self-funds	June 4, 2020	September 10, 2020	Bank financial products	Floating income with guarantee of principal	3.27%		81.98	81.98		Yes	-	
ABC Xinchang sub branch	Bank	Huilifeng no.5371 customized RMB structured deposit products	10,000	Self-funds	June 4, 2020	December 18, 2020	Bank financial products	Floating income with guarantee of principal	3.40%		172.24	172.24		Yes	-	

		in 2020 (196 days)														
Shaoxing Xinchang sub branch of Bank of Communi- cations Co., Ltd	Bank	Daily profit of long-term pension	6,000	Self-fun- ds	August 27, 2020	Septem- ber 15, 2020	Bank financia- l product s	Floating income without guarant- ee of principa- l	2.75%		8.59	8.59		Yes		
Xinchang sub branch of Industrial and Commerci- al Bank of China	Bank	Corporate "Tianlibao" net value financial products	20,000	Self-fun- ds	Decemb- er 30, 2020	January 4, 2021	Bank financia- l product s	Floating income without guarant- ee of principa- l	3.28%					Yes		
Xinchang sub branch of Industrial and Commerci- al Bank of China	Bank	"E-Lingto- ng" net value corporate non fixed term RMB financial products	5,000	Self-fun- ds	Decemb- er 30, 2020	January 4, 2021	Bank financia- l product s	Floating income without guarant- ee of principa- l	3.03%					Yes		
Guangfa	Bank	Xinjiaxin	5,500	Raised	October	January	Bank	Floating	3.95%		43.24	43.24		Yes	-	

Bank Hangzhou Xiaoshan sub branch		No.16 structured deposit		funds	28, 2019	13, 2020	financial products	income with guarantee of principal								
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	5,500	Raised funds	July 30, 2019	July 29, 2020	Bank financial products	Floating income with guarantee of principal	4.05%		210.14	210.14		Yes	-	
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	10,000	Raised funds	April 29, 2019	April 27, 2020	Bank financial products	Floating income with guarantee of principal	4.10%		385.73	385.73		Yes	-	
Hangzhou Xiaoshan sub branch of Guangfa bank (Shaoxing)	Bank	Xinjiaxin No.16 structured deposit	5,500	Raised funds	January 14, 2020	July 13, 2020	Bank financial products	Floating income with guarantee of principal	3.95%		101.07	101.07		Yes	-	
Hangzhou	Bank	Structural	5,000	Raised	Septem	October	Bank	Floating	3.05%		15.12	15.12		Yes		

Xiaoshan sub branch of Guangfa bank		deposit of "Wuhua Tianbao" W customized personal currency		funds	ber 4, 2020	13, 2020	financia l products	income with guarantee of principal								
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	5,000	Raised funds	July 29, 2020	September 3, 2020	Bank financial products	Floating income with guarantee of principal	3.25%		14.25	14.25		Yes		
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	5,500	Self-funds	January 3, 2020	April 20, 2020	Bank financial products	Floating income with guarantee of principal	3.90%		59.88	59.88		Yes		
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	8,000	Raised funds	July 30, 2019	July 29, 2020	Bank financial products	Floating income with guarantee of principal	4.05%		305.66	305.66		Yes	-	
Hangzhou	Bank	Xinjiaxin	7,000	Raised	April	April	Bank	Floating	4.10%		270.01	270.01		Yes	-	

Xiaoshan sub branch of Guangfa bank		No.16		funds	29, 2019	27, 2020	financial products	income with guarantee of principal								
Heng Seng Bank Hangzhou Branch	Bank	Hengliyig	6,000	Self-funds	April 4, 2019	January 6, 2020	Bank financial products	Floating income with guarantee of principal	4.10%		176.64	176.64		Yes	-	
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16 structured deposit	5,000	Self-funds	April 30, 2019	February 24, 2020	Bank financial products	Floating income with guarantee of principal	4.10%		158.96	158.96		Yes	-	
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	7,500	Self-funds	October 25, 2019	October 26, 2020	Bank financial products	Floating income with guarantee of principal	3.95%		281.01	281.01		Yes	-	
ICBC economic	Bank	Tianlibao	5,000	Self-funds	January 3, 2020	January 22, 2020	Bank financial	Floating income	3.30%		6.12	6.12		Yes	-	

development sub branch						2020	1 product s	with guarantee of principal								
ICBC economic development sub branch	Bank	Tianlibao	5,000	Self-funds	February 24, 2020	February 26, 2020	Bank financial products	Floating income with guarantee of principal	3.30%		0.85	0.85		Yes	-	
ICBC economic development sub branch	Bank	Tianlibao	5,000	Self-funds	March 26, 2020	March 27, 2020	Bank financial products	Floating income without guarantee of principal	3.10%		0.25	0.25		Yes	-	
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	5,500	Self-funds	April 21, 2020	October 21, 2020	Bank financial products	Floating income without guarantee of principal	3.90%		102.01	102.01		Yes	-	
Hangzhou Xiaoshan sub	Bank	Xinjiaxin No.16	7,000	Raised funds	April 27, 2020	June 2, 2020	Bank financial	Floating income without	3.55%		23.43	23.43		Yes	-	

branch of Guangfa bank							product s	guarantee of principal								
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Structural deposit of "Wuhua Tianbao" W customized personal currency	5,000	Raised funds	September 4, 2020	October 13, 2020	Bank financial products	Floating income with guarantee of principal	3.05%		15.12	15.12		Yes		
ICBC economic development sub branch	Bank	Tianlibao	6,000	Self-funds	June 9, 2020	June 10, 2020	Bank financial products	Floating income without guarantee of principal	3.00%		0.39	0.39		Yes	-	
ICBC economic development sub branch	Bank	Tianlibao	8,000	Self-funds	June 10, 2020	June 24, 2020	Bank financial products	Floating income without guarantee of principal	3.00%		8.42	8.42		Yes	-	
ICBC economic developm	Bank	Tianlibao	5,000	Self-funds	July 30, 2020	August 5, 2020	Bank financial	Floating income with	2.70%		1.85	1.85		Yes		

ent sub branch							product s	guarantee of principal								
ICBC economic development sub branch	Bank	Tianlibao	6,000	Self-funds	October 23, 2020	December 3, 2020	Bank financial products	Floating income without guarantee of principal	2.58%		17.39	17.39		Yes		
ICBC economic development sub branch	Bank	Tianlibao	6,000	Self-funds	October 26, 2020	October 29, 2020	Bank financial products	Floating income without guarantee of principal	2.59%		1.28	1.28		Yes		
Hangzhou Xiaoshan sub branch of Guangfa bank	Bank	Xinjiaxin No.16	9,500	Self-funds	October 22, 2020	January 22, 2021	Bank financial products	Floating income with guarantee of principal	3.30%					Yes		
Heng Seng Bank Hangzhou	Bank	Henghuiying	5,000	Self-funds	October 23, 2020	January 22, 2021	Bank financial products	Floating income with guarantee	3.35%					Yes		

Branch							s	ee of principa l								
ICBC economic developm ent sub branch	Bank	Tianlibao	5,000	Self-fun ds	July 31, 2020	August 25, 2020	Bank financia l product s	Floating income without guarant ee of principa l	2.80%		9.58	9.58		Yes		
China CITIC Bank Fengqi sub branch	Bank	Win win interest rate structure 31784 RMB structured deposit products	5,000	Raised funds	January 15, 2020	January 31, 2020	Bank financia l product s	Floating income with guarant ee of principa l	2.60%		5.38	5.38		Yes	-	
China CITIC Bank Fengqi sub branch	Bank	Structured deposit	5,000	Self-fun ds	Decemb er 31, 2020	Februar y 1, 2021	Bank financia l product s	Floating income with guarant ee of principa l	3.55%					Yes		
Total			342,00 0 ⁽¹⁾	--	--	--	--	--	--	0	3,413.5 8	--		--	--	--

Note: [1] During the reporting period, the accumulated financial management amount of the Company is RMB 6.33 billion, and the above information are the details of the Company's single significant financial management (single amount which is more than RMB 50 million).

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

(2) Entrusted loans

Applicable Not applicable

No such case in the reporting period.

4. Significant contracts in operation

Applicable Not applicable

No such case in the reporting period.

5. Other significant contracts

Applicable Not applicable

No such case in the reporting period.

XVIII. Social Responsibility

1. Fulfillment of social responsibilities

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

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

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

Information disclosure, the Company has been strictly in compliance with the relevant provisions of CSRC and Shenzhen Stock Exchange, and has fulfilled the obligation of truthfulness, accuracy, timeliness and completeness. The Company has been awarded A for 10 consecutive years which is not common among listed companies. The Company enhances the interaction with investors by means of investor hotline, interactive platform and reception of investors, so that investors can have a more in-depth understanding of the Company's development, production and operation. It promotes the Company to establish a long-term and stable relationship with investors, and safeguard the legitimate rights and interests of minor investors effectively. At the same time, the Company pays special attention to the management of insider information, and actively prevents the occurrence of insider trading. During the reporting period, the Company does not have insider trading or damage the interests of shareholders.

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

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

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

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

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

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

activities to show the good spirit of employees, and it builds a communication platform for employees, which effectively stimulate the sense of collective honor and team cohesion.

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

In line with the principle of "Communication with integrity and sharing value", the Company pays attention to the relationship with suppliers and customers, constantly strengthens the communication and cooperation with all parties, and earnestly protects their legitimate rights and interests.

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

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

(4) Energy saving, innovative production and environmental protection

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

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

accidents.

(5) Shoulder social responsibility and participate in social charity

The Company takes "Public welfare society, building a harmonious society" as an important responsibility. With its continuous development, it has also made positive contributions to the infrastructure construction, environmental protection, poverty alleviation and community construction of Shaoxing. During the reporting period, the Company actively undertakes its due responsibilities and obligations, and strives to create a good corporate image.

2. Fulfillment of the social responsibility of targeted poverty alleviation

Not applicable

3. Environmental protection

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

Yes

Name of Company or subsidiary	Name of main pollutants and characteristic pollutants	Emission mode	Number of outlets	Distribution of emission outlets	Emission concentration	Emission standards	Total emissions	Approved total emission	Over standard emission
Zhejiang Sanhua Intelligent Controls Co., Ltd	COD	Nanotube	1	North	$\cong 500\text{mg/L}$	The limitation of COD in GB8978-1996 <i>Integrated Wastewater Emission Standard</i> is 500mg / L	32.81 T	61.867 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Ammonia Nitrogen	Nanotube	1	North	$\cong 35\text{mg/L}$	The limitation listed in DB33/887-2013 <i>Indirect Emission Limits of Nitrogen and Phosphorus</i>	3.281 T	6.186 T /year	Not exceeding the standard

						<i>Pollutants from Industrial Wastewater is 35mg / L</i>			
Zhejiang Sanhua Intelligent Controls Co., Ltd	SO2	Direct emission	1	North	$\leq 50\text{mg}/\text{m}^3$	The limitation listed in GB13271-2014 Emission Standard of Air Pollutants for Boilers is 50mg/m ³	0.99 T	2.15 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Nitrogen Oxide	Direct emission	1	North	$\leq 50\text{mg}/\text{m}^3$	According to the low Nitrogen emission requirements of local government, the limit value of gas-fired boiler is 50mg / m ³	4.64 T	10.06 T /year	Not exceeding the standard
Zhejiang Sanhua Refrigeration Group Co., Ltd	COD	Nanotube	1	South	$\leq 500\text{mg}/\text{l}$	The limitation from GB8979-1996 is 500mg / L	2.864 T	9.205 T /year	Not exceeding the standard
Zhejiang Sanhua Refrigeration Group Co., Ltd	Total Copper	Nanotube	1	South	$\leq 2.0\text{mg}/\text{l}$	The limitation from GB8979-1996 is 2.0mg/l	0.047 T	/	Not exceeding the standard

Construction and operation of pollution control facilities

Adhering to the advanced management concept, the Company takes "developing energy-saving and low-carbon economy, creating a green quality environment" as its own responsibility, constantly surpasses, and becomes an

important creator and contributor of human green quality living environment with limited resources and unlimited wisdom.

1. In terms of waste water treatment, the Company responded to the construction of "five water treatment", "eliminating inferior V-type water" and "zero direct discharge of sewage" in the whole province. The Company renovated the rainwater and sewage outlets in the factory area, implemented the separation of rainwater and sewage, and installed cut-off valves and video monitoring equipment at the Company's rainwater discharge outlets, and collected and treated the early rainwater. There are two wastewater treatment stations in the factory. The sewage treatment stations have been equipped with standardized sewage outlets and set up discharge outlet signs. Online monitoring device, solenoid valve flowmeter and card swiping sewage system are installed at the discharge outlet, which has been connected with the environmental protection department. The monitoring indicators include pH, COD, total copper, total zinc and flow. Wastewater treatment: The Company has entrusted a third-party professional treatment unit for treatment. The discharge indicators of the Company's internal control wastewater are stricter than the environmental discharge standard. The final treated wastewater is discharged into the sewage collection pipe network of the industrial zone and sent to Shengxin sewage treatment plant for retreatment.
2. Waste gas treatment: The Company has acid pickling, electroplating waste gas, welding dust, ultrasonic cleaning and other waste gas. All kinds of waste gas discharge cylinders are equipped with corresponding waste gas treatment devices. The acid pickling and electroplating waste gas absorption and treatment tower is installed with automatic dosing system, and the waste gas is discharged to air after treatment. At the same time, in order to win the blue-sky defense activity, the Company carried out low Nitrogen emission transformation of the Company's gas boilers in accordance with the requirements of relevant official departments in 2019.
3. Solid waste and soil treatment: all kinds of hazardous waste of the Company are entrusted to the third qualified party for disposal, the general solid waste with utilization value is recycled, the domestic waste is cleared and transported by the environmental sanitation station, and the construction waste is cleaned and transported by the construction unit. The Company also tests the soil and groundwater every year and publishes them on the corresponding website. In March 2020, Sanhua Refrigeration Group carried out a special site investigation on soil and groundwater in Xialiquan plant area, and prepared an investigation report. No pollution was found. In July 2020, the Company became one of the first "waste free factories" in Shaoxing City.
4. Noise control: The Company's existing main noise is workshop production noise, air compressor room, waste gas and waste water treatment equipment noise. Equipment layout is reasonable, and trees are planted around the workshop. Noise at factory meets the standard.
5. The "three wastes" pollution control facilities of the Company are in normal and stable operation, the pollutants are discharged based on the standard, and there is no environmental pollution event.

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

1. Since 2010, the Company has invested in the construction of Meizhu Sanhua Industrial Estate in Xinchang County, and has obtained 23 EIA replies. All the projects have passed. In August 2020, the Company obtained the national emission permit.

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

Emergency Response Plan

1. The Company re-prepared the Emergency Response Plan in November 2017, and filed with Xinchang Environmental Protection Bureau on January 25, 2018 (Record No. 3306242018001).

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

Environmental self-monitoring program

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

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

Other environmental information that should be disclosed

Not applicable

Other environmental information

Not applicable

XIX. Other Significant Events

Applicable Not applicable

During the 13th meeting of the 6th board of directors and the 4th interim general meeting of shareholders in 2020, the Company approved *Proposal on the Plan of Publicly Issuing Convertible Corporate Bonds, Proposal on Feasibility Analysis Report on the Use of Raised Funds of Convertible Corporate Bonds*. The total amount of convertible bonds planned to be issued shall not exceed RMB 3 billion, with a term of 6 years, which will be used for the Company's subsequent operation. For more details, please refer announcements disclosed on CNINFO (<http://www.cninfo.com.cn>), October 21, 2020. The Company's application for public issuance of convertible corporate bonds has been deliberated and approved by China Securities Regulatory Commission. The board of directors will handle the relevant matters of the public issuance of convertible corporate bonds within the specified period, and fulfill the obligation of information disclosure in a timely manner, in accordance with the requirements of relevant laws and regulations, the approval documents of China Securities Regulatory Commission and the authorization of the general meeting of shareholders of the Company.

XX. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VI 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)	346,976,785	12.55%			107,619,176	-383,274,079	-275,654,903	71,321,882	1.99%
3) Other domestic shares	346,931,285	12.55%			107,514,026	-383,553,729	-276,039,703	70,891,582	1.98%
Of which: Shares held by domestic legal person	299,892,703	10.84%			89,967,811	-389,860,514	-299,892,703	0	0.00%
Shares held by domestic natural person	46,993,082	1.70%			17,546,215	6,306,785	23,853,000	70,891,582	1.98%
4) Foreign shares	45,500	0.00%			105,150	279,650	384,800	430,300	0.01%
Shares held by foreign natural person	45,500	0.00%			105,150	279,650	384,800	430,300	0.01%
2. Shares without restriction	2,418,681,113	87.45%			719,055,904	382,542,569	1,101,598,473	3,520,279,586	98.01%
1) RMB ordinary shares	2,418,681,113	87.45%			719,055,904	382,542,569	1,101,598,473	3,520,279,586	98.01%
3. Total	2,765,657,898	100.00%			826,675,080	-731,510	825,943,570	3,591,601,468	100.00%

Reason for the changes in share capital

√ Applicable □ Not applicable

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

2. The Company repurchased and cancelled 291,200 restricted shares held by unqualified incentive objects but not yet unlocked. After this, the total share capital of the Company will be reduced from 2,765,657,898 shares to 2,765,366,698 shares.

3. The Company granted 12.045 million restricted shares to 914 incentive objects under the Company's restricted stock incentive plan in 2020, and those shares came from the Company's repurchase account.
4. During reporting period, the Company implemented the profit distribution plan for the year of 2019: The plan of converting capital reserve into share capital took 2,755,583,602 shares of capital stock as the base, and distributed 3 shares for every 10 shares of all shareholders, with a total of 826,675,080 shares. After the conversion, the total share capital was increased from 2,765,366,698 to 3,592,041,778 shares.
5. On September 21, 2020, the Company's non-public offering of shares were unlocked, and released 389,860,514 restricted shares.
6. On November 6, 2020, the second phase of the restricted stock incentive plan in 2018 matured, and 4.9888 million restricted shares of 702 incentive objects meeting the conditions were released.
7. The total number of restricted shares held by the unqualified incentive objects but not yet unlocked is 440,310 shares. After the repurchase and cancellation, the total share capital will be reduced from 3,592,041,778 shares to 3,591,601,468 shares.

Approval for changes in share capital

Applicable Not applicable

1. On November 11th, 2019, the first interim general meeting of shareholders was held, in which the proposal on repurchases and cancellation of partial restricted shares was approved. The Company conducted repurchase and cancellation of 291,200 restricted shares held by the incentive objects that are not qualified and not yet unlocked.
2. The incentive plan of restricted stock in 2020 plans to grant 12.045 million restricted shares to 914 incentive objects, with the grant price of 9.85 yuan per share, and the grant date is February 24, 2020.
- (1) On January 21, 2020, the 7th interim meeting of the sixth board of directors and the 7th interim meeting of the sixth board of supervisors of the Company approved the "*Resolution on the 2020 restricted stock incentive plan of Zhejiang Sanhua Intelligent Controls Co., Ltd. (Draft) and its abstract*" and the "*Resolution on the implementation assessment management of the 2020 restricted stock incentive plan of Zhejiang Sanhua Intelligent Controls Co., Ltd*" and "*Resolution on requesting the general meeting of shareholders to authorize the board of directors to handle matters related to the 2020 restricted stock incentive plan*". The independent directors expressed clear independent opinions on the relevant issues of the incentive plan. The board of supervisors checked the list of the incentive objects of the incentive plan and expressed its opinions.
- (2) On February 4th, 2020, the Company announced *Publicity and verification opinions on the list of incentive objects granted in the 2020 restricted stock incentive plan of the board of supervisors*.
- (3) On February 10, 2020, the Company held the first extraordinary general meeting of shareholders in 2020, approved the "*Resolution on the incentive plan for restricted shares of Zhejiang Sanhua Intelligent Controls Co., Ltd. in 2020 (Draft) and its abstract*", "*Resolution on implementation of assessment of the 2020 restricted stock incentive plan of Zhejiang Sanhua Intelligent Controls Co., Ltd*", "*Resolution on requesting the general meeting of shareholders to authorize the board of directors to handle matters related to the 2020 restricted stock incentive plan*"
- (4) On February 24, 2020, the eighth interim meeting of the sixth board of directors and the eighth interim meeting of the sixth board of supervisors deliberated and passed the "*Resolution on adjusting matters related to*

the 2020 restricted stock incentive plan" and "Resolution on granting restricted stocks to the incentive objects of the 2020 restricted stock incentive plan". The independent directors expressed their independent opinions on the above adjustment and grant items; the board of supervisors checked the relevant adjustment items and the list of incentive objects granted with restricted shares.

3. The 2019 annual general meeting of shareholders held on May 19, 2020, deliberated and approved the Company's profit distribution plan for 2019. It took 2,755,583,602 shares as the base, and distributed 3 shares for every 10 shares to all shareholders, with a total of 826,675,080 shares. After the conversion, the total share capital was increased from 2,765,366,698 shares to 3,592,041,778 shares.

4. On October 20, 2020, the 13th interim meeting of the sixth board of directors and the 12th interim meeting of the sixth board of supervisors was held to deliberate and pass the *Resolution on the achievement of the second lifting of the restricted stock incentive plan for 2018*. There are 702 incentive objects eligible for unlocking this plan, and the number of shares to be released is 4.9888 million shares.

5. On November 5, 2020, the fourth extraordinary general meeting of shareholders in 2020 was held to review and pass the *Resolution on repurchase and cancellation of partial restricted shares*. The Company repurchased and cancelled 440,310 shares held by the incentive objects that are not qualified and not yet unlocked.

Transfer of shares

Applicable Not applicable

1. The Company repurchased 291,200 shares that were not qualified for unlocking. After cancellation, its share capital was reduced from 2,765,657,898 to 2,765,366,698.

2. On February 24, 2020, the Company granted 12.045 million restricted shares to 914 incentive objects under the Company's restricted stock incentive plan in 2020.

3. On June 2, 2020, after the implementation of the profit distribution plan in 2019, the Company's share capital increased from 2,765,366,698 shares to 3,592,041,778 shares.

4. The Company repurchased 440,310 shares that were not qualified for unlocking. After cancellation, its share capital was reduced from 3,592,041,778 to 3,591,601,468.

Information about the implementation of share repurchase

Applicable Not applicable

1. On June 16, 2020, the *Announcement about Halfway Through the Buyback Plan is not yet Implemented* was published in *Securities Times*, *Shanghai Securities News* and CNINFO (www.cninfo.com.cn).

2. According to the *Announcement on expiration of repurchase period and implementation* disclosed on December 16, 2020, the Company did not repurchase its shares within the validity period of the repurchase plan. The reason is: Since the disclosure of the *Repurchase Report*, the Company's share price has shown an upward trend. As of December 15, 2020, the trading price lower than 15.95 yuan / share (adjusted for dividend distribution) are limited.

In addition, according to *Article 17 of the detailed rules for the implementation*, the Company has fewer trading days to repurchase shares due to the influence of the window period of seasonal reports and other major events. Therefore, the Company failed to carry out share repurchase plan. Please refer CNINFO (www.cninfo.com.cn), *Securities Times*, *Shanghai Securities News* for more detail.

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	Unlock shares in current period	Closing balance of restricted shares	Note for restricted shares	Date of unlocking
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	299,892,703	89,967,811	389,860,514	0	Non public offering of shares Due to the implementation of the equity distribution plan of 2019 on June 2, 2020, the capital reserve was converted to share capital, and 89,967,811 shares of restricted shares were added.	September 18 2020
Zhang Yabo	37,518,000	11,255,400		48,773,400	Executive locked shares	According to the relevant

						Due to the implementation of the equity distribution plan of 2019 on June 2, 2020, the capital reserve was converted into share capital, and the number of restricted shares was increased by 1,125,540 shares.	provisions of executives shares management
Wang Dayong	97,500	159,250	50,700	256,750	(1) 100,000 restricted shares were granted in 2020. (2) Due to the implementation of the equity distribution plan of 2019 on June 2, 2020, the capital reserve was converted into share capital, and the number of restricted shares was increased by 59,250 shares. (3) Comply with relevant provisions of equity incentive and executive shares management.	According to the relevant provisions of equity incentive and executives shares management	
Ni Xiaoming	97,500	159,250	50,700	256,750	(1) 100,000 restricted shares were granted in 2020. (2) Due to the implementation	According to the relevant provisions of equity incentive and executives shares	

						of the equity distribution plan of 2019 on June 2, 2020, the capital reserve was converted into share capital, and the number of restricted shares was increased by 59,250 shares. (3) Unlock share is 50,700 on November 6, 2020. (4) Comply with relevant provisions of equity incentive and executive shares management.	management
Chen Yuzhong	97,500	159,250	50,700	256,750	(1) 100,000 restricted shares were granted in 2020. (2) Due to the implementation of the equity distribution plan of 2019 on June 2, 2020, the capital reserve was converted into share capital, and the number of restricted shares was increased by 59,250 shares. (3) Unlock share is 50,700 on November 6, 2020. (4) Comply	According to the relevant provisions of equity incentive and executives shares management	

						with relevant provisions of equity incentive and executive shares management.	
Hu Kaicheng	97,500	159,250	50,700	256,750	(1) 100,000 restricted shares were granted in 2020. (2) Due to the implementation of the equity distribution plan of 2019 on June 2, 2020, the capital reserve was converted into share capital, and the number of restricted shares was increased by 59,250 shares. (3) Unlock share is 50,700 on November 6, 2020. (4) Comply with relevant provisions of equity incentive and executive shares management.	According to the relevant provisions of equity incentive and executives shares management	
Yu Yingkui	121,582	166,475	50,700	288,057	(1) 100,000 restricted shares were granted in 2020. (2) Due to the implementation of the equity distribution plan of 2019 on June 2, 2020, the	According to the relevant provisions of equity incentive and executives shares management	

					capital reserve was converted into share capital, and the number of restricted shares was increased by 66,475 shares. (3) Unlock share is 50,700 on November 6, 2020. (4) Comply with relevant provisions of equity incentive and executive shares management.	
Chen Xiaoming	0	8,325		8,325	According to the relevant regulations of executives shares management	According to the relevant regulations of executives shares management
Incentive objects	9,054,500	17,637,490	4,735,380	21,225,100	(1) 11,545,000 restricted shares were granted in 2020 equity incentive plan; (2) Due to the implementation of the equity distribution plan of 2019 on June 2, 2020, the capital reserve was converted into share capital, and the number of restricted shares was increased by 6,092,490; (3) Comply with relevant	According to the relevant provisions of equity incentive management.

					provisions of equity incentive management.	
Total	346,976,785	119,672,501	394,849,394	71,321,882	--	--

II. Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

1. The first extraordinary general meeting of shareholders in 2019 was held on November 11, 2019, and the *Proposal on repurchase and cancellation of some restricted shares* was deliberated and passed. The Company repurchased and cancelled 291200 restricted shares held by unqualified incentive objects but not yet unlocked. After the repurchase and cancellation, the total share capital of the company was reduced from 2,765,657,898 shares to 2,765,366,698 shares

2. During the reporting period, the Company has carried out the profit distribution plan for 2019: It took 2,755,583,602 shares as the base, distributed 3 shares for every 10 shares to all shareholders, and increased by 826,675,080 shares in total. After the conversion, the total share capital was increased from 2,765,366,698 shares to 3,592,041,778 shares.

3. On November 5, 2020, the fourth extraordinary general meeting of shareholders in 2020 was held, and the *Resolution on repurchase and cancellation of some restricted stocks* was deliberated and passed. The Company repurchased and cancelled 440,310 shares of restricted stocks held by unqualified incentive objects but not yet unlocked. After this, the total share capital of the Company will be reduced from 3,592,041,778 shares to 3,591,601,468 shares.

3. Existent shares held by internal staff of the Company

Applicable Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total Number of Common Shareholder	78,206	Total number of common shareholders at the end of	97,396	Total Number of Preferred Shareholders	0	Total number of preferred shareholders (if any) (refer	0
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End of the Reporting Period		previous month before the disclosure date of the annual report		(If Any) (Refer to Note 8) Whose Voting Rights Have Been Recovered at the End of the Reporting Period		to Note 8) with resumed voting rights at the end of previous month before the disclosure date of the annual report		
Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of common shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or frozen	
							Status	Amount
Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	29.78%	1,069,537,580	172,686,442		1,069,537,580	Pledged	240,420,000
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Domestic non-state-owned corporation	20.68%	742,747,954	171,403,374		742,747,954		
Hong Kong Central Clearing Limited	Overseas corporation	7.94%	285,173,115	27,359,020		285,173,115		
Zhang Yabo	Domestic Individual	1.45%	52,031,200	2,007,200	48,773,400	3,257,800		
China Construction Bank Corporation - Bank of Communications Schroder	Others	0.89%	31,976,323	17,640,177		31,976,323		

alpha core hybrid securities investment fund								
Industrial and Commercial Bank of China Limited-E fund emerging growth flexible allocation hybrid securities investment fund	Others	0.86%	30,736,564	30,736,564		30,736,564		
CITIC Bank Co., Ltd. - Bank of Communications Schroeder new vitality flexible allocation of hybrid securities investment funds	Others	0.74%	26,604,389	11,674,956		26,604,389		
China Merchants Bank Co., Ltd. - E fund innovative growth hybrid securities investment fund	Others	0.71%	25,526,687	25,526,687		25,526,687		

National Social Security Fund-111	Others	0.66%	23,658,180	7,593,186		23,658,180		
Central Huijin Asset Management Co., Ltd	Domestic state-owned corporation	0.65%	23,183,420	5,350,020		23,183,420		
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.	1,069,537,580		RMB common stock	1,069,537,580				
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	742,747,954		RMB common stock	742,747,954				
Hong Kong Central Clearing Limited	285,173,115		RMB common stock	285,173,115				
China Construction Bank Corporation - Bank of Communications Schroder alpha core hybrid securities investment fund	31,976,323		RMB common stock	31,976,323				
Industrial and Commercial Bank of China Limited-E fund emerging growth flexible allocation hybrid securities investment fund	30,736,564		RMB common stock	30,736,564				
CITIC Bank Co., Ltd. - Bank of Communications Schroeder new vitality flexible allocation of	26,604,389		RMB common stock	26,604,389				

hybrid securities investment funds			
China Merchants Bank Co., Ltd. – E fund innovative growth hybrid securities investment fund	25,526,687	RMB common stock	25,526,687
National Social Security Fund-111	23,658,180	RMB common stock	23,658,180
Central Huijin Asset Management Co., Ltd	23,183,420	RMB common stock	23,183,420
Industrial and Commercial Bank of China Limited - Bank of Communications Schroeder advantage industry flexible allocation of hybrid securities investment fund	22,846,399	RMB common stock	22,846,399
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.

2. Particulars about controlling shareholder of the Company

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

Type of the actual controller: Corporation

Name of controlling shareholder	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
Sanhua Holding Group Co., Ltd	Zhang Daocai	July 11, 2000	911330624720002522J	Industrial investment; Manufacturing and sales: refrigeration control components, auto parts, electronic products; sales: metal materials (excluding precious and

				<p>rare metals), chemical raw materials (except dangerous chemicals and precursor chemicals), gold and silver jewelry, rubber; export of products and related technologies produced by the enterprise and its member enterprises. It is engaged in the export business of raw and auxiliary materials, machinery and equipment, instruments and meters, spare parts and related technologies needed by the enterprise and its member enterprises for production and scientific research; it is engaged in the processing of imported materials and the business of "three supplies and one supplement". Technical consultation, technical service, financial consultation and investment consultation.</p>
<p>Shares held by the controlling shareholder in other listed companies through controlling or holding during the reporting period</p>	N/A			

Change of the controlling shareholder during the reporting period

Applicable Not applicable

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

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

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

Name of the actual controller	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Zhang Daocai	Himself	China	No
Zhang Yabo	Himself	China	No
Zhang Shaobo	Himself	China	No
Main occupation and position	<p>Mr. Zhang Daocai: Chinese nationality, born in 1950, senior economist, and special supervisor of MBA graduate student of Zhejiang University. He is honorary chairman of the Company and chairman of the board of directors of Sanhua Holding Group Co., Ltd. He was elected as the representative of the 8th, 9th, 10th, 11th and 12th National People's Congress of Zhejiang Province and vice president of the China Enterprise Federation and the Chinese Entrepreneurs Association. Vice president of Zhejiang small and medium sized Enterprises Association, vice president of Zhejiang Business Management Research Association and vice president of Asia Pacific Chinese Leaders Association, and won the National Labor Medal of May 1st, national excellent entrepreneur, master of Chinese management, most creative Chinese business leader in Asia Pacific, Model worker of Zhejiang Province, meritorious entrepreneur of implementing the "eight eight strategy" in Zhejiang Province, lifelong leader entrepreneur of Zhejiang Province, leading figures of Zhejiang Manufacturing and other honors.</p> <p>Mr. Zhang Yabo: Chinese nationality, CPC member, born in February 1974, graduated from Shanghai Jiaotong University, received a master's degree in Business Administration from CEIBS. At present, he is the chairman of the board of the Company, Secretary of the Party committee of Sanhua holding group, vice chairman and director of the board of Sanhua Holding Group Co., Ltd. he has successively won Zhejiang outstanding young private entrepreneurs, Zhejiang operation and management masters, Shaoxing labor model, Shaoxing top ten outstanding young people, Shaoxing mayor award, Changjiang River Delta top ten outstanding young businessmen, Fengyun Zhejiang businessmen, Zhejiang outstanding entrepreneurs, glorious Zhejiang businessman, etc. He served as member of the 12th Zhejiang Provincial Committee of the Chinese people's Political Consultative Conference, deputy to the 5th, 6th and 7th Shaoxing people's Congress, vice chairman of Zhejiang Youth Federation, President of Zhejiang Youth Entrepreneurs Association, vice chairman of Shaoxing Youth Federation, President of Shaoxing Youth Entrepreneurs Association, director of China Youth Entrepreneurs Association, and director of Zhejiang Youth Entrepreneurship foundation.</p> <p>Mr. Zhang Shaobo: Chinese nationality, born in 1979, master's degree, graduated from CEIBS. He serves as a director of the Company, director of Sanhua Holding Group Co., Ltd., CEO of Hangzhou Sanhua International Building Co., Ltd., and executive director and CEO of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.</p>		
Domestic and foreign listed companies controlled in the past	N/A		

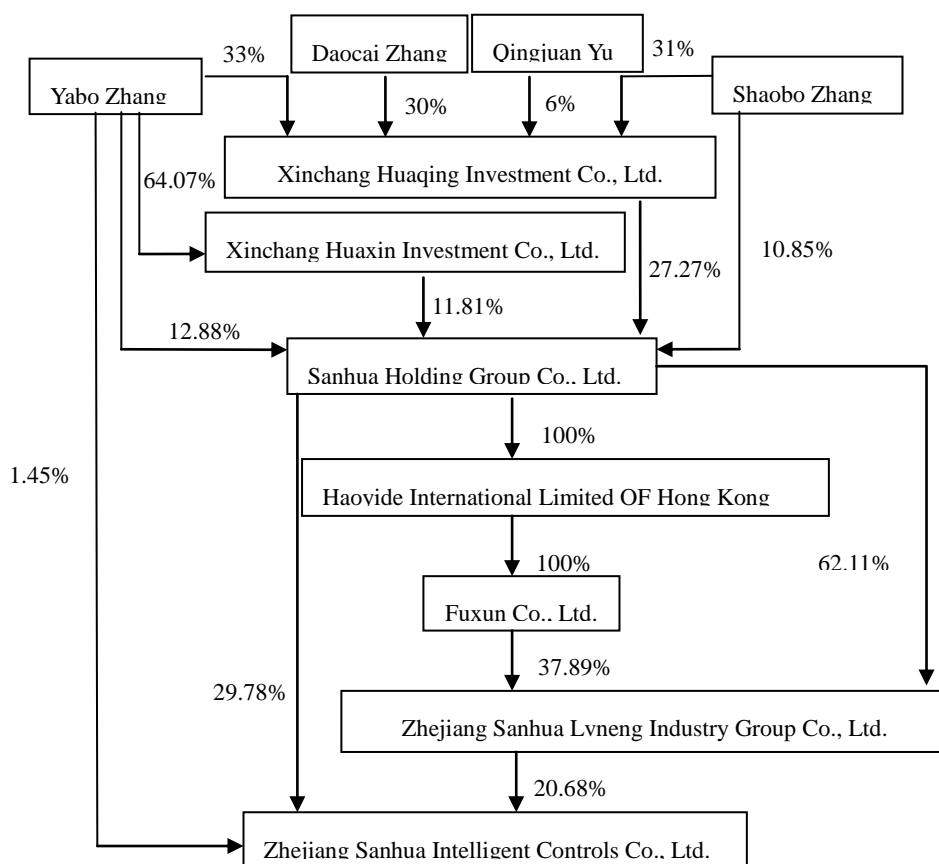
10 years	
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Change of the actual controller during the reporting period

Applicable Not applicable

No such change during the reporting period.

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



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

Applicable Not applicable

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

Applicable Not applicable

Name of corporate shareholder	Legal representative	Date of incorporation	Registered capital	Main business
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Zhang Shaobo	September 30, 2001	483 million yuan	Manufacturing and sales: air suspension assembly, general equipment, electromechanical equipment, technology development, technical service, technical consultation, achievement transfer: electromechanical technology, environmental protection technology, biotechnology (except for human stem cells, gene diagnosis and treatment technology development and application); electronic and electrical products, metal materials (excluding precious metals), chemical raw materials (except chemical dangerous goods and precursor chemicals) Wholesale, retail and import and export business of gold and silver jewelry, rubber, mineral products, machinery and equipment, instruments and accessories; services: enterprise management consulting, property management (operating by qualification certificate), self-owned house leasing, industrial investment management, consulting management (except for securities and goods,

				<p>without approval of financial supervision departments, shall not engage in deposit, financing guarantee, agency for public financing Financial services such as customer finance), power supply, development and construction of distributed solar energy projects, and contract energy management. (except for those involving the implementation of special management measures for access stipulated by the state). (for projects that need to be approved according to law, business activities can only be carried out with the approval of relevant departments.)</p>
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5. Particulars on shareholding decrease restrictions for the controlling shareholders, actual controller, restructurer or other committing parties

Applicable Not applicable

Section VII Information of Preferred Shares

Applicable Not applicable

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

Section VIII Information about Convertible Bonds

Applicable Not applicable

No existed Convertible bonds for the Company during the current reporting period.

Section IX Information about Directors, Supervisors, Senior Management

I. Shareholding changes of directors, supervisors, senior management

√ Applicable □ Not applicable

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (Shares)	Shares decreased during the Period (Shares)	Other changes (Shares)	Shares held at the end of the Period (Shares)
Zhang Yabo	Director, chairman, CEO	Incumbent	Male	47	December 13, 2012	December 6, 2021	50,024,000	12,007,200	10,000,000		52,031,200
Wang Dayong	Director, President	Incumbent	Male	52	December 13, 2012	December 6, 2021	130,000	169,000	42,250		256,750
Yu Shuli	Director	Incumbent	Male	73	April 28, 2006	December 6, 2021					
Ni Xiaoming	Director	Incumbent	Male	53	May 6, 2011	December 6, 2021	130,000	169,000	42,250		256,750
Chen Yuzhong	Director, chief engineer	Incumbent	Male	55	November 29, 2011	December 6, 2021	130,000	169,000	42,250		256,750
Zhang Shaobo	Director	Incumbent	Male	42	May 18, 2015	December 6, 2021					
Ji Hua	Independent director	Incumbent	Male	53	May 18, 2015	May 17, 2021					
Shen Yuping	Independent director	Resigned	Male	64	June 8, 2014	June 7, 2020					
Zhang Yaping	Independent director	Resigned	Female	64	June 8, 2014	June 7, 2020					
Shi	Independent	Incumbent	Male		June 8, 2020	December					

Jianhui	ent director	ent				6, 2021					
Zhu Hongjun	Independent director	Resigned	Male		June 8, 2020	February 25, 2021					
Pan Yalan	Independent director	Incumbent	Female		February 26, 2021	December 6, 2021					
Weng Weifeng	Convener of the board of supervisors	Incumbent	Male	55	June 8, 2014	December 6, 2021					
Zhao Yajun	supervisor	Incumbent	Male	50	November 29, 2011	December 6, 2021					
Chen Xiaoming	supervisor	Incumbent	Male	52	March 26, 2011	December 6, 2021	0	11,100			11,100
Hu Kaicheng	Vice president, Secretary of the board of directors	Incumbent	Male	46	January 26, 2015	December 6, 2021	130,000	169,000	42,250		256,750
Yu Yingkui	Vice president, CFO	Incumbent	Male	47	September 30, 2011	December 6, 2021	162,110	178,633	52,686		288,057
Total	--	--	--	--	--	--	50,706,110	12,872,933	10,221,686		53,357,357

Note: Mr. Zhu Hongjun, the independent director, resigned on December 28, 2020 and continued to perform the duties as the independent director and the member of audit committee of the board of directors. On February 26, 2021, the general meeting of shareholders approved the proposal to appoint Ms. pan Yalan as an independent director of the Company.

II. Changes of Directors, Supervisors and Senior Management

√Applicable □Not applicable

Name	Position	Type	Date	Reasons
Shen Yuping	Independent Director	Leave the position when term of office expires	June 8, 2020	Leave the position when six-year term of office expires
Zhang Yaping	Independent	Leave the	June 8, 2020	Leave the position when six-year term of office expires

	Director	position when term of office expires		
Zhu Hongjun	Independent Director	Resigned	February 25, 2021	Not qualified to be a director

III. Positions and Incumbency

Mr. Zhang Yabo: Born in 1974, master of Business Administration of CEIBS. Graduated from Shanghai Jiao Tong University in July, 1996. From May 2007 to September 2009, he served as the vice president of Sanhua Holding Group Co., Ltd.; from May 2007 up to present, he has been appointed as the director and vice chairman of the board of directors of Sanhua Holding Group Co., Ltd.; from September 2009 to December 2012, he served as the general manager of the Company; from October 2009 up to present, he has been appointed as the director of the Company; from December 2012 up to present, he has served as the chairman and CEO of the Company.

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

Mr. Yu Shuli: Born in 1948, graduated from the Department of economics of Shanghai University of Finance and Economics in 1983. He used to be the chief accountant and factory director of Shanghai Xinxin machinery factory, deputy factory director of Shanghai automobile air conditioner factory, director of the first board of directors of Shanghai Aerospace electromechanical Co., Ltd., general manager of Shanghai Deerfu Automobile Air Conditioning System Co., Ltd., and factory director of Shanghai automobile air conditioner factory. He has been a director of the Company since April 2006.

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

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

Mr. Zhang shaobo: Born 1979, master's degree, graduated from the China Europe Institute of Business School.

Since November 2012, he has served as general manager of Sanhua Real Estate Group and Zhejiang Sanhua Real Estate Co., Ltd.; since July 2013, he has served as general manager of Hangzhou Sanhua International Building Co., Ltd.; since May 2017, he has served as executive director and general manager of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.; he currently serves as a director of Sanhua Holding Group Co., Ltd.; from May 2015 up to present, he has served as the director of the Company.

Mr. Ji Hua: Born in 1968, master's degree, graduated from Peking University, majoring in finance. From October 2004 to October 2008, he was the general manager of Guangzhou Jinri Yihua Food and Beverage Co., Ltd.; from August 2009 to June 2014, he served as the chief researcher and partner of the Research Institute of the board of directors of Hong Kong; from August 2014 to February 2017, he served as the executive director of Hangzhou Ron Investment Management Co., Ltd.; from March 2017 up to present, he has served as the partner of Guangzhou Wisteria Stone Business Consulting Co., Ltd. He has been appointed as an independent director of the Company since May 2015.

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

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

Mr. Weng Weifeng: Born in 1966, bachelor degree, graduated from Shanghai Jiao Tong University, electrical engineering. From November 2008 to March 2009, he served as deputy director of human resources and director of industrial operation management department of Sanhua Holding Group Co., Ltd.; from April 2009 to September 2009, he served as general manager of Shanghai Kangbasaite Technology Development Co., Ltd. and general manager of Shanghai Clean Automobile Energy System Co., Ltd.; from January 2010 to September 2020, he served as director of human resources of Sanhua Holding Group Co., Ltd. In February 2019, he served as the director of Sanhua Holding Group Co., Ltd. From December 2019 up to present, he has served as chairmen of Ningbo Fulda Intelligent Technology Co., Ltd. From November 2011 up to present, he has been a supervisor of the Company.

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

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

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

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

Position held in shareholders' entities

√Applicable □ Not applicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Zhang Yabo	Sanhua Holding Group Co., Ltd	Vice chairman (director)	February 26, 2019	February 25, 2022	No
Wang Dayong	Sanhua Holding Group Co., Ltd	Director	February 26, 2019	February 25, 2022	No
Ni Xiaoming	Sanhua Holding Group Co., Ltd	Director	February 26, 2019	February 25, 2022	No
Zhang Shaobo	Sanhua Holding Group Co., Ltd	Director	February 26, 2019	February 25, 2022	Yes
Zhang Shaobo	Zhejiang Sanhua Ineng Industrial Group Co., Ltd	Director, general	July 1, 2019		No

		manager			
Chen Yuzhong	Sanhua Holding Group Co., Ltd	Director	February 26, 2019	February 25, 2022	No
Weng Weifeng	Sanhua Holding Group Co., Ltd	Director	February 26, 2019	February 25, 2022	No
Zhao Yajun	Sanhua Holding Group Co., Ltd	Deputy chief financial officer	March 1, 2014		Yes
Zhao Yajun	Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Supervisor	July 1, 2019		No
Description of the position in shareholders' entities	No				

Positions held in other entities

√Applicable □ Not applicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Zhang Yabo	Hangzhou Sanhua Research Institute Co., Ltd	Chairman	February 10, 2017		No
Zhang Yabo	Hangzhou Fumo New Material Technology Co., Ltd	Director	July 1st, 2016		No
Zhang Yabo	Xinchang Huaxin Investment Co., Ltd	Chairman	March 16, 2016		No
Zhang Yabo	Wuhu Erda Technology Co., Ltd	Director	February 3, 2016		No
Zhang Yabo	Hangzhou Zhicheng Investment Management Co., Ltd	Executive director and general manager	July 23, 2007		No
Zhang Yabo	Hangzhou Zhishen Investment Management Co., Ltd	Supervisor	July 23, 2007		No
Zhang Yabo	Zhejiang Haoyuan Technology Co., Ltd	Director	May 4, 2018		No
Zhang Yabo	Sanhua trading Singapore Pte Ltd	Director	October 13, 2017		No

Wang Dayong	Zhejiang Huateng Investment Co., Ltd	Chairman	April 19, 2010		No
Wang Dayong	Hangzhou Fufan Investment Management Co., Ltd	Director	April 28, 2016		No
Wang Dayong	Guochuang energy Internet Innovation Center (Guangdong) Co., Ltd	Director	August 20, 2019		No
Yu Shuli	Ningbo Huaxiang Electronics Co., Ltd	Convener of the board of supervisors	March 5, 2020		Yes
Ni Xiaoming	Sanhua Houston Technology Center	Director	August 2, 2017		No
Zhang Shaobo	Shanghai Sanhua Electric Co., Ltd	Executive director	April 10, 2017		No
Zhang Shaobo	Hangzhou zhiwo Investment Management Co., Ltd	General manager	June 16, 2014		No
Zhang Shaobo	Hangzhou Zhishen Investment Management Co., Ltd	Executive director, general manager	July 23, 2007		No
Zhang Shaobo	Hangzhou Fuxiang Property Management Co., Ltd	Chairman	January 3, 2016		No
Zhang Shaobo	Xinchang Sanhua Property Management Co., Ltd	Chairman	March 29, 2011		No
Zhang Shaobo	Tianjin Minghao Management Consulting Co., Ltd	Executive director, general manager	May 25, 2017		No
Zhang Shaobo	Hangzhou Sanhua International Building Co., Ltd	Executive director, general manager	July 31, 2013		No
Zhang Shaobo	Xinchang Private Financing Service Center Co., Ltd	Director	March 26, 2014		No
Zhang Shaobo	Inner Mongolia Xiqi Mining Co., Ltd	Supervisor	September 11, 2012		No
Zhang Shaobo	Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd	Executive director, general manager	May 31, 2017		No
Zhang Shaobo	Hangzhou Fufan Investment Management Co., Ltd	Chairman	July 9, 2010		No

Zhang Shaobo	Xinchang United Investment Management Co., Ltd	Director	December 31, 2008		No
Zhang Shaobo	Hangzhou Kaisida Technology Co., Ltd	Executive director	June 15, 2020		No
Zhang Shaobo	Tianjin Sanhua Industrial Park Management Co., Ltd	Executive director, general manager	May 9, 2019		No
Zhang Shaobo	Hangzhou Huaqin Investment Management Co., Ltd	Supervisor	December 25, 2006		No
Zhang Shaobo	Hangzhou Mifeng Catering Management Co., Ltd	Supervisor	March 31, 2015		No
Zhang Shaobo	Shanghai Tihu catering Co., Ltd	Director	September 26, 2017		No
Zhang Shaobo	Ningbo Fulda Intelligent Technology Co., Ltd	Director	December 26, 2019		No
Zhang Shaobo	Zhejiang Sanhua Ecological Agriculture Co., Ltd	Executive director, general manager	September 11, 2018		No
Zhang Shaobo	Hangzhou Zhicheng Investment Management Co., Ltd	General manager	November 4, 2020		No
Zhang Shaobo	Hangzhou Zhiyong Enterprise Management Co., Ltd	Executive director, general manager	April 27, 2018		No
Ji Hua	Guangzhou Wisteria Stone Business Consulting Co., Ltd	Executive director, general manager	March 1, 2017		Yes
Shi Jianhui	Zhejiang Ningbo Meishan free trade port Xiaozhi investment management partnership	CEO	August 1, 2017		Yes
Shi Jianhui	Ningbo Jifeng Auto Parts Co., Ltd	Adviser	September 1st, 2017		Yes
Shi Jianhui	Shanghai Nan'en Automobile Technology Co., Ltd	Adviser	November 1, 2018		Yes
Shi Jianhui	Changzhou New Energy Automobile Co., Ltd	Adviser	July 1, 2019		Yes
Pan Yalan	Hangzhou University of Electronic Science	Teacher	August 1, 1987		Yes

	and Technology				
Pan Yalan	Lin'an Rural Commercial Bank Co., Ltd	Independent director	December 1, 2019		Yes
Weng Weifeng	Shanghai Sanhua Electric Co., Ltd	General manager	April 12, 2011		Yes
Weng Weifeng	Hangzhou Tongchan Machinery Co., Ltd	Chairman、general manager	March 22, 2017		No
Weng Weifeng	Shenyang Sanhua Daika wheel Hub Co., Ltd	Director	June 4, 2013		No
Weng Weifeng	Shenyang Durui Wheel Hub Co., Ltd	Director	May 10, 2013		No
Weng Weifeng	Hangzhou Sanhua Research Institute Co., Ltd	General manager	May 10, 2018		No
Weng Weifeng	Ningbo Fulda Intelligent Technology Co., Ltd	Chairman	December 26, 2019		No
Weng Weifeng	Shanghai fuyulong Automobile Technology Co., Ltd	Chairman	December 26, 2019		No
Weng Weifeng	Shanghai futailong Automotive Electronic Technology Co., Ltd	Chairman	July 15, 2020		No
Weng Weifeng	Tianjin Sanhua Industrial Park Management Co., Ltd	Supervisor	October 10, 2018		No
Weng Weifeng	Tianjin Sanhua Fuda Intelligent Technology Co., Ltd	Chairman	November 2, 2018		No
Weng Weifeng	Xinchang Huaxin Investment Co., Ltd	Director、general manager	March 21, 2017		No
Zhao Yajun	Shanghai Sanhua Electric Co., Ltd	Supervisor	April 12, 2011		No
Zhao Yajun	Hangzhou Tongchan Machinery Co., Ltd	Supervisor	May 31, 2011		No
Zhao Yajun	Xinchang Private Financing Service Center Co., Ltd	Supervisor	March 26, 2014		No
Zhao Yajun	Xinchang United Investment Management Co., Ltd	Supervisor	January 1, 2012		No
Zhao Yajun	Zhejiang Xiezhong automobile new energy technology development Co., Ltd	Supervisor	May 25, 2018		No
Zhao Yajun	Wuhu Erda Technology Co., Ltd	Supervisor	July 31, 2018		No
Zhao Yajun	Zhejiang Haoyuan Technology Co., Ltd	Supervisor	May 4, 2018		No
Zhao Yajun	Xinchang Huaxin Investment Co., Ltd	Director	March 21, 2017		No
Zhao Yajun	Shanghai fuyulong Automobile Technology	Supervisor	December 26,		No

	Co., Ltd		2019		
Zhao Yajun	Tianjin Sanhua Fuda Intelligent Technology Co., Ltd	Supervisor	November 2, 2018		No
Zhao Yajun	Nanjing Xiezhong automobile new energy technology development Co., Ltd	Supervisor	February 28, 2019		No
Yu Yingkui	Zhejiang Huateng Investment Co., Ltd	Director	April 19, 2010		No
Yu Yingkui	Chongqing Tainuo Machinery Co., Ltd	Director	December 8, 2016		No
Yu Yingkui	Nanchang Sanhua jinlifeng Machinery Co., Ltd	Director	July 12, 2017		No
Yu Yingkui	Qingdao Sanhua jinlifeng Machinery Co., Ltd	Director	July 25, 2017		No
Yu Yingkui	Xinchang Private Financing Service Center Co., Ltd	Director	October 23, 2015		No
Yu Yingkui	Ningbo Jinlifeng Machinery Co., Ltd	Director	July 2, 2020		No
Yu Yingkui	Sanhua Trading Singapore Pte Ltd	Director	October 13, 2017		No
Description of the position in shareholders' entities	No				

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

Applicable Not applicable

IV. Remuneration of directors, supervisors and senior management personnel

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

Remuneration of directors, supervisors and senior management personnel

Name	Title	Gender	Age	Tenure status	Total remuneration	Remuneration from related
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					from the Company (RMB'0,000)	parties (Y/N)
Zhang Yabo	Director, Chairman、CEO	Male	47	Incumbent	172.39	N
Wang Dayong	Director, President	Male	52	Incumbent	71.22	N
Yu Shuli	Director	Male	73	Incumbent	7.53	N
Ni Xiaoming	Director	Male	53	Incumbent	95.75	N
Chen Yuzhong	Director、chief engineer	Male	55	Incumbent	63.13	N
Zhang Shaobo	Director	Male	42	Incumbent	0	Y
Ji Hua	Independent director	Male	53	Incumbent	10.97	N
Shen Yuping	Independent director	Male	64	Resigned	5.78	N
Zhang Yaping	Independent director	Female	64	Resigned	5.78	N
Shi Jianhui	Independent director	Male	49	Incumbent	5.2	N
Zhu Hongjun	Independent director	Male	45	Incumbent	0	N
Weng Weifeng	Convener of the board of supervisors	Male	55	Incumbent	0	Y
Zhao Yajun	Supervisor	Male	50	Incumbent	0	Y
Chen Xiaoming	Supervisor	Male	52	Incumbent	29.1	N
Hu Kaicheng	Secretary of the board of directors, vice president	Male	46	Incumbent	59.74	N
Yu Yingkui	CFO, VP	Male	47	Incumbent	68.47	
Total	--	--	--	--	595.06	--

Share incentives for directors, supervisors and senior executives in the Reporting Period

Applicable Not applicable

Name	Title	Number of	Number of	Exercise	Market	Restricted Shares	Shares vested in	Shares newly	Price for restricted	Restricted Shares
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		exercisable shares in the reporting period	exercised shares in the reporting period	price of exercised shares during the reporting period (yuan / share)	price at the end of the report period (yuan / share)	held at the beginning of the period	the current period	granted in the current period	shares granted (RMB per share)	held at period-end
Wang Dayong	Chairman				24.65	91,000	42,250	157,300	9.85	197,600
Ni Xiaoming	Director				24.65	91,000	42,250	157,300	9.85	197,600
Chen Yuzhong	Director, chief engineer				24.65	91,000	42,250	157,300	9.85	197,600
Hu Kaicheng	Vice president, Secretary of the board of directors				24.65	91,000	42,250	157,300	9.85	197,600
Yu Yingkui	Vice president, CFO				24.65	91,000	52,686	157,300	9.85	197,600
Total	--	0	0	--	--	455,000	221,686	786,500	--	988,000
Note (if any)	<p>1. At the beginning of each year, the number of locked shares of senior executives is recalculated according to 75% of the total number of shares held by the them, and the number of unlocked shares in current period is 25% of the circulating shares.</p> <p>2. On November 6, 2020, when second phase of the 2018 restricted stock incentive plan matured, 50,700 restricted shares of each above-mentioned directors and senior managers will be unlocked, with a total of 253,500 shares. However, due to the lock-in restriction of senior executives, the shares will be directly included in the lock-in shares of senior executives.</p>									

V. Staff in the Company

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

Number of incumbent employees in the parent company	4,570
Number of incumbent employees in major subsidiaries	8,503
Number of incumbent employees	13,073
Number of employees receiving salaries in current period	13,073
Number of retired employees requiring the parent Company and	0

its subsidiaries to bear costs	
Professional structure	
Tier	Number of employees
Production staff	8,848
Sales staff	503
Engineers	1,576
Financial staff	233
Administrative Staff	1,913
Total	13,073
Educational background	
Education background	Number of employees
Master and/or doctor/or above	546
Bachelor	2,317
Junior College (professional training)	2,607
Other	7,603
Total	13,073

2. Staff remuneration policy

According to the business development plan and the incentive needs of human resource, the Company has established a comprehensive compensation system based on post value, standard of personnel ability and evaluation of performance, and formed relevant incentive systems, such as Performance Management Measures, *Management Measures for Evaluation of Professional Talents*, Management Measures for Compensation and Assessment of College Students and Incentive Policy for Purchasing Real Estate, etc. It balances the contribution of talents and their return and income, forms an effective salary rise mechanism, and motivates their enthusiasm and innovation. Every year, the Company carries out the estimation of college students and professional talents, which has played an important role in motivating new college students and employees at all levels. And regular review market compensation to ensure competitiveness of the Company's overall salary system. In addition, in the professional system, the Company will carry out patent award, quality award, management effectiveness award, lean improvement award and other management evaluation every year, which effectively encourage talents' innovation. In 2018, the Company launched the first equity incentive plan, and in 2020, the Company launched the restricted stock incentive plan, which played an incentive and retention role for the Company's key talents and laid a foundation for sustainable development.

3. Staff training plans

Based on the development plan from 2021 to 2025, the Company implements the talents strategy of "Internal training first and external recruitment second", which will be dedicated to the development of staff at all levels. According to the requirements of competency development, we build a learning organization, which would improve personal ability and create greater value, through the cultivation of talents and the construction of cadre echelon. Staff training plans are mainly on the technical system, marketing system, quality system, production planning system, financial system and other backbone departments so as to improve their professional skills and

management level. We will continue to strengthen talent echelons training, manager training, management training, and new college students training, and reserve of talents.

The Company continues to carry out the work of "Retain excellent talents" to identify and develop high potential talents. In order to build an international, professional and young backbone team, we strengthen the cultivation and recruitment of international talents, pay attention to the cultural publicity of overseas employees, enhance the sense of cultural identity and influence of culture.

4. Labor outsourcing

Applicable Not applicable

Section X Corporate Governance

I. Basic situation of corporate governance

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

1. Shareholders and general meeting of shareholders

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

2. Directors and the board of directors

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

3. Supervisors and board of supervisors

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

4. Relationship between controlling shareholders and listed companies

The controlling shareholders can strictly regulate their own behaviors. There is no direct or indirect intervention

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

5. Information disclosure and investor relationship management

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

6. Performance evaluation and incentive mechanism

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

7. Stakeholders

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

Any significant non-compliance for the relevant regulatory documents issued by China Securities Regulatory Commission in respect of corporate governance:

Yes No

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

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

1. Business independence

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

2. Personnel independence

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

3. Asset completeness

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

4. Institution independence

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

5. Finance independence

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

III. Horizontal competition

Applicable Not applicable

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

1. Annual General Meeting convened during the reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
The 1st extraordinary general meeting of shareholders in 2020	Interim general meeting	63.72%	February 10, 2020	February 11, 2020	Announcement of the 1st Extraordinary General Meeting of Shareholders in 2020 (2020-014) was published in the <i>Securities Times, Shanghai</i>

					<i>Securities News</i> and CNINFO.
Annual general meeting of shareholders in 2019	Annual General Meeting	67.08%	May 19, 2020	May 20, 2020	Announcement of the Annual General Meeting of Shareholders in 2019 (2020-044) was published in the <i>Securities Times, Shanghai Securities News</i> and CNINFO.
The 2nd extraordinary general meeting of shareholders in 2020	Interim general meeting	67.25%	June 22, 2020	June 23, 2020	Announcement of the 2nd Extraordinary General Meeting of Shareholders in 2020 (2020-055) was published in the <i>Securities Times, Shanghai Securities News</i> and CNINFO.
The 3rd extraordinary general meeting of shareholders in 2020	Interim general meeting	65.07%	August 28, 2020	August 29, 2020	Announcement of the 3rd Extraordinary General Meeting of Shareholders in 2020 (2020-066) was published in the <i>Securities Times, Shanghai Securities News</i> and CNINFO.
The 4th extraordinary general meeting of shareholders in 2020	Interim general meeting	65.72%	November 5, 2020	November 6, 2020	Announcement of the 4th Extraordinary General Meeting of Shareholders in 2020 (2020-089) was published in the <i>Securities Times, Shanghai</i>

					Securities News and CNINFO.
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2. Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights:

Applicable Not applicable

V. Performance of duties by independent directors during the reporting period

1. Attendance of independent directors in board meetings and general meetings

Attendance of independent directors in board meetings and general meetings							
Name of Independent Director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence by telecommunication (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence of independent directors in general meetings (times)
Ji Hua	7	1	6	0	0	No	0
Shen Yuping	4	0	4	0	0	No	0
Zhang Yaping	4	0	4	0	0	No	0
Shi Jianhui	3	1	2	0	0	No	0
Zhu Hongjun	3	1	2	0	0	No	0

2. Objections from independent directors on related issues of the Company

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

Yes No

3. Other details about the performance of duties by independent directors

Were there any suggestions from independent directors accepted by the Company?

Yes No

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

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

The board of directors has five special committees, strategic committee, audit committee, nomination committee, remuneration and assessment committee and executive committee. In 2020, based on the principle of diligence, the committees carried out their work in accordance with the relevant laws and regulations, normative documents

and working rules of the special committees. Committees put forward opinions and suggestions, and provide reference for the decision-making of the board of directors.

1. Performance of the Strategic Committee

The strategic committee is mainly responsible for the feasibility study of the Company's long-term development strategic planning and major strategic investment. During the reporting period, the strategy committee mainly carried out the following work:(1) Put forward reasonable suggestions for various potential risks that may appear in production and operation, such as response to changes in international trade environment, response to global epidemic situation, etc. (2) Deeply analyzes the Company's operation status and development prospects, discusses the Company's operation strategy and strategic investment matters, and put forward constructive suggestions. It plays an important role in strengthening the scientific decision-making and improving the efficiency and quality of decision-making.

2. Performance of Audit Committee

The audit committee is mainly responsible for communication, supervision and verification of internal and external audit of the Company. The audit committee mainly carried out the following work:(1) Guide and supervise the implementation of internal audit system;(2) Review the internal audit summary and audit work plan submitted by the audit department;(3) In the process of annual audit work, communicate with audit institutions on annual audit work arrangement and ensure that the audit work is carried out as planned;(4) Objectively evaluates the audit work of the accounting firm in this year. On the basis of understanding and evaluating the work of the current accounting firm, put forward some suggestions for the Company to continue to engage the accounting firm. It plays the role of audit and supervision.

3. Performance of Nomination Committee

The nomination committee conscientiously performs its duties in accordance with the *Detailed Rules for the Implementation of the Nomination Committee of the Board of Directors*. During the reporting period, the nomination committee mainly carried out the following work:(1) Make suggestions on the selection criteria and procedures of directors and senior managers of the Company;(2) The qualification and ability of relevant directors and senior managers were examined carefully to further promote the stability of the Company's management team.

4. Performance of Remuneration and Assessment Committee

The remuneration and assessment committee of the board of directors perform its duties in accordance with the relevant requirements of the *Rules of Procedure of the Remuneration and Assessment Committee of the Board of Directors*. During the reporting period, the remuneration committee mainly carried out the following work:(1) Put forward suggestions on assessment and evaluation standards to promote the standardized operation of the Company, improve the rationality of salary assessment and ensure the performance of the Committee. (2) Review the performance of employees who were qualified for unlocking in phase II of 2018 equity incentive plan. (3) Review the draft of restricted stock in 2020 and assessment management measures.

5. Performance of the Executive Committee

The executive committee is a special work organization established by the board of directors, which is mainly responsible for monitoring of the major strategies, major investment decisions and major business activities of the Company. During the reporting period, the executive committee mainly carried out the following work:(1)

Discuss and make suggestions on major issues that may affect the future development of the Company. (2)
Effectively monitor the major investments approved by the general meeting of shareholders and the board of directors.

VII. Performance of duties by the Supervisory Committee

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

Yes No

VIII. Assessment and incentive mechanism for the senior management

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

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

IX. Evaluation report on internal control

1. Any significant internal control deficiencies during the reporting period

Yes No

2. Self-evaluation report on internal control

Disclosure date of full text of self-evaluation report on internal control	March 27, 2021	
Disclosure index of full text of self-evaluation report on internal control	<i>Self-evaluation Report on Internal Control of the Company in 2020</i> http://www.cninfo.com.cn	
Proportion of assets evaluated in total assets		100.00%
Proportion of revenue evaluated in total revenue per consolidated financial statement		100.00%
Recognition standard of deficiencies		
Nature	Financial report level	Non-financial report level
Qualitative criteria	Significant deficiency: 1. Fraud of directors, supervisors and senior managers; 2. Major misstatement in the current financial report found by the CPA but not identified by the internal control of the Company; 3. The Company has major violations of laws and regulations in financial accounting, asset management, capital operation,	Significant deficiency: The possibility of defects is high, which will significantly reduce the work efficiency or effect, or significantly increase the uncertainty of the effect, or make it significantly deviate from the expected goal. Important defects: Defects are more likely to occur, which will seriously

	<p>information disclosure, product quality, safety production, environmental protection and other aspects, causing major losses and adverse effects to the Company, or subject to major administrative supervision and punishment; 4. Supervision of the audit committee and internal control department is ineffective on the Company's external financial report and internal control.</p> <p>Significant deficiency:(1). Failure to select and apply accounting policies in accordance with GAAP; (2). Failure to establish anti-fraud procedures and control measures; (3). It cannot reasonably guarantee the truthfulness and completeness of the financial statements due to one or more defects in control process; (4). There is no corresponding control mechanism or no compensatory control for the accounting treatment of non-routine or special transactions.</p> <p>General deficiency: General defects other than the above-mentioned.</p>	<p>reduce the work efficiency or effect, or seriously increase the uncertainty of the effect, or make it seriously deviate from the expected goal. General defects: The probability of defects is small, which will reduce the efficiency or effect, increase the uncertainty of the effect, or make it deviate from the expected goal.</p>
Quantitative criteria	<p>The quantitative standard is based on the percentage of potential misstatements of pre-tax profit. Significant deficiency: This defect alone or together with other defects may cause the misstatement of financial report to exceed 10% of the profit before tax. Important defects: This defect alone or together with other defects may cause the misstatement of financial report to exceed 5% but less than 10% of the profit before tax. General defects: This defect alone or together with other defects may cause the misstatement of financial report less than 5% of the profit before tax.</p>	<p>The quantitative standard is based on the percentage of potential misstatements of pre-tax profit. Significant deficiency: This defect alone or together with other defects may cause the misstatement of financial report to exceed 10% of the profit before tax. Important defects: This defect alone or together with other defects may cause the misstatement of financial report to exceed 5% but less than 10% of the profit before tax. General defects: This defect alone or together with other defects may cause the misstatement of financial report less than 5% of the profit before tax.</p>
Number of significant deficiencies in financial report level	0	

Number of significant deficiencies in non-financial report level	0
Number of important deficiencies in financial report level	0
Number of important deficiencies in non-financial report level	0

X. Audit report or assurance report on internal control

Internal Control Audit Report

Comments of Internal Control Audit Report	
We believe that, as of December 31, 2020, Sanhua has maintained effective internal control over financial reporting in all major matters in accordance with <i>Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange (revised in 2020)</i> and other relevant regulations.	
Disclosure of internal control audit report	Disclosure
Date of full disclosure of internal control audit report	March 27, 2021
Index of full disclosure of internal control audit report	<i>Assurance Report on the Company's Internal Control</i> (http://www.cninfo.com.cn)
Types of opinions of internal control audit report	Standard Unqualified Opinion
Major defects in non-financial report or not	No

Accounting firm issues internal control audit report with non-standard opinions or not

Yes No

The internal control audit report of the external accounting firm is in line with the self-assessment report of the Board of Directors or not

Yes No

Section XI Corporate Bonds

Whether the Company has publicly issued corporate bonds on Stock Exchange, which has not terminated or terminated but fail to collect the full payment before the annual report authorized disclosure date.

Yes No

Section XII Financial Report

I. Audit report

Type of audit opinion	Standard Unqualified opinion
Date of signing of audit report	March 25, 2021
Name of audit firm	Pan-China Certified Public Accountants LLP
Document number of audit report	PCCPAAR [2021] No. 1098
Name of the certified accountants	Luo Xunchao 、 Ouyang Xiaoyun

Auditor's Report

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

1. Audit Opinion

We have audited the accompanying financial statements of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2020, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

2. Basis for Audit Opinion

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

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Revenue recognition

1. Matters description

Please refer to section III (22), V (2) 1 and XIV (2) of the notes to the financial statements for details.

The majority of the company's revenue comes from controlling components and components for home appliances and automobiles. In 2020, the amount of operating income items as shown in the financial statements of the Company is RMB 12.1098334 billion. Income from domestic sales of products shall be confirmed after

delivery inspection and acquisition of receipt vouchers. Export sales revenue is confirmed after export declaration and bill of lading is obtained. As operating revenue is one of the key performance indicators of the Company, there might be inherent risks that the Company's management adopts inappropriate revenue recognition to achieve specific goals or expectations. We have identified revenue recognition as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

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

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

(3) We performed analysis procedure on operating revenue and gross margin by month, product, client, etc., so as to identify whether there are significant or abnormal fluctuations and find out the reason of fluctuations; we performed cut-off tests on the operating revenue recognized around the balance sheet date, and assessed whether the operating revenue was recognized in the appropriate period;

(4) For revenue from domestic sales, we checked supporting documents related to revenue recognition by sampling method, including sales contracts, orders, sales invoices, delivery lists, delivery orders, shipping documents, client acceptance receipts, etc.; for revenue from overseas sales, we obtained information from Electron Port and checked it with accounting records, and checked supporting documents including sales contracts, bills of clearance, waybills, sales invoices, etc. by sampling method;

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

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

(II) Impairment of accounts receivable

1. Matters description

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

As of December 31, 2020, the book balance of the Company's accounts receivable amounted to RMB 2.4811294 billion, with provision for bad debt was RMB 125.5161 million, and the carrying amount amounted to RMB2.3556133 billion.

The Company measures accounts receivable with expected credit losses primarily on a collective basis. The Management classifies portfolios on the basis of ages, adjusts them based on historical credit risk loss experience and forward-looking estimations, prepares the comparison table of ages and expected credit loss rate of accounts receivable, so as to calculate the provision for bad debts to be accrued.

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

2. Responsive audit procedures

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

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

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

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

Management;

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

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

(6) We checked whether information related to impairment of accounts receivable had been presented appropriately in the financial statements.

4. Other Information

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

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

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

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

The Management is responsible for other information. Other information includes the information covered in the A-share annual report, but does not include the financial statements and our auditor's report thereon. We have obtained the A-share annual report prior to the audit report date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pan-China Certified Public Accountants LLP

Hangzhou ·China

Chinese Certified Public Accountant

(Engagement Partner) Luo Xun chao

Chinese Certified Public Accountant

Ouyang Xiaoyun

Date of Report: March 25, 2021

II. Financial Statements

Units of financial reports in the notes: RMB

1.Consolidated balance sheet

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

December 31, 2020

Unit: RMB

Items	December 31,2020	December 31,2019
Current asset:		
Cash and Bank Balances	3,489,687,568.14	2,663,719,770.15
Settlement funds		
Loans to other banks		
Held-for-trading financial assets	752,224,861.78	993,634,433.31
Derivative financial assets	58,330,486.53	8,314,400.73
Notes receivable	2,323,934,781.53	2,097,159,908.40
Accounts receivable	2,355,613,299.57	1,871,323,522.82
Receivable financing		
Advances paid	69,404,326.45	62,871,924.30
Premium receivable		
Reinsurance accounts receivable		
Reinsurance reserves receivable		
Other receivables	76,935,495.05	97,394,782.97
Including: Interest receivable		
Dividends receivable		
Repurchasing of financial assets		
Inventories	2,307,761,706.46	2,180,838,596.07
Contract assets		
Assets held for sales		
Non-current assets due within one year		
Other current assets	150,460,488.01	75,933,253.28
Total current assets	11,584,353,013.52	10,051,190,592.03
Non-current assets:		
Loans and advances paid		

Debt investments		
Other debt investments		
Long-term receivable	2,074,750.00	2,145,963.27
Long-term equity investments	15,219,616.68	14,522,259.80
Other equity instrument investments		
Other non-current financial assets		
Investment property	10,067,588.96	27,025,974.05
Fixed assets	3,839,408,059.45	3,379,608,199.26
Construction in progress	628,730,529.07	480,959,262.46
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	507,693,672.93	525,867,518.75
Development expenditures		
Goodwill	31,959,091.60	31,959,091.60
Long-term prepayments	23,706,401.61	8,720,120.64
Deferred tax assets	137,808,879.28	88,952,931.69
Other non-current assets	251,509,127.08	179,238,257.09
Total non-current assets	5,448,177,716.66	4,738,999,578.61
Total assets	17,032,530,730.18	14,790,190,170.64
Current liabilities:		
Short-term borrowings	383,088,296.60	1,295,610,572.07
Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities		
Derivative financial liabilities	7,939,957.91	126,364.40
Notes payable	1,238,574,463.73	1,130,668,415.32
Accounts payable	2,279,661,755.97	1,587,763,752.62
Advances received	10,000,000.00	23,453,218.32
Contract liabilities	42,581,607.67	
Selling of repurchased financial assets		

Absorbing deposit and interbank deposit		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee benefits payable	289,305,913.99	228,997,483.82
Taxes and rates payable	75,008,142.06	58,192,607.75
Other payables	270,888,400.58	161,237,214.88
Including: Interest Payable		
Dividends Payable		1,772,750.00
Handling fee and commission payable		
Reinsurance accounts payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	130,553,923.87	222,228,097.22
Other current liabilities		
Total current liabilities	4,727,602,462.38	4,708,277,726.40
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	1,707,918,994.87	392,882,280.09
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	90,336,083.27	94,235,857.77
Long-term employee benefits payable		
Provisions	2,638,000.00	
Deferred income	140,105,336.43	82,537,550.43
Deferred tax liabilities	130,778,184.48	65,049,361.71
Other non-current liabilities	80,398,897.72	81,788,928.52
Total non-current liabilities	2,152,175,496.77	716,493,978.52
Total liabilities	6,879,777,959.15	5,424,771,704.92

Equity:		
Share capital	3,591,601,468.00	2,765,657,898.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	315,417,434.22	1,090,800,022.06
Less: Treasury shares	281,483,741.34	363,781,151.34
Other comprehensive income	-89,624,962.61	-39,332,748.50
Special reserve		
Surplus reserve	637,967,613.47	559,896,619.39
General risk reserve		
Undistributed profit	5,890,916,707.83	5,278,392,288.84
Total equity attributable to the parent Company	10,064,794,519.57	9,291,632,928.45
Non-controlling interest	87,958,251.46	73,785,537.27
Total equity	10,152,752,771.03	9,365,418,465.72
Total liabilities & equity	17,032,530,730.18	14,790,190,170.64

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

2. Parent Company Balance Sheet

Unit: RMB

Items	December 31,2020	December 31,2019
Current assets:		
Cash and bank balances	1,848,930,095.07	1,039,915,005.31
Held-for-trading financial assets	323,000,000.00	195,000,000.00
Derivative financial assets	8,856,174.56	2,069,850.00
Notes receivable	773,393,944.74	161,946,880.21
Accounts receivable	729,906,676.91	1,135,299,895.98
Receivables financing		
Advances paid	6,803,910.27	6,076,163.25
Other receivables	348,897,078.11	603,257,516.95
Including: Interest Receivable		
Dividends Receivable		
Inventories	553,388,303.73	519,241,847.99

Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	46,083,837.26	21,333,811.35
Total current assets	4,639,260,020.65	3,684,140,971.04
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivable		
Long-term equity investments	4,528,546,229.37	4,256,633,941.06
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	1,565,826,802.57	1,460,855,506.39
Construction in progress	71,862,243.72	44,135,844.65
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	156,335,743.52	189,181,593.94
Development expenditures		
Goodwill		
Long-term prepayments		625,318.03
Deferred tax assets	7,336,345.87	17,068,063.08
Other non-current assets	36,566,524.79	109,659,279.90
Total non-current assets	6,366,473,889.84	6,078,159,547.05
Total assets	11,005,733,910.49	9,762,300,518.09
Current liabilities:		
Short-term borrowings	20,012,527.78	730,799,542.65
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	381,631,833.96	
Accounts payable	1,566,994,944.07	1,431,862,681.89
Advances received		92,676.29

Contract liabilities	1,155,759.09	
Employee benefits payable	93,150,785.46	65,680,254.82
Taxes and rates payable	10,811,341.50	1,576,623.72
Other payables	1,355,955,388.81	1,252,808,472.44
Including: interest payable		
Dividends Payable		1,772,750.00
Liabilities classified as held for sale		
Non-current liabilities due within one year		220,225,194.44
Other current liabilities		
Total current liabilities	3,429,712,580.67	3,703,045,446.25
Non-current liabilities:		
Long-term borrowings	1,381,428,522.65	
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions	2,638,000.00	
Deferred income	35,908,399.54	30,895,817.00
Deferred tax liabilities	48,177,657.42	31,296,603.88
Other non-current liabilities		
Total non-current liabilities	1,468,152,579.61	62,192,420.88
Total liabilities	4,897,865,160.28	3,765,237,867.13
Equity:		
Share capital	3,591,601,468.00	2,765,657,898.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	1,198,721,706.52	2,005,303,119.53
Less: treasury shares	281,483,741.34	363,781,151.34
Other comprehensive income		
Special reserve		

Surplus reserve	509,280,441.15	431,209,447.07
Undistributed profit	1,089,748,875.88	1,158,673,337.70
Total equity	6,107,868,750.21	5,997,062,650.96
Total liabilities & equity	11,005,733,910.49	9,762,300,518.09

3. Consolidated Income statement

Unit: RMB

Items	Year2020	Year2019
I. Total operating revenue	12,109,833,368.44	11,287,489,442.23
Including: Operating revenue	12,109,833,368.44	11,287,489,442.23
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	10,592,665,388.40	9,747,723,876.16
Including: Operating cost	8,500,391,322.27	7,946,844,445.83
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	77,973,420.81	92,311,339.03
Selling expenses	602,954,759.17	588,547,454.16
Administrative expenses	764,084,428.88	595,781,120.22
R&D expenses	518,401,363.63	532,012,335.99
Financial expenses	128,860,093.64	-7,772,819.07
Including: Interest expenses	64,733,993.15	54,050,078.51
Interest income	52,233,256.57	29,496,046.87
Add: Other income	151,555,896.45	101,972,467.86
Investment income (or less: losses)	89,078,877.16	25,335,547.44
Including: Investment income	2,199,442.47	1,418,182.87

from associates and joint ventures		
Gains from derecognition of financial assets at amortized cost	-4,369,430.89	-2,407,426.89
Gains on foreign exchange (or less: losses)		
Gains on net exposure to hedging risk (or less: losses)		
Gains on changes in fair value (or less: losses)	31,847,915.76	27,906,347.18
Credit impairment loss (or less: losses)	-28,677,382.30	-3,374,126.64
Assets impairment loss (or less: losses)	-58,672,538.84	-27,895,239.50
Gains on asset disposal (or less: losses)	-486,378.33	278,783.69
III. Operating profit (or less: losses)	1,701,814,369.94	1,663,989,346.10
Add: Non-operating revenue	5,055,479.82	6,792,283.12
Less: Non-operating expenditures	14,843,633.18	7,713,121.40
IV. Profit before tax (or less: total loss)	1,692,026,216.58	1,663,068,507.82
Less: Income tax expense	218,702,864.60	229,253,469.06
V. Net profit (or less: net loss)	1,473,323,351.98	1,433,815,038.76
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or less: net loss)	1,473,323,351.98	1,433,815,038.76
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)	1,462,158,821.57	1,421,204,236.13
2. Net profit attributable to non-controlling shareholders (or less: net loss)	11,164,530.41	12,610,802.63
VI. Other comprehensive income after tax	-50,292,214.11	-28,841.85
Items attributable to the owners of the parent Company	-50,292,214.11	-28,841.85
(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	-50,292,214.11	-28,841.85
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	-50,292,214.11	-28,841.85
7. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	1,423,031,137.87	1,433,786,196.91
Items attributable to the owners of the parent Company	1,411,866,607.46	1,421,175,394.28
Items attributable to non-controlling shareholders	11,164,530.41	12,610,802.63
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.41	0.40
(II) Diluted EPS (yuan per share)	0.41	0.40

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	Year2020	Year2019
I. Operating revenue	4,516,583,047.45	4,463,396,527.84
Less: Operating cost	3,383,660,538.43	3,402,597,635.57
Taxes and surcharges	27,452,644.93	33,339,374.49
Selling expenses	51,140,200.18	56,513,307.16
Administrative expenses	187,763,288.96	156,768,224.49
R&D expenses	188,357,821.51	209,650,329.67
Financial expenses	85,010,110.29	25,674,611.42

Including: Interest expenses	41,141,318.78	63,621,572.43
Interest income	25,340,320.97	18,055,499.73
Add: Other income	62,733,688.49	21,417,817.55
Investment income (or less: losses)	189,487,259.99	584,187,850.64
Including: Investment income from associates and joint ventures	2,298,930.50	2,100,652.42
Gains from derecognition of financial assets at amortized cost		
Gains on net exposure to hedging (or less: losses)		
Gains on changes in fair value (or less: losses)	4,086,324.56	2,767,102.00
Credit impairment loss (or less: losses)	-631,899.35	-1,678,820.26
Assets impairment loss (or less: losses)	-1,496,468.86	-368,640.74
Gains on asset disposal (or less: losses)	70,090.31	387,439.68
II. Operating profit (or less: losses)	847,447,438.29	1,185,565,793.91
Add: Non-operating revenue	1,907,081.98	1,657,122.13
Less: Non-operating expenditures	8,389,545.94	1,068,851.00
III. Profit before tax (or less: total loss)	840,964,974.33	1,186,154,065.04
Less: Income tax expense	60,255,033.57	76,819,516.64
IV. Net profit (or less: net loss)	780,709,940.76	1,109,334,548.40
(I) Net profit from continuing operations (or less: net loss)	780,709,940.76	1,109,334,548.40
(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	780,709,940.76	1,109,334,548.40

5. Consolidated Cash Flow Statement

Unit: RMB

Items	Year 2020	Year 2019
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	11,849,284,665.68	12,114,467,691.73
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	264,818,602.07	231,573,740.65
Other cash receipts related to operating activities	253,535,410.82	174,693,870.02
Subtotal of cash inflows from operating	12,367,638,678.57	12,520,735,302.40

activities		
Cash payments for goods purchased and services received	7,545,742,409.64	8,017,585,235.57
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	1,677,941,014.69	1,540,342,983.64
Cash payments for taxes and rates	363,999,449.11	440,322,058.66
Other cash payments related to operating activities	692,612,022.02	622,321,419.93
Subtotal of cash outflows from operating activities	10,280,294,895.46	10,620,571,697.80
Net cash flows from operating activities	2,087,343,783.11	1,900,163,604.60
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	49,339,043.29	57,236,631.61
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	18,788,012.61	10,529,127.90
Net cash receipts from the disposal of subsidiaries & other business units	290,189.18	
Other cash receipts related to investing activities	576,219,673.31	1,055,940,437.56
Subtotal of cash inflows from investing activities	644,636,918.39	1,123,706,197.07
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	1,149,361,450.15	869,135,748.97
Cash payments for investments	1,250,000.00	1,800,000.00
Net increase of pledged borrowings		

Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	289,200,000.00	29,850,435.51
Subtotal of cash outflows from investing activities	1,439,811,450.15	900,786,184.48
Net cash flows from investing activities	-795,174,531.76	222,920,012.59
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	118,643,250.00	
Including: Cash received by subsidiaries from non-controlling shareholders as investments		
Cash receipts from borrowings	2,020,339,244.88	2,220,988,305.90
Other cash receipts related to financing activities	24,534,300.14	62,964,624.87
Subtotal of cash inflows from financing activities	2,163,516,795.02	2,283,952,930.77
Cash payments for the repayment of borrowings	1,705,455,347.51	2,123,117,631.60
Cash payments for distribution of dividends or profits and for interest expenses	842,824,941.43	595,166,284.01
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit	4,007,833.39	20,917,800.72
Other cash payments related to financing activities	10,752,519.79	299,483,636.97
Subtotal of cash outflows from financing activities	2,559,032,808.73	3,017,767,552.58
Net cash flows from financing activities	-395,516,013.71	-733,814,621.81
IV. Effect of foreign exchange rate changes on cash & cash equivalents	-50,292,214.11	-28,841.85
V. Net increase in cash and cash equivalents	846,361,023.53	1,389,240,153.53
Add: Opening balance of cash and cash equivalents	2,553,783,015.01	1,164,542,861.48
VI. Closing balance of cash and cash equivalents	3,400,144,038.54	2,553,783,015.01

6. Cash Flow Statement of the Parent Company

Unit: RMB

Items	Year 2020	Year 2019
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	3,591,777,322.35	3,268,467,818.85
Receipts of tax refund	72,901,445.17	78,890,701.50
Other cash receipts related to operating activities	93,832,945.34	56,268,951.89
Subtotal of cash inflows from operating activities	3,758,511,712.86	3,403,627,472.24
Cash payments for goods purchased and services received	1,965,431,440.25	1,962,621,401.88
Cash paid to and on behalf of employees	391,589,764.85	319,581,376.43
Cash payments for taxes and rates	91,135,303.51	99,864,714.09
Other cash payments related to operating activities	153,131,340.36	117,818,085.89
Subtotal of cash outflows from operating activities	2,601,287,848.97	2,499,885,578.29
Net cash flows from operating activities	1,157,223,863.89	903,741,893.95
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	19,217,446.05	10,109,000.00
Cash receipts from investment income	225,498,714.94	587,278,422.76
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	5,013,171.60	3,038,824.89
Net cash receipts from the disposal of subsidiaries & other business units	2,119,122.19	
Other cash receipts related to investing activities	271,933,366.03	565,660,872.93
Subtotal of cash inflows from investing activities	523,781,820.81	1,166,087,120.58
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	235,141,413.93	261,503,279.24
Cash payments for investments	236,348,684.83	238,971,418.85

Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	149,070,741.05	35,371,356.82
Subtotal of cash outflows from investing activities	620,560,839.81	535,846,054.91
Net cash flows from investing activities	-96,779,019.00	630,241,065.67
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	118,643,250.00	
Cash receipts from borrowings	1,519,811,000.00	930,000,000.00
Other cash receipts related to financing activities	83,377,450.00	76,225,498.75
Subtotal of cash inflows from financing activities	1,721,831,700.00	1,006,225,498.75
Cash payments for the repayment of borrowings	1,069,811,000.00	780,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses	844,817,849.02	586,298,249.58
Other cash payments related to financing activities	39,333,154.61	458,353,614.78
Subtotal of cash outflows from financing activities	1,953,962,003.63	1,824,651,864.36
Net cash flows from financing activities	-232,130,303.63	-818,426,365.61
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	828,314,541.26	715,556,594.01
Add: Opening balance of cash and cash equivalents	974,923,339.25	259,366,745.24
VI. Closing balance of cash and cash equivalents	1,803,237,880.51	974,923,339.25

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Items	Year 2020														Non-controlling interest	Total equity
	Equity Attributable to parent Company															
	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	2,765,657,898.00				1,090,800,022.06	363,781,151.34	-39,332,748.50		559,896,619.39		5,278,392,288.84		9,291,632,928.45	73,785,537.27	9,365,418,465.72	
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	2,765,657,898.00				1,090,800,022.06	363,781,151.34	-39,332,748.50		559,896,619.39	5,278,392,288.84	9,291,632,928.45	73,785,537.27	9,365,418,465.72		
III. Current period increase (or less: decrease)	825,943,570.00				-775,382,587.84	-82,297,410.00	-50,292,214.11		78,070,994.08	612,524,418.99	773,161,591.12	14,172,714.19	787,334,305.31		
(I) Total comprehensive income							-50,292,214.11			1,462,158,821.57	1,411,866,607.46	11,164,530.41	1,423,031,137.87		
(II) Capital contributed or withdrawn by owners	-731,510.00				54,313,350.39	-82,297,410.00					135,879,250.39		135,879,250.39		
1. Ordinary shares contributed by owners					-49,264,050.00	-167,907,300.00					118,643,250.00		118,643,250.00		
2. Capital															

contributed by holders of other equity instruments															
3. Amount of share-based payment included in equity					107,029,814.39	89,793,814.00							17,236,000.39		17,236,000.39
4. Others	-731,510.00				-3,452,414.00	-4,183,924.00									
(III) Profit distribution								78,070,994.08	-849,634,402.58				-771,563,408.50	-4,007,833.39	-775,571,241.89
1. Appropriation of surplus reserve								78,070,994.08	-78,070,994.08						
2. Appropriation of general risk															

reserve															
3. Appropriation of profit to owners															
4. Others															
(IV) Internal carry-over within equity	826,675,080.00														
1. Transfer of capital reserve to capital	826,675,080.00														
2. Transfer of surplus reserve to capital															
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained earnings															

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

Amount of Previous Period

Unit: RMB

Items	Year 2019		
	Equity Attributable to parent Company	Non-controll	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	ing interest	
		Preferred shares	Perpetual bonds	Others											
I. Balance at the end of prior year	2,130,646,835.00				1,702,234,409.35	116,457,618.45	-39,303,906.65		448,843,076.37		4,488,881,759.86		8,614,844,555.48	85,232,116.46	8,700,076,671.94
Add: Cumulative changes of accounting policies									120,088.18		8,359,634.19		8,479,722.37		8,479,722.37
Error correction of prior period															
Business combination under common control															
Others															
II. Balance at the beginning	2,130,646,835.00				1,702,234,409.35	116,457,618.45	-39,303,906.65		448,963,164.55		4,497,241,394.05		8,623,324,277.85	85,232,116.46	8,708,556,394.31

of current year															
III. Current period increase (or less: decrease)	635,011,06 3.00				-611,434,38 7.29	247,323,5 32.89	-28,841.8 5		110,933,4 54.84		781,150,89 4.79		668,308,65 0.60	-11,446,57 9.19	656,862,07 1.41
(I) Total comprehensive income							-28,841.8 5				1,421,204,2 36.13		1,421,175,3 94.28	12,610,80 2.63	1,433,786,1 96.91
(II) Capital contributed or withdrawn by owners					24,566,413. 46	247,323,5 32.89							-222,757,11 9.43		-222,757,11 9.43
1. Ordinary shares contributed by owners						-27,008,30 0.00							27,008,300. 00		27,008,300. 00
2. Capital contributed by holders of other equity instruments															

3. Amount of share-based payment included in equity					24,566,413.46							24,566,413.46		24,566,413.46
4. Others						274,331,832.89						-274,331,832.89		-274,331,832.89
(III) Profit distribution								110,933,454.84	-640,053,341.34			-529,119,886.50	-20,917,800.72	-550,037,687.22
1. Appropriation of surplus reserve								110,933,454.84	-110,933,454.84					
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners									-529,119,886.50			-529,119,886.50	-20,917,800.72	-550,037,687.22
4. Others														
(IV) Internal carry-over	635,011,063.00				-635,011,063.00									

within equity															
1. Transfer of capital reserve to capital	635,011,06 3.00				-635,011,06 3.00										
2. Transfer of surplus reserve to capital															
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained earnings															
5. Other comprehensive income carried over to retained earnings															
6. Others															
(V) Special reserve															
1.															

Appropriation of current period															
2. Application of current period															
(VI) Others					-989,737.75							-989,737.75	-3,139,581.10	-4,129,318.85	
IV. Balance at the end of current period	2,765,657,898.00				1,090,800,022.06	363,781,151.34	-39,332,748.50		559,896,619.39		5,278,392,288.84		9,291,632,928.45	73,785,537.27	9,365,418,465.72

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

Amount of this period

Unit: RMB

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

Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	2,765,657,898. 00				2,005,303,119. 53	363,781,151.3 4			431,209,447. 07	1,158,673,337. 70		5,997,062,650. 96
III. Current period increase (or less: decrease)	825,943,570.00				-806,581,413.0 1	-82,297,410.0 0			78,070,994.0 8	-68,924,461.82		110,806,099.25
(I) Total comprehen- sive income										780,709,940.76		780,709,940.76
(II) Capital contributed or withdrawn by owners	-731,510.00				20,093,666.99	-82,297,410.0 0						101,659,566.99
1. Ordinary shares contributed by owners					-49,264,050.00	-167,907,300. 00						118,643,250.00
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment					72,810,130.99	89,793,814.00						-16,983,683.01

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

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

Amount of Previous Period

Unit: RMB

Items	Year 2019											
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of prior year	2,130,646,835.00				2,621,241,593.01	116,457,618.45			320,155,904.05	688,311,336.98		5,643,898,050.59
Add: Cumulative changes of accounting policies									120,088.18	1,080,793.66		1,200,881.84

Error correction of prior period												
Others												
II. Balance at the beginning of current year	2,130,646,835.00				2,621,241,593.01	116,457,618.45			320,275,992.23	689,392,130.64		5,645,098,932.43
III. Current period increase (or less: decrease)	635,011,063.00				-615,938,473.48	247,323,532.89			110,933,454.84	469,281,207.06		351,963,718.53
(I) Total comprehensive income										1,109,334,548.40		1,109,334,548.40
(II) Capital contributed or withdrawn by owners					19,072,589.52	247,323,532.89						-228,250,943.37
1. Ordinary shares contributed by owners						-27,008,300.00						27,008,300.00
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity					19,072,589.52							19,072,589.52
4. Others						274,331,832.89						-274,331,832.89
(III) Profit									110,933,454.8	-640,053,341.3		-529,119,886.5

distribution									4	4		0
1. Appropriation of surplus reserve									110,933,454.84	-110,933,454.84		
2. Appropriation of profit to owners										-529,119,886.50		-529,119,886.50
3. Others												
(IV) Internal carry-over within equity	635,011,063.00				-635,011,063.00							
1. Transfer of capital reserve to capital	635,011,063.00				-635,011,063.00							
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												

1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	2,765,657,898.00				2,005,303,119.53	363,781,151.34			431,209,447.07	1,158,673,337.70		5,997,062,650.96

III. Company profile

The Company was established by the original Sanhua Fuji Koki Co., Ltd. The Company currently holds a business license with a unified social credit code of 913300006096907427 registered and issued by Zhejiang Administration of Industry and Commerce, with headquarter in Shaoxing City, Zhejiang Province. The registered capital of 3,591,601,468.00 yuan, total share of 3,591,601,468 shares (each with par value of one yuan). The Company's shares were listed at Shenzhen Stock Exchange.

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

The financial statements have been approved by the board of directors of the Company and disclosed on March 25, 2021.

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

IV. Preparation basis of the financial statements

1. Preparation basis

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

2. Going concern

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

V. Significant accounting policies and estimates

Notes to 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 period of the Company is from 1 January to 31 December of each calendar year.

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 Company's functional currency is Renminbi (RMB) Yuan.

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

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares

issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

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

6. Compilation method of consolidated financial statements

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

7. Recognition criteria of cash and cash equivalents

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

8. Foreign currency translation

1. Translation of transactions denominated in foreign currency

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

2. Translation of financial statements measured in foreign currency

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

9. Financial instruments

Financial instruments refer to contracts that form one party's financial assets into other parties' financial liabilities or equity instruments.

1. Classification of financial assets and financial liabilities

The Company's financial assets fall into two main categories: (1) financial assets at amortized cost; (2) financial assets at fair value through profit or loss. Financial liabilities are classified into the following two categories: (1) financial liabilities at amortized cost; (2) financial liabilities at fair value through profit or loss.

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 contracts in which the financing components with associated period less than one year are not considered, the Company measures at their transaction price.

(2) Subsequent measurement of financial assets

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.

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

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 through the amortization process.

Financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. Other gains or losses on those financial liabilities shall be included into profit or loss, except for financial liabilities that are part of hedging relationships.

(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; or
- 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 are 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.

4. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

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. The Company considers reasonable and evidence-based information about past events, current conditions, and forecasts of future economic conditions, and uses the risk of default as the weight to calculate the difference between the contractual cash flow receivable and the expected cash flow Probability-weighted amount of the present value to confirm expected credit losses. The Company separately measures the expected credit losses of financial instruments at different stages on the balance sheet date. The first stage, if the credit risk of a financial instrument has not increased significantly since the initial recognition, and the loss provision is measured according to the expected credit loss in the next 12 months. The second stage, if the credit risk of a financial instrument has increased significantly since its initial recognition but no credit impairment has occurred, and the loss provision is measured based on the expected credit loss for the entire duration. The third stage, if a financial instrument has been credit-impaired since its initial recognition, and the loss provision is measured based on the expected credit loss for the entire duration.

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 low credit risk on the balance sheet date. The Company measures the loss provision according to the expected credit loss in the next 12 months

Regarding the accounts receivable (including bills receivable and accounts receivable) stipulated in the "CASBE14 –Revenue", regardless of whether it contains significant financing components (including financing in contracts not exceeding one year) Component), the Company measures the loss provision based on the expected credit loss for the entire duration.

For financial instruments in the first and second stages and with lower credit risk, the interest income is calculated based on the book balance and the effective interest rate without deducting the provision for impairment. For financial instruments in the third stage, the interest income is calculated based on the amortized cost and the actual interest rate after the book balance minus the provision for impairment.

If the "credit risk-related information" of a single instrument has been known or is relatively easily available, the Company assesses expected credit risk and measures expected credit losses on the basis of a single financial

instrument. Such financial instruments usually include accounts receivable from related parties, deposit deposits receivable from government units or public utility units, and financial instruments with solid evidence that credit impairment has occurred.

If sufficient evidence of “credit risk-related information” cannot be obtained at a reasonable cost at the level of individual instruments, the Company assesses expected credit risk and measures expected credit losses based on a combination of financial instruments. The Company combines financial instruments based on the same or similar credit risk characteristics, including but not limited to aging combinations.

If the availability of "credit risk-related information" of a single tool changes from being difficult to obtain to being available, the Company will change from a combination-based assessment measurement to a single tool-based assessment measurement.

The Company remeasures expected credit losses on each balance sheet date, and the resulting increase in loss reserves or the amount of reversal is included in the current profits and losses as impairment losses or gains. For financial assets measured at amortized cost, the loss allowance shall be deducted from the book value of the financial assets listed in the balance sheet.

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

For other receivables that are difficult to be evaluated and measured by a single tool, the Company mainly combines aging as a credit risk feature, refers to historical credit loss experience, combines current conditions and forecasts of future economic conditions, and adopts default risk exposure and The expected credit loss rate in the next 12 months or the entire duration is used to calculate the expected credit loss.

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

Regarding the accounts receivable specified in the "CASBE14 –Revenue", regardless of whether it contains significant financing components (including financing components in contracts not exceeding one year), refer to historical credit loss experience and combine current The situation and the forecast of future economic conditions, through the default risk exposure and the entire duration of the expected credit loss rate, calculate the expected credit loss. For accounts receivable that are difficult to be evaluated and measured by a single tool, the Company divides the accounts receivable into several combinations based on credit risk characteristics, and calculates the expected credit loss on the basis of the combination. The basis for determining the combination and the specific accrual method are shown below table:

Portfolio Name	Basis for determination of portfolio	Method for measuring expected credit loss
Notes receivable—Bank acceptance bill	Accepted by financial institutions	No provision
Notes receivable— Commercial acceptance bill	Not accepted by financial institutions	5%
Accounts receivable—Ages portfolios	Ages	receivable with provision made on a collective basis based on the comparison table of age and expected credit loss rate

Accounts receivable – comparison table of ages and lifetime expected credit loss rate

Ages	Expected credit loss rate
Within 1 year	5%
1-2 years	10%
2-3years	30%

Over 3 years	50%
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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 those who meet the corresponding conditions at the same time.

10. Inventories

1. Classification of inventories

Inventories include material, work in process in the process of production and finished goods etc.

2. Accounting method for dispatching inventories

Inventories dispatched from storage at actual cost are accounted with weighted average method at the end of each month; Inventories dispatched from storage according to the plan, the cost difference will be carried forward at the same time 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. Inventory used directly for sale, in the course of normal production and operation, the net realizable value of the inventory shall be determined by the estimated selling price minus the estimated selling expenses and related taxes; Inventories that require processing, in the course of normal production and operation, the net realizable value of the finished product shall be determined by the estimated selling price of the finished product minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and the relevant taxes and fees. On the balance sheet date, where a part of the same inventory has a contract price and other parts do not have a contract price, the net realizable value thereof shall be determined separately, and compare with the corresponding cost to determine the amount of the provision for inventory depreciation or the amount of the reversal.

4. Inventory system

The perpetual inventory system is adopted.

5. Revolving materials are amortized with one-off method.

11. Contract assets, contract liabilities

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

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

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 with joint control or significant influence relationship, it is accounted for with equity method.

13. Investment property

Investment property measurement model

Measurement by cost method

Depreciation or amortization method

1. Investment property includes land use right of rent-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%
Machinery and equipment	Straight-line method	5-12	0%、5%	7.92%~20%

Measurement analysis equipment	Straight-line method	5-10	5%	9.50% ~ 19%
Vehicle	Straight-line method	5-8	0%、5%	11.88% ~ 20%
Office equipment and others	Straight-line method	5-8	0%、5%	11.88% ~ 20%

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 test

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

Intangible assets are amortized by the straight-line method with details as follows:

Categories	Amortization method	Amortization period (years)
Land use rights	Straight-line method	Contractual service life
Intellectual Property of Air Conditioning Controller	Straight-line method	5-10
Patented technology of electronic expansion valve controller of Dotech	Straight-line method	10
Application software	Straight-line method	1-4

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

(2) Accounting policy for internal R&D expenditure

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

meet the corresponding conditions.

18. Impairment of part of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, construction in progress, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. Impairment test to goodwill and the intangible assets whose using life is not certain shall be carried out at least at the end of each year. Goodwill shall be tested for impairment in combination with its related asset group or combination of asset groups.

If the recoverable amount of the aforementioned long-term assets is lower than its book value, the asset impairment provision shall be recognized according to the difference and included in the current profit and 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

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(3) Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. 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. To simplify the relevant accounting treatment, the Company recognizes the cost of employee benefits arising from other long-term employee benefits as service cost. Net interest on the net liability or net assets of other long-term employee benefits and changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. 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.

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

(2) Cash-settled share-based payment

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

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

If the modification increases the fair value of the equity instruments granted, measured immediately before and after the modification, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, measured at the date of the modification, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the

vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

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

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

23. Revenue

Accounting policies used in revenue recognition and measurement

1. Revenue recognition principles

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

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

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

2. Revenue measurement principle

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

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

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

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

3. Revenue recognition method

(1) The Company mainly sells control components and parts for household appliances and automobile air conditioners. Due to continuous batch supply, product sales revenue is confirmed after delivery inspection and receipt of payment receipts. Export sales revenue is recognized after customs declaration and export and obtaining the bill of lading.

(2) Recognition of income from the sale of scrap metal after weighing and taking delivery and obtaining receipts.

Differences in revenue recognition accounting policies caused by different business models of similar businesses

24. Government grants

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

2. Government grants related to assets

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

3. Government grants related to income

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

related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

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

25. 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: (a) business combination; and (b) the transactions or items directly recognized in equity.

26. Leases

1. Accounting of operating lease

When the Company is the lessee, during each period of the lease term, the rent is included in the relevant asset cost or recognized as the current profit and loss according to the straight-line method, and the initial direct expenses incurred are directly included in the current profit and loss. Contingent rents are included in the current profits and losses when they actually occur.

When the Company is the lessor, during each period of the lease term, the rent is recognized as the current profit and loss according to the straight-line method, and the initial direct expenses incurred are directly included in the current profit and loss except for the larger amount which is capitalized and included in the profit and loss in installments. Contingent rents are included in the current profits and losses when they actually occur.

2. Accounting of finance lease

When the Company is the lessee, on the start date of the lease term, the Company uses the lower of the fair value of the leased asset on the lease start date and the present value of the minimum lease payment as the entry value of the leased asset, and the minimum lease payment as the long-term payable. For the recorded value of the loan, the difference is the unrecognized financing cost, and the initial direct cost incurred is included in the value of the leased asset. In each period of the lease period, the actual interest rate method is used to calculate and confirm the current financing costs.

When the Company is the lessor, at the beginning of the lease period, the Company uses the sum of the

minimum lease payment on the lease start date and the initial direct cost as the entry value of the financial lease receivable, and records the unsecured residual value at the same time; collects the minimum lease payment. The difference between the sum of initial direct costs and the sum of unguaranteed residual value and the sum of its present value is recognized as unrealized financing income. In each period of the lease period, the actual interest rate method is used to calculate and confirm the current financing income.

27. Other significant accounting policies and estimates

Segment reporting

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. An operating segment is a component of the Company that:

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

28. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not applicable

The Company has adopted "CASBE 14 - Revenue" revised by Ministry of Finance of PRC (hereinafter referred to as the "New Revenue Standards") since January 1, 2020. According to the convergence of the old and new standards, the information of the comparable period will not be adjusted. The cumulative impact of the implementation of the new standards on the first implementation date will be retroactively adjusted to the retained earnings and other relevant items in the financial statements as at January 1, 2020.

On January 1, 2020, the new revenue standards have no adjustment impact on the company's retained earnings, other affected financial statement items and amounts are shown below table:

Items	Balance sheet		
	December 31, 2019	adjustment impact of new revenue standards	January 1, 2020
Advance receipts	23,453,218.32	-23,453,218.32	
contract liabilities		+23,453,218.32	23,453,218.32

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Since 2020 , Adjustments to the relevant items of financial statements at the beginning of the year at the first implementation of new revenue and lease standards .

Applicable

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

Yes No

Consolidated balance sheet

Unit: RMB

Items	December 31, 2019	January 1, 2020	Amount adjusted
Current asset:			
Cash and Bank Balances	2,663,719,770.15	2,663,719,770.15	
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	993,634,433.31	993,634,433.31	
Derivative financial assets	8,314,400.73	8,314,400.73	
Notes receivable	2,097,159,908.40	2,097,159,908.40	
Accounts receivable	1,871,323,522.82	1,871,323,522.82	
Receivable financing			
Advances paid	62,871,924.30	62,871,924.30	
Premium receivable			
Reinsurance accounts receivable			
Reinsurance reserves receivable			
Other receivables	97,394,782.97	97,394,782.97	
Including: Interest receivable			
Dividends receivable			
Repurchasing of financial assets			
Inventories	2,180,838,596.07	2,180,838,596.07	
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets	75,933,253.28	75,933,253.28	
Total current assets	10,051,190,592.03	10,051,190,592.03	
Non-current assets:			
Loans and advances paid			
Debt investments			
Other debt investments			

Long-term receivable	2,145,963.27	2,145,963.27	
Long-term equity investments	14,522,259.80	14,522,259.80	
Other equity instrument investments			
Other non-current financial assets			
Investment property	27,025,974.05	27,025,974.05	
Fixed assets	3,379,608,199.26	3,379,608,199.26	
Construction in progress	480,959,262.46	480,959,262.46	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	525,867,518.75	525,867,518.75	
Development expenditures			
Goodwill	31,959,091.60	31,959,091.60	
Long-term prepayments	8,720,120.64	8,720,120.64	
Deferred tax assets	88,952,931.69	88,952,931.69	
Other non-current assets	179,238,257.09	179,238,257.09	
Total non-current assets	4,738,999,578.61	4,738,999,578.61	
Total assets	14,790,190,170.64	14,790,190,170.64	
Current liabilities:			
Short-term borrowings	1,295,610,572.07	1,295,610,572.07	
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities	126,364.40	126,364.40	
Notes payable	1,130,668,415.32	1,130,668,415.32	
Accounts payable	1,587,763,752.62	1,587,763,752.62	
Advances received	23,453,218.32		-23,453,218.32
Contract liabilities		23,453,218.32	23,453,218.32
Selling of repurchased financial assets			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	228,997,483.82	228,997,483.82	
Taxes and rates payable	58,192,607.75	58,192,607.75	

Other payables	161,237,214.88	161,237,214.88	
Including: Interest Payable			
Dividends Payable	1,772,750.00	1,772,750.00	
Handling fee and commission payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	222,228,097.22	222,228,097.22	
Other current liabilities			
Total current liabilities	4,708,277,726.40	4,708,277,726.40	
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	392,882,280.09	392,882,280.09	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	94,235,857.77	94,235,857.77	
Long-term employee benefits payable			
Provisions			
Deferred income	82,537,550.43	82,537,550.43	
Deferred tax liabilities	65,049,361.71	65,049,361.71	
Other non-current liabilities	81,788,928.52	81,788,928.52	
Total non-current liabilities	716,493,978.52	716,493,978.52	
Total liabilities	5,424,771,704.92	5,424,771,704.92	
Equity:			
Share capital	2,765,657,898.00	2,765,657,898.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	1,090,800,022.06	1,090,800,022.06	
Less: Treasury shares	363,781,151.34	363,781,151.34	
Other comprehensive income	-39,332,748.50	-39,332,748.50	
Special reserve			
Surplus reserve	559,896,619.39	559,896,619.39	

General risk reserve			
Undistributed profit	5,278,392,288.84	5,278,392,288.84	
Total equity attributable to the parent Company	9,291,632,928.45	9,291,632,928.45	
Non-controlling interest	73,785,537.27	73,785,537.27	
Total equity	9,365,418,465.72	9,365,418,465.72	
Total liabilities & equity	14,790,190,170.64	14,790,190,170.64	

Adjustment statement

On January 1, 2020, the new revenue standards have no adjustment impact on the company's retained earnings, other affected financial statement items and amounts are shown below table:

Items	Balance sheet		
	December 31, 2019	adjustment impact of new revenue standards	January 1, 2020
Advance receipts	23,453,218.32	-23,453,218.32	
contract liabilities		+23,453,218.32	23,453,218.32

Balance Sheet of the Parent Company

Unit: RMB

Items	December 31, 2019	January 1, 2020	Amount adjusted
Current assets:			
Cash and bank balances	1,039,915,005.31	1,039,915,005.31	
Held-for-trading financial assets	195,000,000.00	195,000,000.00	
Derivative financial assets	2,069,850.00	2,069,850.00	
Notes receivable	161,946,880.21	161,946,880.21	
Accounts receivable	1,135,299,895.98	1,135,299,895.98	
Receivables financing			
Advances paid	6,076,163.25	6,076,163.25	
Other receivables	603,257,516.95	603,257,516.95	
Including: Interest Receivable			
Dividends Receivable			
Inventories	519,241,847.99	519,241,847.99	
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	21,333,811.35	21,333,811.35	
Total current assets	3,684,140,971.04	3,684,140,971.04	

Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investments	4,256,633,941.06	4,256,633,941.06	
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets	1,460,855,506.39	1,460,855,506.39	
Construction in progress	44,135,844.65	44,135,844.65	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	189,181,593.94	189,181,593.94	
Development expenditures			
Goodwill			
Long-term prepayments	625,318.03	625,318.03	
Deferred tax assets	17,068,063.08	17,068,063.08	
Other non-current assets	109,659,279.90	109,659,279.90	
Total non-current assets	6,078,159,547.05	6,078,159,547.05	
Total assets	9,762,300,518.09	9,762,300,518.09	
Current liabilities:			
Short-term borrowings	730,799,542.65	730,799,542.65	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	1,431,862,681.89	1,431,862,681.89	
Advances received	92,676.29		-92,676.29
Contract liabilities		92,676.29	92,676.29
Employee benefits payable	65,680,254.82	65,680,254.82	
Taxes and rates payable	1,576,623.72	1,576,623.72	
Other payables	1,252,808,472.44	1,252,808,472.44	
Including: interest payable			
Dividends Payable	1,772,750.00	1,772,750.00	

Liabilities classified as held for sale			
Non-current liabilities due within one year	220,225,194.44	220,225,194.44	
Other current liabilities			
Total current liabilities	3,703,045,446.25	3,703,045,446.25	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	30,895,817.00	30,895,817.00	
Deferred tax liabilities	31,296,603.88	31,296,603.88	
Other non-current liabilities			
Total non-current liabilities	62,192,420.88	62,192,420.88	
Total liabilities	3,765,237,867.13	3,765,237,867.13	
Equity:			
Share capital	2,765,657,898.00	2,765,657,898.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	2,005,303,119.53	2,005,303,119.53	
Less: treasury shares	363,781,151.34	363,781,151.34	
Other comprehensive income			
Special reserve			
Surplus reserve	431,209,447.07	431,209,447.07	
Undistributed profit	1,158,673,337.70	1,158,673,337.70	
Total equity	5,997,062,650.96	5,997,062,650.96	
Total liabilities & equity	9,762,300,518.09	9,762,300,518.09	

Adjustment statement

On January 1, 2020, the new revenue standards have no adjustment impact on the company's retained earnings, Other affected financial statement items and amounts are shown below table:

Items	Balance sheet
-------	---------------

	December 31, 2019	adjustment impact of new revenue standards	January 1, 2020
Advance receipts	92,676.29	-92,676.29	
contract liabilities		+92,676.29	92,676.29

(4) Since 2020 , the statements of first implementation of new revenue and lease standards to trace and adjust previous comparative data.

Applicable Not applicable

VI. Taxes

1. Major categories of taxes and tax rates

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

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Zhejiang Sanhua Intelligent Controls Co., Ltd	15%
Zhejiang Sanhua Climate and Appliance Controls Group Co., Ltd	15%
Wuhu Sanhua Auto-control Components Co., Ltd	15%
Zhejiang Sanhua Automotive Components Co., Ltd.	15%
Sanhua (hangzhou) Micro Channel Heat Exchanger Co., Ltd	15%
Hangzhou Leaderway Electronics Co. Ltd	15%
Zhuhai Hengtu Electronics Co., Ltd.	15%
Wuhu Sanhua Refrigeration Fittings Co. Ltd	15%
Sanhua (Jiangxi) Self - control Components Co., Ltd.	15%
Wuhan Sanhua Refrigeration Parts Co., Ltd	15%
Sanhua AWECO Appliance Systems (Wuhu) Co., Ltd.	15%
Domestic taxpayers other than the above-mentioned	25%

2. Tax preferential policies

1. Enterprise income tax

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

2. Value-added tax

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

3. Others

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

VII. Notes to Items in the Consolidated Financial Statements

1. Cash and bank balances

Unit: RMB

Items	Closing balance	Opening balance
Cash on hand	232,265.51	417,814.58
Cash in bank	3,411,034,773.03	2,553,365,200.43
Other cash and bank balances	78,420,529.60	109,936,755.14
Total	3,489,687,568.14	2,663,719,770.15
Including: Deposited overseas	370,754,548.72	488,694,193.85
The total amount of the cash and bank balances that are limited by mortgage, pledge or freeze	89,543,529.60	109,936,755.14

Other remarks:

As of December 31, 2020, bank deposits containing large deposit certificates with fixed interest rates amounted to 1,629 million yuan.

2. Held-for-trading financial assets

Unit: RMB

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	752,224,861.78	993,634,433.31
Including:		
Bank financial products	752,224,861.78	993,634,433.31

Including:		
Total	752,224,861.78	993,634,433.31

Other remarks:

3. Derivative Financial Assets

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	49,339,961.11	3,371,510.40
Futures tools	8,990,525.42	4,942,890.33
Total	58,330,486.53	8,314,400.73

Other remarks:

4. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance	2,190,368,328.70	1,981,778,291.59
Trade acceptance	133,566,452.83	115,381,616.81
Total	2,323,934,781.53	2,097,159,908.40

Unit: RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Provision on proportion		Amount	Proportion	Amount	Provision on proportion	
Including:										
Notes receivable with provision for bad debt made on a collective basis	2,330,964,594.83	100.00%	7,029,813.30	0.30%	2,323,934,781.53	2,103,232,625.08	100.00%	6,072,716.68	0.29%	2,097,159,908.40

Including:										
Bank acceptance	2,190,368,328.70	93.97%			2,190,368,328.70	1,981,778,291.59	94.23%			1,981,778,291.59
Trade acceptance	140,596,266.13	6.03%	7,029,813.30	5.00%	133,566,452.83	121,454,333.49	5.77%	6,072,716.68	5.00%	115,381,616.81
Total	2,330,964,594.83	100.00%	7,029,813.30	0.30%	2,323,934,781.53	2,103,232,625.08	100.00%	6,072,716.68	0.29%	2,097,159,908.40

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	2,190,368,328.70		
Trade acceptance portfolio	140,596,266.13	7,029,813.30	5.00%
Total	2,330,964,594.83	7,029,813.30	--

Remarks on the determination basis of portfolio:

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, 2020	6,072,716.68			6,072,716.68
The balance as of January 1, 2020 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	957,096.62			957,096.62
Provision recovered in current period				

Provision reversed in current period				
Provision written off in current period				
Other changes				
Balance on December 31, 2020	7,029,813.30			7,029,813.30

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of this period				Closing balance
		Accrual	Recovered or reversed	Write off	Others	
Trade acceptance	6,072,716.68	957,096.62				7,029,813.30
Total	6,072,716.68	957,096.62				7,029,813.30

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	1,608,722,846.32
Total	1,608,722,846.32

(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	36,221,098.39	
Trade acceptance	101,893,140.59	17,493,416.00
Total	138,114,238.98	17,493,416.00

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	57,335.28	0.00%	57,335.28	100.00%	0.00	447,139.67	0.02%	447,139.67	100.00%	0.00
Including:										
Receivables with provision made on a collective basis	2,481,072,027.67	100.00%	125,458,728.10	5.06%	2,355,613,299.57	1,970,386,982.39	99.98%	99,063,459.57	5.03%	1,871,323,522.82
Including:										
Total	2,481,129,362.95	100.00%	125,516,063.38	5.06%	2,355,613,299.57	1,970,834,122.06	100.00%	99,510,599.24	5.05%	1,871,323,522.82

Provision made on an individual basis:

Unit: RMB

Debtors	Closing balance			
	Book balance	Provision for bad debts	Accrued proportion	Reasons
MAHLE BEHR MEXICO S. DE R.L. DE .C.V.	57,335.28	57,335.28	100.00%	
Total	57,335.28	57,335.28	--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	2,460,804,171.04	123,040,285.50	5.00%
1 to 2 years	18,791,491.28	1,879,149.13	10.00%
2 to 3 years	994,446.02	298,333.81	30.00%
Over 3 years	481,919.33	240,959.66	50.00%
Total	2,481,072,027.67	125,458,728.10	--

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

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, 2020	99,063,459.57		447,139.67	99,510,599.24
The balance as of January 1, 2020 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	27,590,321.86			27,590,321.86
Provision recovered in current period			3,965.64	3,965.64
Provision reversed in current period	1,195,053.33		385,838.75	1,580,892.08
Provision written off in current period				
Other changes				
Balance on December 31, 2020	125,458,728.10		57,335.28	125,516,063.38

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year	2,460,804,171.04
1 to 2 years	18,791,491.28
2 to 3 years	994,446.02

Over 3 years	539,254.61
Total	2,481,129,362.95

(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	447,139.67		3,965.64	385,838.75		57,335.28
Receivables with provision made on a collective basis	99,063,459.57	27,590,321.86		1,195,053.33		125,458,728.10
Total	99,510,599.24	27,590,321.86	3,965.64	1,580,892.08		125,516,063.38

(3) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 932,049,433.02 yuan (Customer controlled by the same actual controller shall be combined to calculate accounts receivable), accounting for 37.57% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 46,602,471.64 yuan.

Other remarks:

In current period, the Company write-off a total of small sporadic accounts 1,580,892.08 yuan.

6. Advances paid

(1) Advances paid by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year (including 1 year)	61,348,884.20	88.39%	59,688,137.51	94.94%
1 to 2 years	6,712,609.39	9.67%	1,274,082.94	2.03%
2 to 3 years	64,117.70	0.09%	1,799,865.58	2.86%
Over 3 years	1,278,715.16	1.84%	109,838.27	0.17%
Total	69,404,326.45	--	62,871,924.30	--

Remarks on reasons for unsettled significant advances paid with aging over one year:

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

Closing balance of top 5 debtors totaled 17,243,886.66 yuan, accounting for 24.85% of the total closing balance of advances paid.

Other remarks:

614,646.44 yuan of Advances paid written off in current period.

7. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	76,935,495.05	97,394,782.97
Total	76,935,495.05	97,394,782.97

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

Unit: RMB

Items	Closing balance	Opening balance
Tax refund receivable	36,628,075.87	46,670,909.67
Guarantee deposits	30,801,053.14	30,166,732.62
Others	11,700,014.42	23,292,984.90
Total	79,129,143.43	100,130,627.19

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, 2020	1,439,293.10	1,296,551.12		2,735,844.22
The balance as of January 1, 2020 is in the current period	—	—	—	—
Provision made in the current period		40,686.78		40,686.78
Provision recovered in current period	582,882.62			582,882.62

Balance on December 31, 2020	856,410.48	1,337,237.90		2,193,648.38
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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)	856,410.48
1 to 2 years	257,412.63
2 to 3 years	458,330.02
Over 3 years	621,495.25
Total	2,193,648.38

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	2,735,844.22	40,686.78	582,882.62			2,193,648.38
Total	2,735,844.22	40,686.78	582,882.62			2,193,648.38

4) Details of the top 5 debtors with largest balances

Unit: RMB

Items	Nature of receivables	Closing balance	Ages	Proportion to the total balance of other receivables	Provision for bad debt at the end of the period
Tax refund receivables	Tax refund	36,628,075.87	1 to 2 years	46.29%	
Finance Bureau of Xinchang County	Performance bond	6,971,285.00	1 to 3 years	8.81%	
Shaoxing Binhai New City Management Committee	Performance bond for land and project construction	5,410,000.00	2 to 4 years	6.84%	
Xinchang County	Deposit of	3,774,000.00	4 to 8 years	4.77%	

Land Reserve Development Center	construction projects				
Wuhu Yijiang District Finance Bureau	Deposit of construction projects	3,751,000.00	2 to 4 years	4.74%	
Total	--	56,534,360.87	--	71.45%	

5) Other receivables related to Government grants

Unit: RMB

Items	Government grant	Closing balance	Ages	Estimated receipt time, amount and basis
Local finance and taxation departments	VAT refund of civil welfare enterprises	1,929,944.96	Within 1 year(including 1 year)	From January to April, 2021, Tax refund return

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	530,578,235.34	38,591,465.21	491,986,770.13	402,017,918.68	29,042,388.91	372,975,529.77
Work-in-progress	377,607,984.60	661,948.94	376,946,035.66	312,143,395.71	4,759,164.75	307,384,230.96
Finished goods	1,488,998,382.81	55,323,878.13	1,433,674,504.68	1,558,291,038.03	58,630,244.52	1,499,660,793.51
Others	5,154,395.99		5,154,395.99	818,041.83		818,041.83
Total	2,402,338,998.74	94,577,292.28	2,307,761,706.46	2,273,270,394.25	92,431,798.18	2,180,838,596.07

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

Unit: RMB

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Accrued	Others	Reversal or write off	Others	
Raw materials	29,042,388.91	18,516,287.33	381,887.15	9,349,098.18		38,591,465.21
Work-in-progress	4,759,164.75	425,935.69	31,395.32	4,554,546.82		661,948.94
Finished goods	58,630,244.52	39,730,315.82	33,833.49	43,070,515.70		55,323,878.13
Others	92,431,798.18	58,672,538.84	447,115.96	56,974,160.70		94,577,292.28

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	100,377,659.11	41,622,415.21
Prepaid Enterprise income tax	49,911,203.33	33,856,030.95
Others	171,625.57	454,807.12
Total	150,460,488.01	75,933,253.28

Other remarks:

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

Unit: RMB

Items	Closing balance			Opening balance			Range of discount rate
	Book balance	Provision for bad debt	Carrying amount	Book balance	Provision for bad debt	Carrying amount	
Employee home loan	2,074,750.00		2,074,750.00	2,145,963.27		2,145,963.27	
Total	2,074,750.00		2,074,750.00	2,145,963.27		2,145,963.27	--

Impairment of provision for bad debt

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Total
	12- month	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit	

	expected credit losses		losses (credit impaired)	
The balance as of January 1, 2020 is in the current period	—	—	—	—

Loss provisions for significant changes in book balances in current period

Applicable Not Applicable

11. Long-term equity investments

Unit: RMB

Investees	Opening balance (Carrying amount)	Increase/decrease in current period								Closing balance (Carrying amount)	Closing balance of provision for impairment
		Investment increased	Investment decreased	Investment income recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividends or profit declared to distribution	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	1,493,718.98			31,533.78						1,525,252.76	
Chongqing Tainuo Machinery Co., Ltd.	8,847,728.00			2,049,176.73			1,500,000.00			9,396,904.73	
Nanchang Sanhua	2,335,242.16			431,896.79			1,250,000.00			1,517,138.95	

Jinlifeng Machinery Co., Ltd.											
Zhongshan Sanhua Tainuo Machinery Co., Ltd.	27,971.57			-27,971.57							
Ningbo Jinlifeng Machinery Co., Ltd.		1,250,000.00		-187,790.82						1,062,209.18	
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.	0.00									0.00	
Zhongshan Xuanyi Pipe Manufacturing Co., Ltd.	1,817,599.09			-99,488.03						1,718,111.06	
Xinchang Zhejiang Comprehensive Energy										0.00	

co. LTD										
Subtotal	14,522,	1,250,0		2,197,3			2,750,0			15,219,
1	259.80	00.00		56.88			00.00			616.68
Total	14,522,	1,250,0		2,197,3			2,750,0			15,219,
	259.80	00.00		56.88			00.00			616.68

Other remarks:

Zhongshan Sanhua Tainuo Machinery Co., Ltd. has been liquidated and cancelled in May 2020; Qingdao Sanhua Jinlifeng Machinery Co., Ltd. has been insolvent, the equity investment has been reduced to zero yuan; As of December 31, 2020, the Company has not paid capital contribution to Xinchang zhejiang energy sanhua comprehensive energy co. LTD.

12. Investment property

(1) Investment property measured by cost method

√ Applicable □ Not Applicable

Unit: RMB

Items	Buildings and structures	Land use right and Overseas land ownership	Construction in progress	Total
I. Original Carrying amount				
1. Opening balance	36,137,499.11	10,455,622.00		46,593,121.11
2. Increase in current period	496,203.06	92,389.50		588,592.56
(1) Acquisition				
(2) Transferred in from inventory\fixed assets\ construction in progress				
(3) Acquisition				
(4) Converted difference in Foreign Currency Statements	496,203.06	92,389.50		588,592.56
3. Decrease in current period	23,990,274.63	7,008,986.50		30,999,261.13
(1) Disposal				
(2) Other transfer out	23,990,274.63	7,008,986.50		30,999,261.13

4.Closing balance	12,643,427.54	3,539,025.00		16,182,452.54
II. Accumulated depreciation and amortization				
1.Opening balance	17,507,685.84	2,059,461.22		19,567,147.06
2. Increase in current period	2,022,581.60	152,000.96		2,174,582.56
(1) Accrual or amortization	1,868,715.21	152,000.96		2,020,716.17
(2) Converted difference in Foreign Currency Statements	153,866.39			153,866.39
3.Decrease in current period	13,415,403.86	2,211,462.18		15,626,866.04
(1) Disposal				
(2) Other transfer out	13,415,403.86	2,211,462.18		15,626,866.04
4.Closing balance	6,114,863.58	0.00		6,114,863.58
III. Provision for impairment				
1.Opening balance				
2. Increase in current period				
(1) Accrual				
3.Decrease in current period				
(1) Disposal				
(2) Other transfer out				
4.Closing balance				
IV. Carrying amount				
1.Closing balance	6,528,563.96	3,539,025.00		10,067,588.96
2.Opening balance	18,629,813.27	8,396,160.78		27,025,974.05

(2) Investment property measured by fair value measurement model

□Applicable √ Not Applicable

13. Fixed assets

Unit: RMB

Items	Closing balance	Opening balance
Fixed assets	3,839,408,059.45	3,379,608,199.26
Total	3,839,408,059.45	3,379,608,199.26

(1) Fixed assets

Unit: RMB

Items	Buildings and structures	Machinery and equipment	Measurement analysis equipment	Transportation vehicles	Office and other equipment	Total
I . Original book value:						
1. Opening balance	2,157,358,358.56	3,050,563,131.59	77,768,081.99	40,349,952.76	224,254,779.28	5,550,294,304.18
2. Increase in current period	179,894,850.42	630,215,430.99	45,114,238.58	4,138,500.40	23,166,682.85	882,529,703.24
(1) Acquisition		288,029,626.86	47,886,534.10	3,941,780.75	24,414,404.42	364,272,346.13
(2) Transferred in from construction in progress	156,700,627.31	355,635,406.70				512,336,034.01
(3) Business combination						
(4) Transferred in from investment property	23,990,274.63					23,990,274.63
(5) Converted difference in Foreign	-796,051.52	-13,449,602.57	-2,772,295.52	196,719.65	-1,247,721.57	-18,068,951.53

Currency Statements						
3. Decrease in current period	1,502,733.97	41,528,655.81	7,430,735.15	4,134,274.16	10,482,475.03	65,078,874.12
(1) Disposal or scrap	1,502,733.97	41,528,655.81	7,430,735.15	4,134,274.16	10,482,475.03	65,078,874.12
4. Closing balance	2,335,750,475.01	3,639,249,906.77	115,451,585.42	40,354,179.00	236,938,987.10	6,367,745,133.30
II. Accumulated depreciation						
1. Opening balance	509,863,544.24	1,443,454,422.50	32,773,108.28	30,515,107.61	150,112,811.87	2,166,718,994.50
2. Increase in current period	101,917,323.57	268,939,442.23	10,667,330.59	3,737,219.17	20,793,012.83	406,054,328.39
(1) Accrual	88,427,646.32	273,088,826.33	10,986,039.75	3,683,051.46	20,383,788.57	396,569,352.43
(2) Transferred in from investment property	13,415,403.86					13,415,403.86
(3) Converted difference in Foreign Currency Statements	74,273.39	-4,149,384.10	-318,709.16	54,167.71	409,224.26	-3,930,427.90
3. Decrease in current period		33,917,352.83	3,341,088.05	3,848,249.47	7,023,889.37	48,130,579.72
(1) Disposal or scrap		33,917,352.83	3,341,088.05	3,848,249.47	7,023,889.37	48,130,579.72
4. Closing balance	611,780,867.81	1,678,476,511.90	40,099,350.82	30,404,077.31	163,881,935.33	2,524,642,743.17
III. Provision for impairment						
1. Opening		3,967,110.42				3,967,110.42

balance						
2. Increase in current period						
(1) Accrual						
3. Decrease in current period		272,779.74				272,779.74
(1) Disposal or scrap		272,779.74				272,779.74
4. Closing balance		3,694,330.68				3,694,330.68
IV. Carrying amount						
1. Closing balance	1,723,969,607.20	1,957,079,064.19	75,352,234.60	9,950,101.69	73,057,051.77	3,839,408,059.45
2. Opening balance	1,647,494,814.32	1,603,141,598.67	44,994,973.71	9,834,845.15	74,141,967.41	3,379,608,199.26

(2) Fixed assets leased through financial leasing

Unit: RMB

Items	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount
Buildings and structures	146,648,653.71	27,861,243.95		118,787,409.76

(3) Fixed assets with certificate of titles being unsettled

Unit: RMB

Items	Carrying amount	Reasons for unsettlement
Finished goods warehouse in Meizhu North district	21,125,640.86	New assets, the certificate of title to be processed uniformly after the overall completion
13# factory in Meizhu North district	75,558,844.91	New assets, the certificate of title to be processed uniformly after the overall completion
Staff dormitory in Meizhu (Phase II)	22,741,997.90	New assets, the certificate of title to be processed uniformly after the overall

		completion
14# factory in Meizhu North district	24,243,958.39	New assets, the certificate of title to be processed uniformly after the overall completion
15# factory in Meizhu North district	59,110,510.38	New assets, the certificate of title to be processed uniformly after the overall completion
Shaoxing new energy plant (Phase I)	156,481,398.95	New assets, the certificate of title to be processed uniformly after the overall completion
Subtotal	359,262,351.39	

Other remarks

14. Construction in progress

Unit: RMB

Items	Closing balance	Opening balance
Construction in progress	628,730,529.07	480,959,262.46
Total	628,730,529.07	480,959,262.46

(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 7.3 million sets of new energy vehicle thermal management system components project	145,885,533.67		145,885,533.67	78,050,708.13		78,050,708.13
Annual production of 12.7 million sets of automotive air conditioning control components project				50,740,941.36		50,740,941.36
Annual production of 11.5 million sets of new energy auto parts project	78,290,263.60		78,290,263.60	100,809,231.62		100,809,231.62
Annual production of 65 million sets of commercial	25,812,948.25		25,812,948.25	13,815,107.62		13,815,107.62

refrigeration and air conditioning intelligent control components construction project						
Annual production of 1.5 million sets of new energy thermal management components project	88,939,186.18		88,939,186.18			
Annual production of 1 million sets of new energy vehicle air-conditioning thermal sensors project	3,772,038.19		3,772,038.19	2,877,561.33		2,877,561.33
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components technology transformation projects	11,841,050.00		11,841,050.00			
Vietnam industrial plant project	80,569,043.24		80,569,043.24	32,155,560.02		32,155,560.02
Others	193,620,465.94		193,620,465.94	202,510,152.38		202,510,152.38
Total	628,730,529.07		628,730,529.07	480,959,262.46		480,959,262.46

(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 7.3 million sets of new energy vehicle thermal management system components project	468,600,000.00	78,050,708.13	193,044,503.01	125,209,677.47		145,885,533.67	72.65%					Raised funds
Annual production of 12.7 million sets of automotive air conditioning control components project	215,000,000.00	50,740,941.36	40,996,513.00	91,737,454.36			84.92%					Raised funds

Annual production of 11.5 million sets of new energy auto parts project	528,800,000.00	100,809,231.62	204,228,155.29	226,747,123.31		78,290,263.60	77.62%					Raised funds
Annual production of 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	1,780,550,000.00	13,815,107.62	35,354,907.12	23,357,066.49		25,812,948.25	2.76%					Other
Annual production of 1.5 million sets of new energy thermal management components project	500,000,000.00		89,223,942.51	284,756.33		88,939,186.18	17.84%					Other
Annual	44,786,000.00	2,877,561.33	3,134,251.83	2,239,774.97		3,772,038.19	45.81%					Other

production of 1 million sets of new energy vehicle air-conditioning thermal sensors project												
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components technology transformation projects	785,570,000.00		11,984,150.00	143,100.00		11,841,050.00	1.53%					Other
Vietnam industrial plant project	28 million dollars	32,155,560.02	50,790,156.70	2,376,673.48		80,569,043.24	43.04%					Other
Total		278,449,110.08	628,756,579.46	472,095,626.41		435,110,063.13	--	--				--

15. Intangible Assets

(1) Details of intangible assets

Unit: RMB

Items	Land use right	Patent right	Non-patent technology	Overseas land ownership	AWECO intellectual property and business resources	RANCO intellectual property and business resources	Intellectual property right of air conditioner controller	Patent technology of Dotech electronic expansion controller	Software	Total
I. Original Carrying amount										
1. Opening balance	553,075,849.31			29,413,801.81	103,486,789.02	1,758,479.45	42,150,175.56	6,634,364.80	27,892,661.59	764,412,121.54
2. Increased in current period	3,549,435.90			-468,175.30					5,340,843.60	8,422,104.20
(1) Acquisition									5,092,556.73	5,092,556.73
(2) Internal research and development										
(3)										

Business combination										
(4) Transferred in from investment property	7,008,986.50									7,008,986.50
(5) Effect of Foreign Currency Translation	-3,459,550.60			-468,175.30					248,286.87	-3,679,439.03
3. Decreased in current period	4,205,497.60				103,486,789.02	1,758,479.45				109,450,766.07
(1) Disposal	4,205,497.60				103,486,789.02	1,758,479.45				109,450,766.07
4. Closing balance	552,419,787.61			28,945,626.51			42,150,175.56	6,634,364.80	33,233,505.19	663,383,459.67
II. Accumulated amortization										
1. Opening balance	86,030,559.93			205,745.37	103,485,854.20	363,239.45	21,257,295.24	552,863.70	22,519,438.24	234,414,996.13
2. Increased in	13,422,244.12			108,835.59	934.82	1,395,240.00	3,895,017.60	663,436.44	3,340,113.70	22,825,822.27

current period										
(1) Accrual	11,210,78 1.94			129,122.4 5	934.82	1,395,24 0.00	3,895,017 .60	663,436. 44	3,111,730 .16	20,406,26 3.41
(2) Transferred in from investment property	2,211,462. 18									2,211,462. 18
(3) Converted difference in Foreign Currency Statements				-20,286.8 6					228,383.5 4	208,096.6 8
3. Decrease in current period	168,219.9 0				103,486.7 89.02	1,758,47 9.45				105,413,4 88.37
(1) Disposal	168,219.9 0				103,486.7 89.02	1,758,47 9.45				105,413,4 88.37
4. Closing balance	99,284,58 4.15			314,580.9 6			25,152,31 2.84	1,216,30 0.14	25,859,55 1.94	151,827,3 30.03
III. Provision for impairment										
				4,129,606						4,129,606.

1. Opening balance				.66						66
2. Increased in current period				-267,149.95						-267,149.95
(1) Accrual										
(2) Converted difference in Foreign Currency Statements				-267,149.95						-267,149.95
3. Decreased in current period										
(1) Disposal										
4. Closing balance				3,862,456.71						3,862,456.71
IV. Carrying amount										
1. Closing balance	453,135,203.46			24,768,588.84			16,997,862.72	5,418,064.66	7,373,953.25	507,693,672.93
	467,045,2			25,078,44	934.82	1,395,24	20,892,88	6,081,50	5,373,223	525,867,5

2. Opening balance	89.38			9.78		0.00	0.32	1.10	.35	18.75
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At the balance sheet date, intangible assets formed from internal R&D account for 0.00% of total closing balance of intangible assets.

16. 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
Total	31,959,091.60					31,959,091.60

(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	...	
Total						

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

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

Based on December 31, 2020, the Company performed an impairment test on the value of the microchannel asset group portfolio. The recoverable amount of the asset group portfolio is estimated by the income method. Pre-tax free cash flow for the next five years is based on projections, It's been stable over the years, the pre-tax discount rate is determined to be 13.80%. After testing, the recoverable amount of the microchannel asset group portfolio is greater than the carrying amount, the management of the company believes that there is no sign of impairment of goodwill and there is no need to make provision for impairment losses.

Impact of goodwill impairment tests

Other remarks

17. Long-term prepayments

Unit: RMB

Items	Opening balance	Increased in current period	Amortization	Other decreases	Closing balance
Plant renovation expenditure	7,223,760.94	20,684,610.31	4,201,969.64		23,706,401.61
Compensated use fee for emission rights	968,938.03		968,938.03		
Tools	527,421.67		527,421.67		
Total	8,720,120.64	20,684,610.31	5,698,329.34		23,706,401.61

Other remarks

18. 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
Unrealized profit from internal transactions	180,209,650.54	17,242,885.11	223,604,977.62	25,040,965.45
Deductible losses	153,097,367.85	32,871,988.62	72,228,904.20	13,514,908.45
Provision for bad debt	78,915,609.30	15,835,440.18	71,519,997.24	14,114,166.19
Provision for inventory write-down	67,642,565.60	11,282,463.93	69,518,382.06	11,230,078.81
Deferred income: government grants	140,105,328.43	22,782,106.08	82,537,550.43	12,800,632.56
Provision for fixed assets impairments	3,694,330.68	554,149.61	3,898,415.90	584,762.39
Floating loss on derivatives	300,000.00	45,360.00	126,364.40	18,954.66
The share-paid remuneration without pre-tax deduction calculated according to the accounting standard	70,222,810.23	11,050,883.17	12,577,025.65	1,993,619.83
The expected additional deductible share-based remuneration in the future period calculated according to the tax standard	139,395,300.30	22,008,772.76	34,658,546.38	5,493,823.94
Provisional cost estimate	27,565,532.12	4,134,829.82	27,740,129.55	4,161,019.41
Total	861,148,495.05	137,808,879.28	598,410,293.43	88,952,931.69

(2) Deferred tax liabilities before offset

Unit: RMB

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Depreciation and amortization expense	770,755,369.92	128,446,514.86	396,585,435.74	62,347,023.15
Floating gain on derivatives	13,804,602.36	2,070,690.35	2,906,246.02	435,936.90
Floating gain on financial products	1,739,861.78	260,979.27	12,526,390.31	2,266,401.66
Total	786,299,834.06	130,778,184.48	412,018,072.07	65,049,361.71

(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		137,808,879.28		88,952,931.69
Deferred tax liabilities		130,778,184.48		65,049,361.71

(4) Details of unrecognized deferred tax assets

Unit: RMB

Items	Closing balance	Opening balance
Provision for bad debt	55,823,915.76	36,799,162.90
Provision for inventory write-down	26,934,726.68	22,913,416.12
Deductible losses of subsidiaries	24,790,389.63	97,583,268.62
Provision for fixed assets impairments		68,694.52
Provision for intangible assets impairments	3,862,456.71	4,129,606.66
Floating loss on derivatives	7,639,957.91	
The share-paid remuneration without pre-tax deduction calculated according to the accounting standard	11,139,485.50	1,840,976.14
Investment losses recognized by the equity method	4,319,616.68	3,322,259.80
Total	134,510,548.87	166,657,384.76

(5) Deductible losses of unrecognized deferred tax assets will expire in the following years

Unit: RMB

Maturity years	Closing balance	Opening balance	Remarks
Year 2020		770,856.07	
Year 2021		14,131,496.37	
Year 2022		23,008,626.48	
Year 2023		24,053,673.84	
Year 2024		17,510,655.24	
Year 2025	445,585.90		
Year 2028	10,478,078.42	10,478,078.42	
Year 2029	7,488,066.67	7,629,882.20	
Year 2030	6,378,658.64		
Total	24,790,389.63	97,583,268.62	--

Other remarks:

19. 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 assets purchasing	251,509,127.08		251,509,127.08	179,238,257.09		179,238,257.09
Total	251,509,127.08		251,509,127.08	179,238,257.09		179,238,257.09

Other remarks:

20. Short-term borrowings**(1) Categories of short-term borrowings**

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings		730,000,000.00
Credit borrowings	20,000,000.00	
Overseas loan under domestic guarantee	362,698,500.00	562,083,652.90
Accrued interest	389,796.60	3,526,919.17

Total	383,088,296.60	1,295,610,572.07
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Remarks on categories of short-term borrowings:

21. Derivative financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	7,939,957.91	126,364.40
Total	7,939,957.91	126,364.40

Other remarks:

22. Notes payable

Unit: RMB

Categories	Closing balance	Opening balance
Bank acceptance bill	1,238,574,463.73	1,130,668,415.32
Total	1,238,574,463.73	1,130,668,415.32

At the balance sheet date, balances due but unpaid totaled RMB 0.

23. Accounts payable

(1) Details of accounts payable

Unit: RMB

Items	Closing balance	Opening balance
Within 1 year(including 1 year)	2,184,050,911.51	1,538,694,359.81
1 to 2 years	88,579,882.54	36,247,361.15
2 to 3 years	1,289,268.11	7,254,952.39
Over 3 years	5,741,693.81	5,567,079.27
Total	2,279,661,755.97	1,587,763,752.62

24. Advances received

(1) Details of advances received

Unit: RMB

Items	Closing balance	Opening balance
Advance collection of asset package disposal funds	10,000,000.00	

Total	10,000,000.00
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25. Contract liabilities

Unit: RMB

Items	Closing balance	Opening balance
Advance payment for goods	42,581,607.67	23,453,218.32
Total	42,581,607.67	23,453,218.32

Reasons for significant changes in the carrying amount of contract liabilities during the reporting period

26. Employee benefits payable

(1) Details of employee benefits payable

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
I . Short-term employee benefits	221,838,334.79	1,697,764,479.73	1,636,901,323.09	282,701,491.43
II . Post-employment benefits - defined contribution plan	3,701,568.23	36,896,982.26	37,710,409.14	2,888,141.35
III. Termination benefits	3,457,580.80	2,815,279.48	2,556,579.07	3,716,281.21
Total	228,997,483.82	1,737,476,741.47	1,677,168,311.30	289,305,913.99

(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	203,198,192.24	1,383,935,013.63	1,322,258,453.89	264,874,751.98
2. Employee welfare fund	2,134,102.51	75,651,111.90	77,785,214.41	
3. Social insurance premium	11,162,051.71	96,951,334.31	97,705,345.21	10,408,040.81
Including: Medicare premium	2,023,459.75	27,798,779.14	27,533,189.44	2,289,049.45
Occupational injuries	211,099.29	1,552,995.84	1,507,314.10	256,781.03

premium				
Maternity premium	233,674.66	585,303.76	702,538.82	116,439.60
Overseas social security contributions	8,693,818.01	67,014,255.57	67,962,302.85	7,745,770.73
4. Housing provident fund	265,855.34	28,489,899.73	28,755,755.07	
5. Trade union fund and employee education fund	104,574.42	18,344,132.93	17,224,543.29	1,224,164.06
8、Dispatching remuneration	3,511,341.29	90,298,597.57	90,349,659.22	3,460,279.64
9、Cash stock appreciation option	1,462,217.28	4,094,389.66	2,822,352.00	2,734,254.94
Total	221,838,334.79	1,697,764,479.73	1,636,901,323.09	282,701,491.43

(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	3,584,148.09	35,696,556.05	36,509,160.79	2,771,543.35
2. Unemployment insurance premium	117,420.14	1,200,426.21	1,201,248.35	116,598.00
Total	3,701,568.23	36,896,982.26	37,710,409.14	2,888,141.35

Other remarks:

27. Taxes and rates payable

Unit: RMB

Items	Closing balance	Opening balance
VAT	14,647,359.92	12,303,529.64
Enterprise income tax	33,105,141.57	27,169,457.87
Individual income tax	5,797,449.67	6,570,153.06
Urban maintenance and construction tax	2,283,772.47	2,004,384.14
Education surcharge	1,207,595.10	1,098,720.52
Local education surcharge	717,275.16	623,676.41

Housing property tax	14,503,893.38	5,263,984.54
Land use tax	2,162,780.06	2,277,425.60
Local foundation for water works	60,119.04	6,051.60
Others	522,755.69	875,224.37
Total	75,008,142.06	58,192,607.75

Other remarks:

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable		1,772,750.00
Other payables	270,888,400.58	159,464,464.88
Total	270,888,400.58	161,237,214.88

(1) Dividend payable

Unit: RMB

Items	Closing balance	Opening balance
Dividend of restricted shares		1,772,750.00
Total		1,772,750.00

Other remarks, include significant dividend payable with age over one year, should disclose the reasons for the non-payment

(2) Other payables

1) Other payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Restricted shares repo obligations	145,063,690.00	57,578,920.00
Freight and miscellaneous charges	72,117,058.15	39,930,705.16
Product warranty fee	2,757,036.90	3,114,096.06
Guarantee deposit	6,564,169.23	18,044,694.61
Rent and property fee	7,877,975.71	2,609,059.40
Compensation for product quality loss	3,889,429.08	1,125,611.68
Collection of talent awards	1,320,000.00	1,969,150.29
Others	31,299,041.51	35,092,227.68

Total	270,888,400.58	159,464,464.88
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Other remarks

Refer to the "Inventory Shares" in the notes to this financial report for the repurchase obligations of restricted shares.

29. Non-current liabilities due within one year

Unit: RMB

Items	Closing balance	Opening balance
Overseas loan under domestic guarantee	130,498,000.00	
Guaranteed borrowings		222,000,000.00
Accrued interest	55,923.87	228,097.22
Total	130,553,923.87	222,228,097.22

Other remarks:

30. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	1,380,000,000.00	
Overseas loan under domestic guarantee	326,142,884.74	392,371,834.47
Accrued interest	1,776,110.13	510,445.62
Total	1,707,918,994.87	392,882,280.09

Remarks on categories of long-term borrowings:

Other remarks, including interest rate ranges

31. Long-term payables

Unit: RMB

Items	Closing balance	Opening balance
Long-term payables	90,336,083.27	94,235,857.77
Total	90,336,083.27	94,235,857.77

(1) Long-term payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
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Payables for financial leasing	89,432,221.08	92,607,634.64
Stock appreciation rights deposit	903,862.19	1,628,223.13

Other remarks:

Payables for financial leasing

Remaining lease term	Current period cumulative	Preceding period comparative
Within 1 year(including 1 year)	6,417,433.10	9,515,311.20
1 to 2 years	10,274,197.36	3,752,011.15
2 to 3 years	10,274,197.36	10,005,979.99
Over 3 years	70,534,422.75	78,699,036.81
Subtotal	97,500,250.57	101,972,339.15
Less: Unrecognized financing charges	8,068,029.49	9,364,704.51
Subtotal	89,432,221.08	92,607,634.64

32. Provisions

Unit: RMB

Items	Closing balance	Opening balance	Reasons for balance
Pending lawsuit	2,638,000.00		
Total	2,638,000.00		--

Other remarks, Including the relevant significant assumptions and estimates of the significant provisions:

33. Deferred income

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance	Reasons for balance
Government grants	82,537,550.43	76,420,792.64	18,853,006.64	140,105,336.43	
Total	82,537,550.43	76,420,792.64	18,853,006.64	140,105,336.43	--

Other remarks:

34. Other non-current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Engineering agent construction fund	28,782,218.09	32,512,629.00
Long-term employee rights protection payment	51,616,679.63	49,276,299.52
Total	80,398,897.72	81,788,928.52

Other remarks:

According to local investment promotion policies, the "seven connections and one leveling" project of the construction land of the Wuhu city is completed by Wuhu high-tech Industrial Development Zone Administration Committee. As the state-owned assets management unit of Wuhu high-tech Industrial Development Zone, Wuhu Xinma Investment Co., Ltd. and Wuhu High-tech Construction Development Co., Ltd., entrusted Wuhu Sanhua Auto-control Components Co., Ltd and Wuhu Sanhua Technology Co., Ltd. to build the "seven connections and one leveling" project, and allocated RMB 72.03 million as engineering fund. As of December 31, 2020, the accumulated amount of hedging and written-off of engineering agent construction fund and project expense was RMB 43.2478 million, and the amount to be written-off at the end of the period was RMB 28.7822 million.

Long-term employee rights protection payment: retirement pensions of Mr. Harald Schrott who is the former actual controller of the Germany Aweco residential appliances business, and his father Hugo Schrott. Based on Austrian labor law, one-time welfare compensation for termination of labor contract; one-time welfare compensation for retirement, disability and death. The amount of such liabilities is estimated and determined by an independent actuary.

35. 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	2,765,657,898.00			826,675,080.00	-731,510.00	825,943,570.00	3,591,601,468.00

Other remarks:

- ① Approved by the Company's shareholders meeting, the Company transferred 826,675,080 shares to all shareholders (excluding repo shareholders) with capital reserve at the ratio of increasing 3 shares for every 10 shares.
- ② Approved by the Company's shareholders meeting, repo and write-down of 731,510 shares of equity incentive restricted shares that have not met unlock condition.

36. Capital reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Capital premium (Share premium)	970,924,083.94	11,129,040.00	882,412,402.43	99,640,721.51
Other capital reserve	119,875,938.12	107,029,814.59	11,129,040.00	215,776,712.71
Total	1,090,800,022.06	118,158,854.59	893,541,442.43	315,417,434.22

Other remarks, including changes and reasons in the current period:

Reasons for the change of increase or decrease in current period: ① Due to transfer capital reserve to share capital, share premium decreased RMB 826,675,080.00; ② The company grants restricted stock to employees in the form of inventory stock repurchased from the secondary market, share premium decreased RMB

49,264,050.00; ③ Equity Incentive Restricted Shares unlock 4,988,880 shares this period, the corresponding accumulative compensation paid by shares is RMB 11,129,040.00, a premium on the share capital transferred in such amount from other capital reserves; ④ Repo and cancellation of equity incentive restricted shares that have not met the unlock condition, share premium decreased RMB 3,452,414.20; ⑤ Other capital reserve increased RMB 72,810,130.99 due to the confirmation of share-based payment remuneration.; ⑥The available income tax benefit, due to the expected tax cost of equity incentive restricted shares that are no unlockable exceeds accounting cost, the closing balance was RMB 34,219,683.60 higher than the opening balance, other capital reserve and deferred tax assets increased such amount; ⑦Due to transaction for equity, share premium decreased RMB 3,020,858.23, refer to the notes to the financial report.

37. Treasury shares

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Restricted shares	59,453,800.00	118,643,250.00	33,033,360.00	145,063,690.00
Repo shares	304,327,351.34		167,907,300.00	136,420,051.34
Total	363,781,151.34	118,643,250.00	200,940,660.00	281,483,741.34

Other remarks, including changed amount of the current period and movement reason:

(1) Restricted shares

①In current period, the Company granted 12.045 million restricted shares to incentive objects with the repo shares from the secondary market, the grant price was RMB 9.85 per share, and a total of RMB 118,643,250.00 was raised. Treasury shares decreased RMB 167,907,300.00, and share premium decreased RMB 49,264,050.00. The restricted shares have not met the unlock condition, the Company accounted them as treasury shares, and recognized related liabilities for repo obligation.

②Equity incentive restricted shares 2,952,000 shares this period, the grant price was RMB 8.37 per share, the unlocked amount is RMB 24,708,240.00. Treasury shares and related liabilities for repo obligation decreased such amount.

③June 2020 and September 2020, The company implemented the 2019 annual equity distribution and the 2020 semi-annual equity distribution, the dividend of the not unlocked portion of the equity incentive restricted shares is RMB 4,141,196.00, suspended by the company. At the same time, treasury shares and related liabilities for repo obligation decreased such amount.

④Repo and cancellation of equity incentive restricted shares that have not met the unlock condition, treasury shares decreased RMB4,183,924.00.

(2) Repo shares

In current period, the Company granted 12,045,000 shares of restricted stock to incentive recipients based on inventory stock. Repo shares decreased RMB 167,907,300.00.

38. Other comprehensive income (OCI)

Unit: RMB

Items	Opening	Changed amount of the current period	Closing
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	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	balance
Items to be reclassified subsequently to profit or loss	-39,332,748.50	-50,292,214.11				-50,292,214.11		-89,624,962.61
Translation reserves	-39,332,748.50	-50,292,214.11				-50,292,214.11		-89,624,962.61
Other comprehensive income in total	-39,332,748.50	-50,292,214.11				-50,292,214.11		-89,624,962.61

Other remarks, including the effective part of the cash flow hedge profit and losses converted into the initial recognized amount adjustment of the hedged item:

39. Surplus reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Statutory surplus reserve	533,401,562.81	78,070,994.08		611,472,556.89
Discretionary surplus reserve	8,681,137.20			8,681,137.20
Reserve fund	17,813,919.38			17,813,919.38
Total	559,896,619.39	78,070,994.08		637,967,613.47

Remarks on surplus reserve, including movement in current period and the reason for changes:

This period increased by RMB 78,070,994.08. According to the parent company's current net profit 10% of the statutory surplus reserve.

40. Undistributed profit

Unit: RMB

Items	Current period	Previous period
Balance before adjustment at the end of the previous period	5,278,392,288.84	4,488,881,759.86

Add: Increase due to adjustment (or less: decrease)		8,359,634.19
Opening balance after adjustment	5,278,392,288.84	4,497,241,394.05
Add: Net profit attributable to shareholders of the parent Company for current year	1,462,158,821.57	1,421,204,236.13
Less: Appropriation of statutory surplus reserve	78,070,994.08	110,933,454.84
Payable dividends on ordinary shares	771,563,408.50	529,119,886.50
Closing balance	5,890,916,707.83	5,278,392,288.84

41. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	11,665,371,918.47	8,081,530,851.82	10,876,865,236.86	7,570,528,297.31
Other operations	444,461,449.97	418,860,470.45	410,624,205.37	376,316,148.52
Total	12,109,833,368.44	8,500,391,322.27	11,287,489,442.23	7,946,844,445.83

After deducting non-recurring profit or loss by audit, whether the net profit is negative or not

Applicable Not Applicable

Other remarks

42. Taxes and surcharges

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	26,020,701.95	26,638,165.64
Education surcharge	13,060,313.39	13,886,087.61
Housing property tax	19,644,211.36	21,934,182.81
Land use tax	3,415,856.97	9,007,858.24
Stamp duty	2,650,817.59	3,334,108.73
Local education surcharge	8,919,791.12	9,220,983.88
Local foundation for water works	596,652.81	642,593.41
Others	3,665,075.62	7,647,358.71
Total	77,973,420.81	92,311,339.03

Other remarks

43. Selling expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	185,383,982.72	187,342,391.33
Warehousing, freight and miscellaneous charges	298,383,939.51	240,711,888.21
Entertainment expense	38,123,695.62	40,239,474.17
Travel expense	16,841,187.92	43,210,204.21
Market maintenance fee	41,332,674.93	40,227,423.35
Advertising expense	12,803,945.68	13,634,700.98
Others	10,085,332.79	23,181,371.91
Total	602,954,759.17	588,547,454.16

Other remarks:

44. Administrative expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	400,277,866.64	325,762,128.67
Share-based payment remuneration	72,810,130.99	19,072,589.52
Depreciation and amortization expense	96,201,760.17	84,611,377.76
Office expense	94,094,129.08	87,201,138.67
Intermediary organ expense	48,741,873.10	39,435,559.80
Entertainment expense	14,907,529.66	15,337,269.91
Vehicle expense	10,658,851.78	8,374,929.19
Sporadic renovation expense in the park	17,734,954.44	5,850,964.35
Security fund for the disabled	2,441,941.61	
Others	6,215,391.41	10,135,162.35
Total	764,084,428.88	595,781,120.22

Other remarks:

45. R&D expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	291,552,480.55	268,606,916.42
Material and power expense	136,062,761.46	169,349,876.66
Depreciation and amortization expense	31,108,149.42	27,393,695.99

Mold manufacturing expense	30,480,247.99	23,688,085.36
Travel expense	3,051,460.51	7,661,182.16
Royalties	4,865,282.70	3,458,424.26
Outsourcing R&D expense	841,185.47	3,958,534.23
Others	20,439,795.53	27,895,620.91
Total	518,401,363.63	532,012,335.99

Other remarks:

46. Financial expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Interest expense	64,733,993.15	54,050,078.51
Interest income	-52,233,256.57	-29,496,046.87
Bank financing fee	1,950,351.25	2,102,904.85
Cash discount	-2,528,801.21	-3,143,982.74
Exchange gains or losses	112,675,905.53	-35,510,776.78
Others	4,261,901.49	4,225,003.96
Total	128,860,093.64	-7,772,819.07

Other remarks:

47. Other income

Unit: RMB

Source of the other income	Current period cumulative	Preceding period comparative
Government grants	150,308,983.80	101,880,138.31
Including: VAT refund of civil welfare enterprises	10,848,552.90	11,634,556.01
VAT refund on software products in excess of tax burden	5,359,348.90	3,934,430.81
Handling fees for withholding individual income tax	1,246,912.65	92,329.55
Total	151,555,896.45	101,972,467.86

48. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
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Investment income from long-term equity investments under equity method	2,199,442.47	1,418,182.87
disposal of long-term equity investments	-4,100,413.03	
Investment income of bank financing products	46,589,043.29	41,123,586.63
Gains and losses on settlement of foreign exchange contract	19,642,289.10	837,129.75
Gains and losses on settlement of futures contracts	29,117,946.22	-15,653,119.67
Bill discount interest	-4,369,430.89	-2,407,426.89
Other		17,194.75
Total	89,078,877.16	25,335,547.44

Other remarks:

49. Gains or losses on changes in fair value

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Floating income of bank financing products	-10,786,528.53	12,526,390.31
Floating income of futures contracts	7,260,487.69	8,677,764.72
Floating income of foreign exchange contract	35,373,956.60	6,702,192.15
Total	31,847,915.76	27,906,347.18

Other remarks:

50. Credit impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Provision for bad debt	-28,677,382.30	-3,374,126.64
Total	-28,677,382.30	-3,374,126.64

Other remarks:

51. Assets impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
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II. Inventory write-down loss and contract performance cost impairment loss	-58,672,538.84	-27,895,239.50
Total	-58,672,538.84	-27,895,239.50

Other remarks:

52. Gains on asset disposal

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Gains on disposal of fixed assets	-486,378.33	278,783.69

53. Non-operating revenue

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount recorded into the current non-recurring profit and loss
Exempted payment	3,090,050.86	5,479,565.67	3,090,050.86
Compensation and penalty income	1,056,661.41	905,086.14	1,056,661.41
Gains from retirement of fixed assets	84,161.06	43,110.17	84,161.06
Others	824,606.49	364,521.14	824,606.49
Total	5,055,479.82	6,792,283.12	5,055,479.82

Other remarks:

54. 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	10,492,379.67	6,409,161.91	10,492,379.67
Litigation for damages	2,638,000.00		2,638,000.00
Donation expenditures	51,555.76	75,428.60	51,555.76
Others	1,661,697.75	1,228,530.89	1,661,697.75
Total	14,843,633.18	7,713,121.40	14,843,633.18

Other remarks:

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

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	185,380,549.14	208,303,742.83
Deferred income tax expenses	33,322,315.46	20,949,726.23
Total	218,702,864.60	229,253,469.06

(2) Reconciliation of accounting profit to income tax expenses

Unit: RMB

Items	Current period cumulative
Profit before tax	1,692,026,216.58
Income tax expense based on statutory/applicable tax rate	281,618,425.53
Effect of utilization of deductible losses not previously recognized as deferred tax assets	-46,359.55
Effect of deducible temporary differences or deductible losses not recognized	7,966,260.28
Effect of prior income tax reconciliation	-4,799,245.99
Tax impact of research and development expenses plus deduction	-50,508,344.90
Impact of restricted stock unlocked tax deduction	-14,466,289.89
Adjustment of permanent differences	-1,569,237.24
write-off of deferred tax assets previously recognized in current period	507,656.36
Income tax expenses	218,702,864.60

Other remarks:

56. Other comprehensive income

Please refer to the notes of balance sheet items and other comprehensive income for details.

57. 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	189,256,546.89	96,292,082.24
Net change in restricted funds		22,294,525.74
Interest income	52,233,256.57	29,496,046.87
Rental income	10,255,696.35	10,583,717.33
Guarantee deposit	1,056,661.41	3,820,200.00
Other	733,249.60	12,207,297.84
Total	253,535,410.82	174,693,870.02

The remarks of other cash receipts related to operating activities:

(2) Other cash payments related to operating activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Net change in restricted funds	11,123,000.00	5,176,329.03
Guarantee deposit	12,114,845.90	9,307,226.86
Expense payments for the period	669,374,176.12	607,837,864.04
Total	692,612,022.02	622,321,419.93

The remarks of other cash payments related to operating activities:

(3) Other cash receipts related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Redemption of bank financing products	520,254,995.00	1,045,500,000.00
Net change in restricted funds	7,204,442.99	3,384,912.56
Profit on Foreign exchange contract settlement	19,642,289.10	
Profit on Futures contract settlement	29,117,946.22	
Deposit of land transfer		5,055,525.00
Withdraw call loans		2,000,000.00
Total	576,219,673.31	1,055,940,437.56

The remarks of other cash receipts related to investing activities:

(4) Other cash payments related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
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Payments for purchasing bank financing products	289,200,000.00	4,608,043.00
Net change in restricted funds		3,929,071.15
Loss on foreign exchange contract settlement		18,623,937.92
Loss on futures contract settlement		689,383.44
Call loans		2,000,000.00
Total	289,200,000.00	29,850,435.51

The remarks of other cash payments related to investing activities:

(5) Other cash receipts related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Disposal of part of the subsidiary's equity	222,517.59	5,109,000.00
Net change in restricted funds	24,311,782.55	57,855,624.87
Total	24,534,300.14	62,964,624.87

The remarks of other cash payments related to financing activities:

(6) Other cash payments related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Repo shares expenses	2,309,044.00	276,250,709.93
Repayment of finance lease	4,472,088.58	9,049,906.21
Bank financing charges	1,950,351.25	2,102,904.85
Finance lease interest expenses	1,296,675.02	1,403,481.08
Expenses for acquiring non-controlling interest in subsidiaries		9,238,318.85
Payment of stock appreciation right deposit	724,360.94	1,438,316.05
Total	10,752,519.79	299,483,636.97

The remarks of other cash payments related to financing activities:

58. 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	1,473,323,351.98	1,433,815,038.76
Add: Provision for assets impairment loss	87,349,921.14	31,269,366.14
Depreciation of fixed assets, oil and gas assets, productive biological assets	398,438,067.60	342,878,543.15
Amortization of right-of-use assets		
Amortization of intangible assets	20,558,264.41	21,512,188.24
Amortization of Long-term prepayments	5,698,329.34	7,179,778.92
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	486,378.33	-278,783.69
Loss on retirement of fixed assets (Less: gains)	10,408,218.61	6,366,051.74
Losses on changes in fair value (Less: gains)	-31,847,915.76	-27,906,347.18
Financial expenses (Less: gains)	85,662,587.59	56,152,983.36
Investment losses (Less: gains)	-93,448,308.05	-25,335,547.44
Decrease of deferred tax assets (Less: increase)	-14,636,264.19	-16,761,875.13
Increase of deferred tax liabilities (Less: decrease)	65,728,822.77	32,217,777.42
Decrease of inventories (Less: increase)	-188,213,271.68	-181,755,639.30
Decrease of operating receivables (Less: increase)	-817,805,253.81	82,864,778.13
Increase of operating payables (Less: decrease)	1,012,830,723.84	113,378,878.02
Others	72,810,130.99	24,566,413.46
Net cash flows from operating activities	2,087,343,783.11	1,900,163,604.60
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	3,400,144,038.54	2,553,783,015.01
Less: Cash at the beginning of the period	2,553,783,015.01	1,164,542,861.48
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	846,361,023.53	1,389,240,153.53

(2) Net cash receipts from disposal of subsidiaries in current period

Unit: RMB

	金额
Cash and cash equivalents received in current period for subsidiary disposal in current period	6,562,658.15
Including:	--
Qingdao Debaiyi Refrigeration Equipment Co. Ltd.	6,562,658.15
Less: Cash and cash equivalents held by subsidiaries on which the Company lost control	6,272,468.97
Including:	--
Qingdao Debaiyi Refrigeration Equipment Co. Ltd.	6,272,468.97
Including:	--
Net cash receipts from disposal of subsidiaries in current period	290,189.18

Other remarks:

(3) Composition of cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
I . Cash	3,400,144,038.54	2,553,783,015.01
Including: Cash on hand	232,265.51	417,814.58
Cash in bank that can be readily drawn on demand	3,399,911,773.03	2,553,365,200.43
III. Cash and cash equivalents at end of year	3,400,144,038.54	2,553,783,015.01

Other remarks:

On December 31, 2020, restricted use of cash and bank balances includes margin deposits 46,093,170.51 yuan 、 Litigation freeze deposit 11,123,000.00yuan and Deposit in securities and futures institutions 32,327,359.09yuan, totals 89,543,529.60 yuan. Such cash and bank balances are not readily available for payment and do not belong to cash and cash equivalents.

(4) Amount of endorsed acceptance not involving cash receipts and payments

Items	Current period cumulative
Amount of endorsed acceptance	112,518,677.57
Including: Payment for operating activities	109,630,824.74
Payment for investment activities	2,887,852.83

59. 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	89,543,529.60	Guarantee deposit 、 Margin deposit with a futures institution and litigation freeze deposit
Notes receivable	1,608,722,846.32	Pledge financing
Total	1,698,266,375.92	--

Other remarks:

Items	Carrying amount at the end of the period	Cause of restriction
Cash and Bank Balances	46,093,170.51	Guarantee deposit
	32,327,359.09	Margin deposit with a futures institution
	11,123,000.00	litigation freeze deposit
Subtotal	89,543,529.60	

60. 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	111,089,210.06	6.5249	724,845,986.72
EUR	43,167,466.15	8.0250	346,418,915.85
Other currencies			59,010,905.15
Subtotal			1,130,275,807.72
Accounts receivable	--	--	
Including: USD	154,439,692.02	6.5249	1,007,703,546.46
EUR	34,569,590.53	8.0250	277,420,964.00
Other currencies			74,178,308.22
Subtotal			1,359,302,818.68
Long-term borrowings	--	--	
Including: USD	32,166,620.38	6.5249	209,883,981.32
EUR	14,530,450.00	8.0250	116,606,861.25
Subtotal			326,490,842.57
Held-for-trading financial assets			
Including: USD	6,396,683.63	6.5249	41,737,721.02
Subtotal			41,737,721.02
Notes receivable			
Including: JPY	203,642,687.00	0.0632	12,877,548.96
Subtotal			12,877,548.96
Other receivables			
Including: USD	686,535.44	6.5249	4,479,575.09
EUR	150,354.70	8.0250	1,206,596.47
Mexican peso	33,932,763.37	0.3280	11,130,591.11
Other currencies			2,237,538.98
Subtotal			19,054,301.65
Long-term receivable			
Including: EUR	190,000.00	8.0250	1,524,750.00

Subtotal			1,524,750.00
Short-term borrowings			
Including: USD	15,000,000.00	6.5249	97,873,500.00
EUR	33,047,116.66	8.0250	265,203,111.20
Subtotal			363,076,611.20
Derivative financial liabilities			
Including: USD	1,170,892.72	6.5249	7,639,957.91
Subtotal			7,639,957.91
Accounts payable			
Including: USD	11,575,948.70	6.5249	75,531,907.67
EUR	13,420,576.38	8.0250	107,700,125.45
Other currencies			18,382,422.89
Subtotal			201,614,456.01
Other payables			
Including: USD	2,771,121.00	6.5249	18,081,287.41
EUR	1,606,544.91	8.0250	12,892,522.90
Other currencies			9,528,416.32
Subtotal			40,502,226.63
Non-current liabilities due within one year			
Including: USD	20,008,570.84	6.5249	130,553,923.87
Subtotal			130,553,923.87
Long-term payables			
Including: USD	47,180.00	6.5249	307,844.78
EUR	11,209,906.00	8.0250	89,959,495.65
Other currencies			68,742.84
Subtotal			90,336,083.27

Other remarks:

(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 and other countries, where US dollars, Euro, Japanese yen, Polish zloty, Mexican pesos, etc. are used as the standard reporting currency.

61. Government grants

(1) Details

1) Government grants related to assets

Unit: RMB

Items	Opening balance	Increased in current period	The amount recorded as other income in current period	Closing balance	Related to assets/related to income
Grant for project of an annual output of 15 million commercial refrigeration and air-conditioning automatic control components	4,898,000.16		2,448,999.96	2,449,000.20	Related to assets
Special fund grant for multistory factory buildings of small and medium-sized enterprises	5,215,120.26		219,986.16	4,995,134.10	Related to assets
Grant for innovation ability construction project of National Enterprise Technology Center	3,750,000.12		624,999.96	3,125,000.16	Related to assets
Grant for energy-saving project with an annual output of 35 million sets of L-type four-way reversing valve for air conditioners	3,051,396.55		910,570.80	2,140,825.75	Related to assets
Grant for technical transformation project of newly increased 800000 sets of heat exchanger per year	3,032,000.00		758,000.00	2,274,000.00	Related to assets
Grant for the technical transformation project with an annual output of 2 million sets of air-conditioning parts	2,760,000.08		552,000.00	2,208,000.08	Related to assets
Grant for the industrialization project of 20 million refrigeration and air conditioning automatic control components	1,443,272.70		1,164,435.00	278,837.70	Related to assets
Grant for commercial machine micro-channel heat exchanger technical transformation project	2,030,050.00		738,200.00	1,291,850.00	Related to assets
Grant for 1 million sets of air-conditioning thermal sensor technology transformation of new energy vehicle	6,407,450.08		915,349.92	5,492,100.16	Related to assets
Grant for an annual output of 2 million sets of high-efficiency energy-saving	2,295,417.72		515,947.64	1,779,470.08	Related to

inverter controllers					assets
Technical transformation project of annual output of 100000 large heat exchangers	5,008,290.00	1,273,400.00	1,224,830.00	5,056,860.00	Related to assets
Grant for air-conditioning component micro-channel heat exchanger project	1,000,000.00		1,000,000.00		Related to assets
Grant for construction project of public test and detection service platform for refrigeration components	1,399,999.72		700,000.08	699,999.64	Related to assets
Grant for the construction project of automatic control components for residential air conditioners with an annual output of 10 million	960,000.00		480,000.00	480,000.00	Related to assets
Grant for pollution source treatment project	1,347,391.67		178,900.00	1,168,491.67	Related to assets
Grant for construction project of public inspection and testing service platform for automobile air conditioning parts	641,666.83		384,999.96	256,666.87	Related to assets
Technical transformation project for the production line of energy-saving residential air-conditioning control components with an annual output of 50 million sets	624,038.60		126,923.04	497,115.56	Related to assets
Grant for construction project of 25 million sets of new energy-saving and environmental protection variable frequency air conditioning expansion valve	476,000.24		135,999.96	340,000.28	Related to assets
Industrial transfer projects and single equipment investment grant	450,690.70		144,326.64	306,364.06	Related to assets
Comprehensive investment award for technological transformation of industrial enterprises in Wuhu City	3,343,136.00		357,888.00	2,985,248.00	Related to assets
Industrial transformation and upgrading, technological transformation and industrial investment	1,615,259.34		202,424.90	1,412,834.44	Related to assets
Intelligent factory technological transformation project based on The Internet of Things technology	4,124,999.93		500,000.04	3,624,999.89	Related to assets
Grant for the annual production of 11.5 million sets of new energy auto parts project	4,200,000.00	14,594,072.64	1,131,004.37	17,663,068.27	Related to assets

Four-way reversing valve optimization project	733,333.40		159,999.96	573,333.44	Related to assets
Policy grant for Wuhu City's strong industrial base and manufacturing strong province	795,000.00		90,000.00	705,000.00	Related to assets
Annual production of 3 million self-circulating superconducting plates technology project	816,750.00		99,000.00	717,750.00	Related to assets
Comprehensive award and compensation for investment in technological transformation of industrial enterprises	2,218,666.33		275,964.24	1,942,702.09	Related to assets
Grant for intelligent manufacturing technology transformation project of 6 million sets of commercial refrigeration components per year	2,991,220.00		360,000.00	2,631,220.00	Related to assets
Grant for technical transformation project of intelligent manufacturing of refrigeration components	6,628,400.00		828,550.00	5,799,850.00	Related to assets
Grant for technical transformation project of 30 million sets of high efficiency energy saving refrigeration and air conditioning control components	7,200,000.00		800,000.00	6,400,000.00	Related to assets
Grant for an annual output of 7.3 million sets of new energy vehicle thermal management system components technical transformation	1,080,000.00	39,300,000.00		40,380,000.00	Related to assets
Grant for technical transformation project for the high efficiency and energy saving refrigeration and air conditioning control components with an annual output of 30 million sets		12,116,100.00	100,967.50	12,015,132.50	Related to assets
Grant for technical transformation project for the commercial refrigeration control components with an annual output of 12 million sets		1,125,100.00	9,375.83	1,115,724.17	Related to assets
Grant for equipment of New technological transformation for industrialization		1,317,620.00	43,912.68	1,273,707.32	Related to assets
Technical transformation project of large heat exchanger with annual output of 700,000 sets		6,694,500.00	669,450.00	6,025,050.00	Related to assets
Subtotal	82,537,550.43	76,420,792.64	18,853,006.64	140,105,336.43	

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

Unit: RMB

Items	Current period cumulative	Financial Report Items
Awards for major industrial investment projects	41,560,300.00	Other income
Subsidy of overseas COVID-19	13,558,741.13	Other income
Refund of unemployment insurance expenses	10,341,885.75	Other income
VAT refund of civil welfare enterprises	10,848,552.90	Other income
VAT refund on software products in excess of tax burden	5,359,348.90	Other income
Award of enterprise R&D investment	6,713,693.72	Other income
Award of industry support fund	5,840,830.00	Other income
Enterprise operation development reward	4,050,000.00	Other income
Energy saving and consumption reduction and environmental protection subsidies	4,601,440.00	Other income
Talent introduction and job stabilization subsidies	3,381,598.79	Other income
Subsidy and award of technological innovation and entrepreneurship	6,708,500.00	Other income
Reward for the development of industrial informatization	3,411,500.00	Other income
Special funds for foreign trade and economic development	2,078,801.00	Other income
Award of urban land use tax policy	1,659,233.76	Other income
Patent subsidy for enterprises	1,154,880.00	Other income
Innovation and Development Award	200,000.00	Other income
Award of logistics Development Support	314,100.00	Other income
Other	9,672,571.21	Other income
Subtotal	131,455,977.16	

(2)The amount of government grant included in the profit or loss statement in the current period is RMB 150,308,983.80.

62. Others**VIII. Changes in the consolidation scope****1. Disposal of subsidiaries**

Whether there is one-time disposal involving loss of control over a subsidiary

Applicable Not Applicable

Unit: RMB

Subsid	Equity	Equity	Equity	Loss	Deter	Differe	Propor	Carryi	Fair	Gains/	Deter	Chang
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Subsidiaries	Disposal consideration	Disposal proportion (%)	Disposal method	Loss of control date	Reason for loss of control date	Balance between disposal consideration and net assets attributable to the Company at the consolidated financial statements level	Remaining equity at the loss of control date	Amount of remaining equity at the loss of control date	Value of remaining equity at the loss of control date	Losses on fair value remeasurement of remaining equity	Method and major assumption on fair value of remaining equity at the loss of control date	Other comprehensive income/equity related to former subsidiary's equity investment transferred to investment income
Qingdao Debaishi Refrigeration Equipment Co. Ltd.	6,562,658.15	70.00%	4/5000 Agreement to disposal	December 2, 2020	Complete the registration procedures for industrial and commercial changes	-4,098,327.44	0.00%					

Other remarks:

Whether there is disposal of subsidiaries in stages involving loss of control in current period

Applicable Not Applicable

2. Changes in consolidation scope due to other reasons

Changes in consolidation scope due to other reasons and related information (such as newly established subsidiary, liquidation subsidiary, etc.

1. Entities brought into the consolidation scope

Entity name	Equity acquisition method	Equity acquisition date	Actual capital contribution at the end of the period	Capital contribution proportion (%)
Zhejiang Xianji Intelligent Technology Co., Ltd	New investment	2020-09-10	34.6 million yuan	100%
Sanhua Mexico Investment Co., Ltd	New investment	2020-09-15	200000 pesos	100%
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	New investment	2020-10-09	68.29 million yuan	100%
Shaoxing Sanhua Automobile Thermal Management Technology Co. Ltd	New investment	2020-12-03	0.00yuan	100%

2. Entities excluded from the consolidation scope

Unit: RMB

Entities	Equity disposal method	Equity disposal date	Disposal-date net assets	Net profit from the period beginning to the disposal date
Hangzhou Sanhua Home Appliance Thermal Management System Co., Ltd	Liquidation cancellation	2020-05-18	147,448.25	-78,092.41
Aweco Appliance (Shanghai) Co., Ltd	Liquidation cancellation	2020-06-02	6,669.73	22,351.38
Ma 'anshan Sanhua Intelligent Technology Co., Ltd	Liquidation cancellation	2020-08-03	3,907,472.50	-478,491.11

3. Others

IX. Interest in other entities

1. Interest in subsidiaries

(1) Composition of enterprise group

Subsidiy name	Main operating place	Place of registration	Business nature	Holding proportion		Acquisition method
				Direct	Indirect	
Zhejiang Sanhua Trading Co., Ltd	Zhejiang	Zhejiang	Commerce	100.00%		Establishment
Zhejiang Sanhua Climate and Appliance Controls Group Co., Ltd.	Zhejiang	Zhejiang	Manufacture	74.00%	26.00%	Business combination under common control
Zhejiang	Zhejiang	Zhejiang	Manufacture	100.00%		Business

Sanhua Automotive Components Co., Ltd.						combination under common control
Sanhua (hangzhou) Micro Channel Heat Exchanger Co., Ltd	Zhejiang	Zhejiang	Manufacture	100.00%		Business combination under common control
Sanhua International Singapore Pte. Ltd	Singapore	Singapore	Commerce	100.00%		Business combination under common control

Remarks on inconsistency between holding proportion and voting rights proportion in subsidiaries:

Basis for the control of an investee while holding its half or less than half voting rights, and the non-control of an investee while holding its more than half voting rights

Basis for control of significant structured entities brought into the consolidation scope

Basis for determining an entity being acting as an agent or a principal

Other remarks:

The above subsidiaries are significant subsidiaries of the Company.

(2) Significant not wholly-owned subsidiaries

Remarks on inconsistency between holding proportion and voting rights proportion of non-controlling shareholders in subsidiaries:

Other remarks:

On December 31, 2020, The Company has no Significant not wholly-owned subsidiaries.

2. Transactions resulting in changes in subsidiaries' equity but without losing control

(1) Changes in subsidiaries' equity

Subsidiaries	Date of change	Holding proportion before change	Holding proportion after change
Xinchang county sitong mechanical and electrical co. LTD	2020-07-31	100%	70%

As a result of the Company's transfer to minority shareholders of the 30% equity held in Xinchang County Sitong Electromechanical Co., Ltd. (Hereinafter referred to as Sitong electromechanical), the company's interest was reduced from 100% to 70%.

(2) Effect of transactions on non-controlling interest and equity attributable to parent company

Unit: RMB

Items	Sitong electromechanical (100% to 70%)
Acquisition costs/Disposal considerations	8,563,752.16
-- Cash	8,563,752.16
Total acquisition costs/disposal considerations	8,563,752.16
Less: Share in subsidiaries' net assets based on acquired/disposed net assets proportion	11,584,610.39
Balance	-3,020,858.23
Including: Capital reserve adjusted	-3,020,858.23

Other remarks:

3. Others**X. Risks Relating to Financial Instruments**

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Company's overall risk management strategy is aimed at the unpredictability of the financial market and strives to reduce the potential adverse effects on the Company's financial performance.

(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 reporting 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. Quantitative standard mainly relates to the scenario in which, on 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. 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 asset

A financial asset is credit-impaired when one or more following events have occurred. The standard is consistent with the definition of credit impairment. The debtor has significant financial difficulty. The debtor breached the binding clause of the contract on the debtor. The debtor is likely to go bankrupt or other financial

reorganization. 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. Please refer to "Notes receivable", "Accounts receivable", "Other receivable" for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances, bank financial investments, notes receivable and accounts receivable.

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels. Some bank acceptance bills held by the Company are accepted and paid by small and medium financial institutions. In addition, in order to improve the efficiency of capital use, the Company entrusts idle funds to banks for financial investment. The management of the Company believes that, based on the current operating status of domestic banks, bank balances and other cash, notes receivable and bank financial investments are not currently facing serious credit risks. If there is a serious unfavorable differentiation in the bank's credit system in the future, the Company will make adjustments in due course.

The Company performs credit assessment on customers who uses credit settlement on a continuous basis. Based on the customer's financial status, past credit history and other factors, assess the customer's credit rating, and monitor the balance of accounts receivable to control credit risk exposure. For customers with bad credit records, the Company will use written reminders, shorten or cancel credit periods, and reduce credit transaction amounts to ensure that there is no major risk of bad debts.

The Company conducts transactions with recognized and creditworthy customers, and the credit risk is centralized and managed on the basis of customers. As of December 31, 2020, the Company has a certain concentration of credit risk, and 37.57% of accounts receivable was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset on the balance sheet.

(II) Liquidity risk

The Company continues to monitor short-term and long-term funding needs to ensure that sufficient cash reserves are maintained. At the same time, the Company continuously monitors compliance with the loan agreement to ensure that the credit line obtained from commercial banks can meet short-term or long-term funding needs. When necessary, the Company can implement equity financing.

As of December 31, 2020, the undiscounted contractual cash flows of the Company's financial liabilities listed by maturity date are shown in the following table:

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance			
	Within 1 year	1-3 years	Over 3 years	Total
Short-term borrowings (Include interest)	384,529,024.72			384,529,024.72
Notes payable	1,238,574,463.73			1,238,574,463.73
Accounts payable	2,279,661,755.97			2,279,661,755.97

Other payable	270,888,400.58			270,888,400.58
Non-current liabilities due within one year (Include interest)	132,518,381.28			132,518,381.28
Long-term borrowings (Include interest)		1,781,690,487.83		1,781,690,487.83
Long-term payables (Include interest)	6,417,433.10	20,548,394.68	70,534,422.75	97,500,250.53
Subtotal	4,312,589,459.38	1,802,238,882.51	70,534,422.75	6,185,362,764.64

(Continued)

Items	Opening balance			
	Within 1 year	1-3 years	Over 3 years	Total
Short-term borrowings (Include interest)	1,311,299,960.81			1,311,299,960.81
Notes payable	1,130,668,415.32			1,130,668,415.32
Accounts payable	1,587,763,752.62			1,587,763,752.62
Other payable	159,464,464.88			159,464,464.88
Non-current liabilities due within one year (Include interest)	223,342,263.89			223,342,263.89
Long-term borrowings (Include interest)		411,319,664.33		411,319,664.33
Long-term payables (Include interest)	194,556.75	15,342,264.21	78,699,036.81	94,235,857.77
Subtotal	4,412,733,414.27	426,661,928.54	78,699,036.81	4,918,094,379.62

(III) Market risk**1. Interest Rate Risk**

The Company's interest risk relates mainly to bank borrowings. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating interest financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating interest rate financial instruments based on the market environment. As of December 31, 2020, the Company's interest-bearing debt accounted for a small proportion, and the interest rate risk it faced was within a controllable range.

The Company continues to monitor the level of interest rates. Rising interest rates will have an adverse impact on the Company's financial performance, and the management will make necessary response measures in a timely manner based on the latest market conditions.

2. Foreign currency risk

The Company's production bases and sales markets are distributed in developed and developing countries, including the United States, the European Union, Japan, India, Mexico, etc. The business volume settled in Euros and U.S. dollars has a certain proportion, and the exchange rate risk is relatively high. Based on internal risk control policies, the Company's management has taken several measures to deal with exchange rate risks: a. pre-judgment based on the trend of exchange rate changes, timely settlement of foreign exchange receipts or delayed settlement of foreign exchange; b. Carry out overseas financing through domestic guarantees and overseas loans to hedge foreign currency monetary assets and control net risk exposure; and c. Carry out forward exchange settlement and foreign currency swap business to lock in exchange rates.

As of December 31, 2020, please refer to "monetary items in foreign currencies" of notes to financial statements for details in foreign currency financial assets and liabilities.

XI. Disclosure of Fair Values

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

Unit: RMB

Item Name	Fair value as of the balance sheet date			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement	--	--	--	--
1. Held-for-trading financial assets	8,990,525.42	408,564,822.89	393,000,000.00	810,555,348.31
Financial assets measured at fair value through profit or loss	8,990,525.42	408,564,822.89	393,000,000.00	810,555,348.31
Debt instrument investments		359,224,861.78	393,000,000.00	752,224,861.78
Derivative financial assets	8,990,525.42	49,339,961.11		58,330,486.53
Total amount of assets constantly measured at their fair values	8,990,525.42	408,564,822.89	393,000,000.00	810,555,348.31
2. Held-for-trading liabilities		7,939,957.91		7,939,957.91
Derivative financial liabilities		7,939,957.91		7,939,957.91
Total amount of liabilities constantly measured at their fair values		7,939,957.91		7,939,957.91
Non-constant measurement at fair values	--	--	--	--

2. Basis for determining the market price of items under first level constant and non-constant measurement at fair value.

The fair value of futures contracts is measured at the exchange's open market quotes.

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

The fair value of forward foreign exchange contracts and bank financing products 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.

If the fair value information is insufficient, the bank financing products are measured at cost on behalf of the fair value.

XII. Related party relationships and transactions

1. Parent Company

Parent Company	Place of registration	Business nature	Registered capital	Holding proportion over the Company	Voting right proportion over the Company
Sanhua Holding Group Co., Ltd	Zhejiang Province	Industrial Investment	660 million yuan	50.46%	50.46%

Remarks on the parent Company:

As of December 31, 2020, Sanhua Holding Group Co., Ltd. directly holds 29.78% of the Company's shares, and indirectly holds 20.68% of the shares through its subsidiaries, for a total of 50.46% of the shares.

The final controllers of the Company are Mr Zhang Daocai, Mr Zhang Yabo and Zhang Shaobo.

Other remarks:

2. Information about the Company's subsidiaries

Please refer to interest in other entities of notes to financial statements.

3. Joint ventures and associates of the Company

Please refer to notes to financial statements for details on the Company's significant joint ventures and associates. Details of other joint ventures or associates carrying out related party transactions with the Company in current period or in preceding period but with balance in current period are as follows:

Joint ventures or associates	Relationships with the Company
Chongqing Tainuo Machinery Co., Ltd	Associates
Qingdao Sanhua jinlifeng Machinery Co., Ltd	Associates
Zhongshan Xuanyi Pipe Making Co., Ltd	Associates

Other remarks

Joint ventures or associates	Abbreviation of associate
Qingdao Sanhua Jinlifeng Machinery Co., Ltd	QSJM
Zhongshan Xuanyi Pipe Making Co., Ltd	ZXPM
Chongqing Tainuo Machinery Co., Ltd	CTMC

4. Other related parties of the Company

Other related parties	Other relationships with the Company
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd.	Shareholders and under the same control of the parent Company
Hangzhou Tongchan Machinery Co., Ltd.	under the same control of the parent Company

Hangzhou Sanhua Research Institute Co., Ltd.	under the same control of the parent Company
Hangzhou Sanhua International Building Co., Ltd.	under the same control of the parent Company
Xinchang County Sanhua Property Management Co., Ltd.	under the same control of the parent Company
Shanghai Sanhua Electric Co., Ltd	under the same control of the parent Company
Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.	under the same control of the parent Company
Zhejiang Haoyuan Technology Co., Ltd.	under the same control of the parent Company
Ningbo Fuerda Smartech Co., Ltd.	under the same control of the parent Company
Wuhu Alda Technology Co., Ltd.	Subsidiary of a Company with shares held by the Company
Hangzhou Formost Material Technology Co., Ltd	Subsidiary of a Company with shares held by the Company

Other remarks

Joint ventures or associates	Abbreviation of associate
Sanhua Holding Group Co., Ltd.	SHG
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd.	ZSGE
Hangzhou Sanhua Research Institute Co., Ltd.	HSRI
Hangzhou Tongchan Machinery Co., Ltd.	HTM
Zhejiang Haoyuan Technology Co., Ltd.	ZHT
Hangzhou Sanhua International Building Co., Ltd.	HSIB
Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.	ZSZR
Shanghai Sanhua Electric Co., Ltd	SSE
Xinchang County Sanhua Property Management Co., Ltd.	XCSP
Ningbo Fuerda Smartech Co., Ltd.	NFS
Wuhu Alda Technology Co., Ltd.	WAT
Hangzhou Formost Material Technology Co., Ltd	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
HTM	Materials and mechanical parts	519,318.58	1,500,000.00		81,077.58
HTM	Services		50,000.00	NO	130,682.02
HSRI	Water and electricity	115,165.09	30,500,000.00	NO	1,144,787.13
HSRI	Materials	14,303.48	1,500,000.00		

ZSGE	Utility	2,151,282.58	30,500,000.00	NO	2,333,110.78
ZXPM	Materials	9,947,414.32	10,000,000.00	NO	11,884,054.12
QSJM	Merchandise	1,702,420.54	2,000,000.00	NO	1,702,846.12
WAT	Merchandise	16,601.77	50,000.00	NO	17,327.58
ZHT	Merchandise	1,063,598.21	1,500,000.00		
ZHT	Utility	7,308,466.90	30,500,000.00	NO	

Sale of goods and rendering of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Merchandise and Materials	1,080,229.07	
SHG	Water and electricity	1,871,967.25	
CTMC	Merchandise		233,517.60
QSJM	Materials	291,399.64	12,322.99
HFMT	Water and electricity	890,529.83	2,354,827.67
HSRI	Water and electricity	919,853.20	3,010,720.73
HSRI	Merchandise and Materials	305,509.41	1,805,362.91
HSRI	Services		636,792.45
WAT	Utility	212,462.82	320,544.07
WAT	Merchandise and Materials	1,449.92	228,021.51
WAT	Services	59,840.90	
ZSGE	Water and electricity	1,357,863.17	1,520,785.51
HSIB	Merchandise		290,149.69
ZSZR	Merchandise	29,990.27	17,388.50
ZHT	Water and electricity	95,522.69	
ZHT	Merchandise	159.29	
HTM	Water and electricity	42,297.07	

Remarks of related transactions related to the purchase and sale of goods and the provision and acceptance of services

Due to the large number of related parties involved in related party transactions between the parent Company Sanhua Holding Group Co., Ltd and its subsidiaries, the Company approved RMB 1.5 million as the overall purchase quota for purchases and purchase rent, equipment rental, property management, water, electricity and power, service fee amount of 30.5 million yuan from the parent company Sanhua Holding Group Co., Ltd. and its subsidiaries collectively. The approval bases on the merger of the parent Company and its subsidiaries.

(2) Related party leases

The Company as the lessor:

Unit: RMB

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
SHG	Office building	5,309,339.44	5,309,339.44
HFMT	Plant	1,022,346.21	849,851.40
WAT	Plant	345,223.41	312,302.76

The Company as the lessee:

Unit: RMB

Lessors	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
HSRI	Office building	1,134,833.52	921,788.57
ZSGE	dormitory	80,800.00	80,800.00
ZSGE	Plant	405,234.27	17,828.56

Remarks of related party leases

(3) Related party guarantees

The Company as guarantors

Unit: RMB

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature

The Company as guaranteed parties

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
SHG	RMB 1,380,000,000.00	February 7, 2020	October 25, 2022	No
SHG	EUR14,500,000.00	July 05, 2019	June 20, 2022	No
SHG	USD20,000,000.00	December 24, 2019	December 23, 2021	No

Remarks of related party guarantees

The information in the table does not include related guarantees within the scope of consolidation, nor related guarantees that have been performed.

(4) Assets transfer and debt restructuring of the related parties

Unit: RMB

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
HTM	Equipment	21,622,706.86	19,421,679.72
HSRI	Equipment	17,393,367.30	

(5) Key management's emoluments

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	5,950,600.00	5,664,500.00

(6) Other related party transactions

Unit: RMB

Abbreviation of associate	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Property income	1,684,018.88	1,684,018.88
ZSGE	Property expenses	847,318.27	254,553.09
	Service income	3,849.06	6,943.40
HFMT	Property income	461,320.79	379,584.92
HSRI	Property expenses	44,752.78	30,483.19
HTM	Service income	6,867.92	13,207.55
XCSP	Property expenses		2,984.07

In addition, it is affected by the inconsistency between the registered permanent residence of a few employees and the place of work, there are transactions between related parties that pay employee social insurance premium and housing accumulation fund on behalf of them. In current period, related parties pay for the company RMB2,828,941.97, the company pays for the related party RMB3,786.42.

6. Balance due to or from related parties**(1) Receivables**

Unit: RMB

Items	Related parties	Closing balance		Opening Balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	WAT	376,293.54	18,814.68	62,502.41	3,125.12
Accounts receivable	SHG	180,000.00	9,000.00		
Accounts receivable	QSJM	26,973.19	1,348.66	9,331.56	466.58
Accounts receivable	HSRI	18,514.60	925.73	358,962.37	17,948.12
Accounts receivable	XCSP			3,372.00	168.60
Advances paid	ZXPM			186,974.96	
Other receivables	SHG	20,000.00	1,000.00		
Other non-current assets (Equipment payment in advance)	HTM	9,122,291.82			

(2) Payables

Unit: RMB

Items	Related parties	Closing balance	Opening Balance
Accounts payable	HTM	3,883,247.79	4,002,107.32
Accounts payable	ZXPM	1,072,110.11	
Accounts payable	HSRI	266,150.00	266,150.00
Accounts payable	QSJM		1,177,838.77
Contract liabilities	WAT	1,518.94	2,101.34
Advances received	NFS	10,000,000.00	
Other payables	HFMT	100,000.00	100,000.00

7. Related party commitments

8. Others

XIII. Share-based payment

1. Overall information

Applicable Not applicable

Unit: RMB

Total equity instruments granted in current period	12,045,000.00
Total equity instruments exercised in current period	5,120,700.00
Total equity instruments retired in current period	458,055.00
The range of exercise prices of share options outstanding at the end of the period and the remaining contractual life	The adjusted grant price of stock appreciation rights is 4.59 yuan, which will be unlocked in batches within 12 months after 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	2018 Restricted Stock Incentive Plan: The adjusted restricted stock grant price is 4.59 yuan, which will be unlocked in batches within 12 months after 36 months after the grant date. 2020 Restricted Stock Incentive Plan: The adjusted restricted stock grant price is RMB 7.36, which will be unlocked in batches within 12 months after 12 months, 24 months, and 36 months from the grant date.

Other remarks

(1) Restricted stock and stock appreciation right incentive plan implemented in 2018

In September 2018, the Company implemented a restricted stock and stock appreciation right incentive plan for core employees. Among them, the number of restricted stocks granted was 10.33 million shares, the number of stock appreciation rights granted was 355,000 shares, and the grant price per share was RMB 8.37. The grant date was September 18, 2018, at 30%:30%:40%. The proportion is unlocked year by year in batches.

In May 2019, the Company implemented the 2018 equity distribution. According to the methods stipulated in the "2018 Restricted Stock Incentive Plan" and "2018 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 13.429 million shares. The number of stock appreciation rights granted was 461,500 shares, and the grant price per share was RMB 6.25.

In June 2020, the Company implemented the 2019 equity distribution. In September 2020, the company implemented the 2020 semi-annual equity distribution. According to the methods stipulated in the "2018 Restricted Stock Incentive Plan" and "2018 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 17.4577 million shares. The number of stock appreciation rights granted was 599,950 shares, and the grant price per share was RMB 4.59.

(2) Restricted stock incentive plan 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. According to the method stipulated in the "2020 Restricted Stock Incentive Plan", the exercise price and quantity of the underlying stocks involved were adjusted accordingly. After the adjustment, the number of restricted stocks granted was 15.6585 million shares, and the grant price per share was RMB 7.36.

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	97,243,888.18
Total expenses incurred due to equity-settled share-based payment	72,810,130.99

Other remarks

Note: In 2018, the company initially granted 10.33 million restricted stocks to incentive object. Later, it was adjusted to 17.4577 million shares due to the annual distribution of equity in 2018 and the annual distribution of equity in 2019. In 2020, the company initially granted 12.045 million restricted stocks to incentive object. Later, it was adjusted to 17.4577 million shares due to the annual distribution of equity in 2019. The number is the base, it will be unlocked year by year in batches at a ratio of 30%:30%:40%. The Company estimates the number of

exercisable equity instruments on the following basis: the Company's operating performance can meet the target, the future voluntary turnover rate of the incentive objects is 0%, and the performance appraisal level is above C (the unlocking coefficient is 1).

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 assets	It is calculated based on the closing price of the stock on the balance sheet date after deduction of the adjusted stock appreciation right grant price.
Liabilities incurred due to cash-settled share-based payment	6,332,840.44
Total expenses incurred due to cash-settled share-based payment	4,094,389.66

Other remarks

4. Others

XIV. Commitments and contingencies

1. Contingencies

(1) Significant contingencies existing on the balance sheet date

On December 31, 2020, no significant contingent matter needs 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.

2. Others

XV. Events after the balance sheet date

1. Profit distribution

Unit: RMB

Proposed profits or dividends	895,454,593.00
Profits or dividends declared to be paid after approval	895,454,593.00

XVI. Other Significant Events

1. Segment information

(1) Basis for reportable segments and the accounting policy

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system, etc., and identified the reportable segments based on products.

(2) Financial information of the reporting subsection

Unit: RMB

Items	Refrigeration and air-conditioning electrical parts business	Auto parts business	Inter-segment elimination	Total
Total Operating revenue	964,064.72	246,918.62		1,210,983.34
Total Operating cost	676,459.91	173,579.22		850,039.13
Total assets	1,266,070.50	437,182.57		1,703,253.07
Total liabilities	546,913.43	141,064.36		687,977.79

2. Other remarks

(1) Convertible corporate bonds

In January 2021, The Company has received the "Retification on Approval of Zhejiang Sanhua Intelligent Controls Co., Ltd.'s Public Issuance of Convertible Corporate Bonds" (CSRC License [2021] No. 168) issued by China Securities Regulatory Commission. Within 12 months as of the date of approval, the Company may issue convertible corporate bonds with a total face value of 3 billion yuan to the public.

(2) Financing lease

Please refer to "Fixed assets" of notes to financial statements for details in fixed assets leased in by financing. The unrecognized financing costs are 8,068,029.49yuan at the end of period and minimum lease payments to be paid in subsequent years are as follows:

Remaining lease term	Amount
Within 1 year(including 1 year)	6,417,433.10
1 to 2 years	10,274,197.36
2 to 3 years	10,274,197.36
Over 3 years	70,534,422.75
Subtotal	97,500,250.57

XVII. Notes to items of parent Company financial statements

1. Accounts receivable

(1) Disclosure of accounts receivable by categories

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Receivables with provision made on an individual basis	568,926,107.65	77.05%			568,926,107.65	986,349,014.75	86.28%			986,349,014.75
Including:										
Receivables with provision made on a collective basis	169,453,230.80	22.95%	8,472,661.54	5.00%	160,980,569.26	156,790,401.29	13.72%	7,839,520.06	5.00%	148,950,881.23
Including:										
Total	738,379,338.45	100.00%	8,472,661.54	1.15%	729,906,676.91	1,143,139,416.04	100.00%	7,839,520.06	0.69%	1,135,299,895.98

Provision made on an individual basis:

Unit: RMB

Name	Closing balance			
	Book balance	Provision for bad debt	Accrued proportion	Accrued reason

Zhejiang Sanhua Trading Co., Ltd	391,515,686.85			
SANHUA INTERNATIONAL SINGAPORE PTE.LTD.	91,681,883.29			
SANHUA (VIETNAM) COMPANY LIMITED	57,017,505.61			
Zhejiang Sanhua Automotive Components Co., Ltd.	13,985,140.95			
Other subsidiaries	14,725,890.95			
Total	568,926,107.65		--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Book balance	Book balance
Within 1 year	169,453,230.80	8,472,661.54	5.00%
Total	169,453,230.80	8,472,661.54	--

The remarks of determination of a collective basis:

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

✓ Applicable □ Not applicable

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12- month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2020	7,839,520.06			7,839,520.06
The balance as of January 1, 2020 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	633,141.48			633,141.48
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Balance on December 31, 2020	8,472,661.54			8,472,661.54

Disclosure by aging

Unit: RMB

Aging	Closing balance
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Within 1 year (including 1 year)	738,379,338.45
Total	738,379,338.45

(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	7,839,520.06	633,141.48				8,472,661.54
Total	7,839,520.06	633,141.48				8,472,661.54

Including significant provision for bad debt recovered or reversed amount:

(3) Assets and liabilities arising from transferred but still involved accounts receivable

Other remarks:

Closing balance of top 5 debtors totaled 629,113,983.75yuan, accounting for 85.20% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 4,444,945.40 yuan.

2. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	348,897,078.11	603,257,516.95
Total	348,897,078.11	603,257,516.95

(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	329,063,840.37	573,806,364.53
Tax refund receivable	8,536,537.99	15,017,287.01
Guarantee deposit	10,381,285.00	10,381,285.00
Others	1,224,031.39	4,660,439.18
Total	349,205,694.75	603,865,375.72

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, 2020	152,826.34	455,032.43		607,858.77
Balance in current period on January 1, 2020	—	—	—	—
Provision recovered in current period	109,437.04	189,805.09		299,242.13
Balance on December 31, 2020	43,389.30	265,227.34		308,616.64

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)	43,389.30
1 to 2 years	8,689.84
2 to 3 years	232,704.00
Over 3 years	23,833.50
Total	308,616.64

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	607,858.77		299,242.13			308,616.64
Total	607,858.77		299,242.13			308,616.64

Including significant provision for bad debt recovered or reversed amount:

Unit: RMB

Debtors	Recovered or reversed	Way of collection
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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
Sanhua (Jiangxi) Self-control Components Co., Ltd.	Financial aid	50,000,000.00	Within 1 year	14.32%	
Wuhu Sanhua Auto-control Components Co., Ltd	Financial aid	46,000,000.00	Within 1 year	13.17%	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	Financial aid	40,000,000.00	Within 1 year	11.45%	
Zhongshan Sanhua Refrigeration Accessories Co., Ltd	Financial aid	40,000,000.00	Within 1 year	11.45%	
Wuhu Sanhua Refrigeration Accessories Co., Ltd	Financial aid	40,000,000.00	Within 1 year	11.45%	
Total	--	216,000,000.00	--	61.85%	

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	4,515,044,723.75		4,515,044,723.75	4,297,929,280.35	54,000,000.00	4,243,929,280.35
Investments in associates and joint ventures	13,501,505.62		13,501,505.62	12,704,660.71		12,704,660.71
Total	4,528,546,229.37		4,528,546,229.37	4,310,633,941.06	54,000,000.00	4,256,633,941.06

(1) Investments in subsidiaries

Unit: RMB

Investees	Opening balance(Carrying)	Changed amount of the current period				Closing balance (Carrying)	Closing balance of
		Investments	Investments	Provision	Others		

	amount)	increased	decreased	for impairment		amount)	provision for impairment
Zhejiang Sanhua Automotive Components Co., Ltd.	1,977,416,802.97	16,722,173.85				1,994,138,976.82	
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd	635,170,819.48	9,270,319.62				644,441,139.10	
Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd	310,155,131.25	10,123,137.76				320,278,269.01	
Sanhua International Inc.	307,379,027.71	906,300.60				308,285,328.31	
Sanhua International Singapore Pte. Ltd	454,171,908.17	210,472,602.90				664,644,511.07	
Wuhu Sanhua Automatic Control Components Co., Ltd	150,379,784.89	892,147.77				151,271,932.66	
Sanhua (Jiangxi) Self-control Components Co., Ltd	92,824,141.91	543,247.02				93,367,388.93	
Xinchang Sitong Electrical and Mechanical Co., Ltd	65,444,051.15	759,611.86	19,557,906.39			46,645,756.62	
Zhejiang Sanhua		68,290,894.37				68,290,894.37	

Commercial Refrigeration Co. Ltd							
Zhejiang Sanhua Trading Co. Ltd	51,053,113.94	2,691,893.62				53,745,007.56	
Changzhou Lanke four-way valve co., LTD	35,196,850.59	27,302,805.57				62,499,656.16	
Hangzhou Leaderway Electronics Co., Ltd	47,798,913.83	3,218,640.36				51,017,554.19	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	31,930,719.92	596,867.18				32,527,587.10	
Zhongshan Sanhua Air conditioning Refrigeration Components Co., Ltd	4,885,524.32	196,919.86				5,082,444.18	
Wuhan Sanhua Refrigeration Components Co., Ltd	3,734,983.46	505,207.84				4,240,191.30	
Zhongshan Sanhua Refrigeration Components Co., Ltd	5,163,639.29	735,371.44				5,899,010.73	
Suzhou Sanhua Air-Conditioner Parts Co.,Ltd	8,395,763.86	273,311.78				8,669,075.64	
Hangzhou Sanhua Home Appliance Thermal Management System Co., Ltd	16,247,160.09		16,247,160.09				

Zhejiang Sanhua Self-control Components Co., Ltd	32,000,000.00		32,000,000.00					
Qingdao Debaiyi Refrigeration Equipment Co., Ltd	14,580,943.52		14,580,943.52					
Total	4,243,929,280.35	353,501,453.40	82,386,010.00				4,515,044,723.75	

(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		
I . Joint ventures											
II . Associates											
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	1,493,718.98			31,533.78						1,525,252.76	
Chongqing Tainuo Machinery Co., Ltd.	8,847,728.00			2,049,176.73			1,500,000.00			9,396,904.73	
Nanchang Sanhua	2,335,242.16			431,896.79			1,250,000.00			1,517,138.95	

Jinlifeng Machiner y Co., Ltd.											
Ningbo Jinlifeng Machiner y Co., Ltd		1,250,00 0.00		-187,79 0.82						1,062,20 9.18	
Qingdao Sanhua Jinlifeng Machiner y Co., Ltd.	0.00									0.00	
Zhongsha n Sanhua Tainuo Machiner y Co., Ltd.	27,971.5 7			-27,971. 57						0.00	
Xinchang zhejiang energy sanhua comprehe nsive energy co. LTD											
Subtotal	12,704,6 60.71	1,250,00 0.00		2,296,84 4.91			2,750,000 .00			13,501,5 05.62	
Total	12,704,6 60.71	1,250,00 0.00		2,296,84 4.91			2,750,000 .00			13,501,5 05.62	

(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 50,111,874.20yuan.

4. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	4,261,339,025.61	3,143,704,934.36	4,241,261,150.67	3,184,390,923.55
Other operations	255,244,021.84	239,955,604.07	222,135,377.17	218,206,712.02
Total	4,516,583,047.45	3,383,660,538.43	4,463,396,527.84	3,402,597,635.57

Other remarks:

5. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	174,095,823.76	549,123,531.19
Investment income from long-term equity investments under equity method	2,298,930.50	2,100,652.42
Gains on disposal of long-term equity investments	-27,199,644.40	956,707.24
Investment income of bank financing products	13,307,539.55	4,103,178.32
Gains and losses on settlement of futures contracts	17,957,388.89	165,534.20
Gains and losses on settlement of foreign exchange contract	-8,360,741.05	163,949.06
Income of fund using fee	17,387,962.74	27,618,295.32
other		-43,997.11
Total	189,487,259.99	584,187,850.64

6. R&D expenses

Unit: RMB

Items	2020	2019
Labor cost	101,435,220.21	80,284,612.99
Material and power expense	72,943,704.17	107,351,260.95
Depreciation and amortization expense	7,931,315.36	9,801,734.85
Mold manufacturing expense	2,063,576.52	1,192,844.56
Travel expense	833,067.62	1,863,554.26
Royalties	825,497.30	642,382.70

Outsourcing R&D expense	443,167.38	1,351,326.21
Others	1,882,272.95	7,162,613.15
Total	188,357,821.51	209,650,329.67

XVIII. Supplementary information

1. Non-recurring profit or loss in current period

Applicable Not Applicable

Unit: RMB

Items	Amount	Remarks
Gains or loss on disposal of non-current assets	-14,770,607.27	
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)	134,101,082.00	
Gains on changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other investment, excluding those arising from hedging business related to operating activities	91,394,679.61	<p>Mainly for 1. floating profit from futures hedging operations, refer to "Notes on Changes in Fair Value and Investment Income" in this financial report for details. According to the Measures for the Operation and Management of Futures Hedge Business, the company will continue to carry out futures hedging business of copper, zinc, nickel and other raw materials in 2020, mainly for customers point price and fixed price futures hedging business. Due to the contract lock quantity is consistent with the customer order, and the contract lock up price is not higher than the customer lock up price. Therefore, the future period is now after the merger (referring to the customer's actual implementation), the company can keep the above customer business profit rate stable, to achieve the purpose of hedging. The above mentioned clients who carry out futures hedging business are all well-known manufacturers at home and abroad and have good historical credit, the company have not defaulted since the company implemented the copper lock mechanism.</p> <p>2. Based on the internal risk control policy, the management of the Company has taken several measures to deal with the exchange rate risk, such as to carry out forward settlement of foreign exchange and foreign currency swap business, lock the exchange rate.</p>

Other non-operating revenue or expenditures except the above items	620,065.25	
Other profit or loss satisfying the definition of non-recurring profit or loss	1,246,912.65	
Less: Enterprise income tax affected	19,272,109.42	
Non-controlling interest affected	1,770,947.78	
Total	191,549,075.04	--

For items defined as non-recurring profit or loss according to “the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Profit or Loss”, non-recurring profit or loss items listed in the said document defined as project of recurring profit or loss, specify the reason

Applicable Not Applicable

2. ROE and EPS

Profit of the reporting period	Weighted average ROE	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	15.04%	0.41	0.41
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	13.07%	0.36	0.36

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

(3) Reasons for accounting data variance between financial reporting prepared under domestic and international accounting standards, and for the difference adjustment on the data already audited by an overseas audit institution, the name of the audit institution should be noted

4. Others

1. Calculation process of weighted average ROE

(1) Weighted average net assets

Changed item in net assets	Amount	Weighted by month	Weighted average net assets
Net assets attributable to shareholders of ordinary shares at the beginning of period	9,291,632,928.45	12/12	9,291,632,928.45
Net profit attributable to shareholders of ordinary shares	1,462,158,821.57	6/12	731,079,410.79
2019 cash dividend	-410,148,045.30	7/12	-239,253,026.43
Semi-annual cash dividend in 2020	-355,461,639.20	3/12	-88,865,409.80
Stock incentive restricted shares unlock increased net assets	22,895,712.00	2/12	3,815,952.00
Compensation is paid in equity-settled shares	72,810,130.99	6/12	36,405,065.50
The accounting cost and tax cost of share-based compensation have different calculation caliber, which has an impact on current income tax benefits	34,219,683.40	6/12	17,109,841.70
Effect of Foreign Currency Translation	-50,292,214.11	6/12	-25,146,107.06
Adjustment of capital reserves for equity transactions	-3,020,858.23	7/12	-1,762,167.30
Net assets attributable to shareholders of ordinary shares at the end of period	10,064,794,519.57		9,725,016,487.85

(2) Weighted average ROE

Items	Symbol	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	1,462,158,821.57
Non-recurring profit or loss attributable to shareholders of ordinary shares	B	191,549,075.04
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	1,270,609,746.53
Weighted average net assets	D	9,725,016,487.85
Weighted average ROE	E=A/D	15.04%
Weighted average ROE after deducting non-recurring profit or loss	F=C/D	13.07%

2. Calculation process of Basic EPS and Diluted EPS

(1) Basic EPS

Items	Symbol	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	1,462,158,821.57
Equity incentive dividend on restricted stock	B	4,141,196.00
Net profit attributable to shareholders of ordinary shares after deducting the equity incentive dividend on restricted stock	C=A-B	1,458,017,625.57
Non-recurring profit or loss attributable to shareholders of ordinary shares	D	191,549,075.04
Net profit attributable to shareholders of ordinary shares after deducting dividends on restricted stock and non-recurring profit or loss	E=C-D	1,266,468,550.53

Total shares at the beginning of period (Do not consider the unvested repurchase inventory shares)	F	2,743,829,802
Capital reserve converted into share capital	G	826,675,080
The number of equity incentive restricted stock unreleased in 2018 (After transition increase)	H	6,658,600
Number of restricted stock write off (After transition increase)	I	627,510
Weighted average number of ordinary shares outstanding	J[noted]	3,563,218,772
Basic EPS	K=C/J	0.41
Basic EPS after deducting non-recurring profit or loss	L=E/J	0.36

Remark: $J=F+G-H-I$

(2) Diluted EPS

Items	Symbol	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	1,462,158,821.57
Non-recurring profit or loss attributable to shareholders of ordinary shares	B	191,549,075.04
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	1,270,609,746.53
Weighted average number of ordinary shares outstanding	D	3,563,218,772
The weighted average number of shareholders of ordinary shares increased by equity incentive restricted shares	E	9,840,255
Weighted average number of ordinary shares outstanding after dilution	F=D+E	3,573,059,027
Diluted EPS	G=A/F	0.41
Diluted EPS after deducting non-recurring profit or loss	H=C/F	0.36

Section XIII Documents Available for Inspection

1. The 2020 annual report signed by the chairman of the board.
2. The financial report signed and sealed by the Company's legal representative, chief finance officer and person in charge of accounting department.
3. Articles of Association.
4. Original copy of all the Company's documents and announcements published on the newspapers designated by CSRC within the reporting period.
5. Other documents available for inspection.

Note: The Company shall disclose the catalogue of documents available for inspection, including:

- (1) The financial report signed and sealed by the Company's legal representative, chief finance officer and person in charge of accounting department.
- (2) The original audit report with the seal of the accounting firm and the signature and seal of the certified public accountant.
- (3) Original copy of all the Company's documents and announcements published on the newspapers designated by CSRC within the reporting period.
- (4) Annual reports published in other securities markets.