

Stock Code: 000581, 200581

Public Notice No: 2021-008

Short Form of the Stock: WFHT, Su Weifu-B

# Weifu High-Technology Group Co., Ltd.

## Summary of Annual Report 2020

### I. Important Notice

The summary is abstract from full-text of annual report, for more details of operating results, financial condition and future development plan of the Company, investors should found in the full-text of annual report that published on media appointed by CSRC.

The directors, supervisors and senior officers declared that they guarantee the matters in the Report are truthful, accurate and completed without objection.

All directors are attend the Meeting of the Board for Report deliberation.

Prompt of non-standard audit opinion

Applicable  Not applicable

Profit distribution plan of common stock or public reserve transfer into share capital deliberated by the Board in the reporting period

Applicable  Not applicable

Transfer of public reserve into share capital

Yes  No

The profit distribution plan that deliberated and approved by the Board is: based on total share capital of 1,008,894,293, distributed 15 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 share bonus issued (tax included) and no public reserve transfer into share capital either.

Profit distribution plan of preferred stock deliberated and approved by the Board in the reporting period

Applicable  Not applicable

### II. Company information

#### 1. Company Profile

Short form of the stock	WFHT, Su Weifu-B	Stock code	000581, 200581
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Zhou Weixing	Yan Guohong	
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## 2. Main business or products introduction in the reporting period

### (i) Main business of the Company

According to the data released by China Association of Automobile Manufacturers: the production and sales volume of automobiles for year of 2020 in the country amounted to 25.22 million and 25.31 million respectively, with 2% and 1.9% down from a year earlier respectively; of which, the production and sales volume of passenger vehicles were 19.99 million and 20.18 million respectively, with 6.5% and 6% declined over same period of last year respectively. In 2020, driven by the elimination of National III vehicles, the tightening of overload/over-speed and infrastructure investment, the annual production and sales of commercial vehicles showed significant growth. The production and sales volume of commercial vehicles in 2020 were respectively amounted as 5.23 million and 5.13 million, exceeding 5 million for the first time and reaching a record high. The production and sales of commercial vehicle increasing by 20.0% and 18.7% on a y-o-y basis respectively.

During the reporting period, the company's main business was the production and sales of automobile components. The main products included diesel fuel management system products, after-treatment system products and air management system products. Since the beginning of the year, the company has actively seized market opportunities, seized key products and key customers, and achieved a steady increase in market share. The business of the three major systems has grown rapidly, and achieved the company's goal of over tens of billions of operating income.

Main uses of the Company's products:

1. The fuel management system products are widely used in different power diesel engines supporting all types of trucks, passenger cars, buses, construction machinery, marine, and generator sets. The company not only makes products matching with the main engines used at home but also exports some products to the Americas, Southeast Asia, and the Middle East. Products can meet the national emission regulation standards.
2. After-treatment system products, which mainly support the major manufacturers of automobile, motorcycle and general machinery at home and meet the national emission standards.
3. Air management system products (supercharger), matches with most of the domestic small-bore diesel engine plants and some 6-cyl diesel engine manufacturers, and meet the needs of the light and heavy commercial vehicles, some passenger cars and engineering machinery. Products can meet the national emission regulation standards.
4. Key parts of the fuel cell, including membrane electrodes, graphite bipolar plates, metal bipolar plates and BOP key components for domestic and foreign fuel cell reactor and system manufacturers.

(ii) During the reporting period, development stage and periodical characteristics of the industry to which the company belongs, as well as the company's position in the industry

2021 is the first year for the development of the "14<sup>th</sup> Five-Year Plan", and is also the year to embark on a new journey of building a socialist modern country in an all-round way and march towards the second centenary goal. It is a milestone in our country's development process. As the epidemic prevention and control becomes normal, the economy as a whole will maintain growth under the influence of a low base and recovery resonance. Standing at the historical intersection of the "two centenary" goals, the auto industry will fully enter a new stage of transformation and upgrading with high-quality development. The new development pattern, which is dominated

by the domestic large-scale cycle and the mutual promotion of the international and domestic double cycles, has given China's auto industry more significant responsibilities. During the "14<sup>th</sup> Five-Year Plan" period, our country's auto industry will maintain a steady development trend. From the perspective of the development situation, promoting automobile consumption is the main task of stabilizing growth and expanding domestic demand; enhancing the independent controllability of the supply chain of the industrial chain is the main means to achieve high-quality industrial development; the upgrading of emission regulations and the new dual-slope policy are compelling companies to carry out more stringent reforms to reduce consumption and emissions; carbon peaking and carbon neutrality promote the further development of new energy vehicles; intelligent networking, rapid penetration of ADAS and smart cockpits, and 5G promote the development of the Internet of Vehicles. In the new round of technological revolution and industrial transformation, the company will respond to industry challenges with a positive attitude, seize industry development opportunities, and strive to jointly create a better tomorrow for the auto industry.

After more than 60 years of hard work, the company has become a backbone enterprise of key parts of domestic auto, 80% products of the existing Automobile components core business are matched with the electronic control systems and electronically controlled. The company will actively respond to the national new energy and intelligent network strategy, take the Automobile components industry chain as the core and other related fields as supplements, lay out new energy auto drive technology, and promote the hydrogen fuel cell technology and intelligent network technology research and development capacity building. Market objectives: consolidate the existing business market position and take a position in the new business potential market. Technical objectives: strengthen the technical strength of the pillar business, lay out the new business frontier technology, and actively expand new areas based on the existing business. Strive to achieve the goal of becoming a leader in the auto core parts enterprises.

### 3. Main accounting data and financial indexes

#### (1) Main accounting data and financial indexes for recently three years

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes  No

In RMB

	2020	2019	Changes over last year	2018
Operating revenue	12,883,826,306.60	8,784,356,960.30	46.67%	8,721,674,671.18
Net profit attributable to shareholders of the listed company	2,772,769,377.96	2,268,026,432.78	22.25%	2,396,077,415.21
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	2,089,986,086.10	1,947,408,959.68	7.32%	2,014,800,714.20
Net cash flows arising from operating activities	781,811,234.01	1,048,670,053.23	-25.45%	874,381,526.63

Basic earnings per share (RMB/Share)	2.79	2.25	24.00%	2.37
Diluted earnings per share (RMB/Share)	2.79	2.25	24.00%	2.37
Weighted average ROE	15.78%	13.77%	2.01%	15.48%
	Year-end of 2020	Year-end of 2019	Changes over end of last year	Year-end of 2018
Total assets	27,350,695,388.21	23,958,348,185.78	14.16%	20,892,041,460.30
Net assets attributable to shareholder of listed company	18,282,017,990.66	16,990,405,136.62	7.60%	15,913,828,778.82

## (2) Quarterly main financial index

In RMB

	Q 1	Q 2	Q 3	Q 4
Operating revenue	2,772,108,717.43	3,822,294,907.13	3,324,132,346.07	2,965,290,335.97
Net profit attributable to shareholders of the listed company	549,996,717.72	776,347,707.26	903,901,365.25	542,523,587.73
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	495,225,376.36	680,349,352.50	572,795,992.17	341,615,365.07
Net cash flows arising from operating activities	319,204,809.86	118,452,262.55	624,717,046.92	-280,562,885.32

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes  No

## 4. Shares and shareholders

### (1) Particulars about common stock shareholders, preference shareholders with voting rights recovered and top ten shareholders

In Share

Total common stock shareholders in reporting period-end	58,092	Total common stock shareholders at end of last month before annual report disclosed	63,444	Total preference shareholders with voting rights recovered at end of reporting period	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed	0
Top ten shareholders							
Name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Number of lock-up stocks held	Number of shares pledged/frozen		
					State of share	Amount	
Wuxi Industry Development Group Co., Ltd.	State-owned corporate	20.22%	204,059,398				

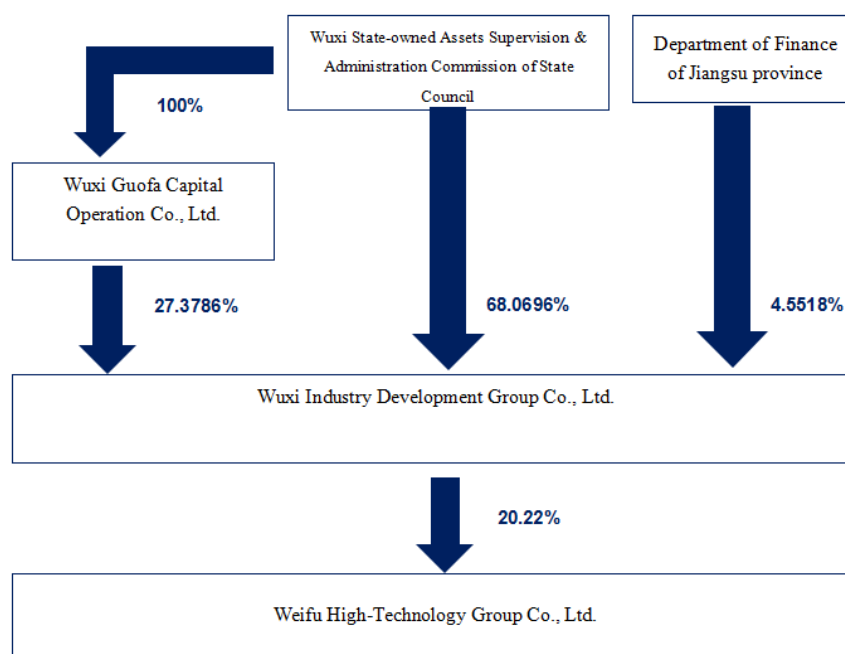
ROBERT BOSCH GMBH	Foreign corporate	14.16%	142,841,400			
Hong Kong Securities Clearing Company	Foreign corporate	6.44%	65,003,072			
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign corporate	1.60%	16,093,515			
Central Huijin Assets Management Co., Ltd.	State-owned corporate	1.27%	12,811,200			
Basic Pension Insurance Fund- 1003	Other	1.11%	11,163,306			
Monetary Authority of Macao - own fund	Foreign corporate	0.78%	7,824,148			
FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND	Foreign corporate	0.73%	7,339,586			
NSSF - 412	Other	0.63%	6,376,708			
NSSF - 413	Other	0.58%	5,850,000			
Explanation on associated relationship among the aforesaid shareholders	Among the aforesaid shareholders, there has no associated relationship between Wuxi Industry Development Group Co., Ltd. and other shareholders, the first largest shareholder of the Company; and they do not belong to the persons acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.					
Explanation on shareholders involving margin business (if applicable)	N/A					

## (2) Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

Applicable     Not applicable

The Company had no shareholders with preferred stock held in the reporting.

## (3) Property right and controlling relationships between the actual controllers of the Company and the Company is as follows:



## 5. Corporate bonds

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

## III. Discussion and Analysis of the Operation

### 1. Brief introduction of operation in the reporting period

#### (i) Overall situation

Since the beginning of the year, the market environment has been complex and changeable. In the face of the severe challenges brought by the epidemic, the government quickly introduced a series of policy measures to deal with the epidemic and promote the resumption of work and production, so that the macro economy has shown a rapid recovery after the COVID-19 epidemic was effectively controlled, realizing the economy from falling to rising, maintaining the overall economic and social stability. The performance of the automobile industry was much better than expected. Although the production and sales of the whole year were stable and slightly decreased, the overall performance presented strong development resilience and driving force. According to the data released by China Association of Automobile Manufacturers: the production and sales volume of automobiles for the whole year amounted to 25.22 million and 25.31 million respectively, with 2% and 1.9% down from a year earlier respectively; of which, the production and sales volume of passenger vehicles were 19.99 million and 20.18 million respectively, with 6.5% and 6% declined over same period of last year respectively, the production and sales volume of commercial vehicles were respectively amounted as 5.23 million and 5.13 million, a y-o-y growth of 20.0% and 18.7% respectively.

Facing the complex and changeable external environment, the company's board of directors actively responded to the national epidemic prevention requirements, actively did a good job in the epidemic prevention and control and the resumption of work and production, had the courage to fulfill social responsibilities, seized the policy opportunities of national economic recovery, and concentrated on forging ahead in concert, the company outperformed the annual various operating performance indicators established at the beginning of the year. During the reporting period, operating revenue achieved 12.884 billion yuan with 46.67% up on a y-o-y basis; total profit amounted to 3.003 billion yuan with 22.54% increase on a y-o-y basis; total assets of the Company was 27.351 billion yuan with 14.16% up from a year earlier; and the owners interest attributable to parent company was 18.282 billion yuan, a y-o-y growth of 7.60% achieved.

#### (ii) Main work carried out

##### 1. Seize market opportunities and achieve a new breakthrough in operating income of tens of billion yuan.

Since the beginning of the year, the company actively responds to the complex market environment, seized opportunities, seized key products and key customers, and achieved a steady increase in market share. The three major system businesses grew rapidly, achieving the company's goal of over tens of billion yuan in revenue from its main business. Fuel management system business achieved annual sales of 2.1 million sets of common rail pumps, hitting a record high; VE distribution pumps increased their share in the off-road market, with sales exceeding 350,000 sets, an increase of nearly 20% on a year-on-year basis; in terms of after-treatment system

business, gasoline purifiers achieved annual sales volume exceeding 2 million sets, diesel purifiers achieved annual sales volume exceeding 500,000 sets, both year-on-year increase of over 50%. The overall market share of passenger vehicles continued to rise. The commercial vehicle market was actively expanding its core customers' National VI projects. In the off-road market, a customer base for key projects has been established. In terms of air management system business, the four-cylinder turbocharger has been deployed in the gasoline engine market to acquire key project customer groups. The company has maintained a leading position in the diesel engine market share. Sales volume of six-cylinder turbochargers increase of over 50%, and it successfully acquired important customers in the National-VI projects. Meanwhile, the company's manufacturing capabilities for precision manufacturing and parts processing have been rapidly improved.

## **2. Intensify technological research and development and promote the development of new products.**

Continued to tap the technical potential of fuel injection system products and expand key customer project products. The company has gradually achieved mass production in major customer projects for gasoline turbocharger products, six-cylinder turbochargers have won a full range of natural gas projects from important customers, four-cylinder gasoline turbocharger passenger car projects have successively obtained new National-VI B projects, and four-cylinder diesel turbocharger successfully obtained National-VI projects in key markets. The company has completed the packaging development of the National-VI GPF catalyst products of core customers on passenger vehicles for exhaust after-treatment system products, and realized mass supply. The WSP2.0 packaging platform is being developed on commercial vehicles, and each stage of the test has been completed on schedule; completed the design, trial production and testing of functional samples of core components for new energy products, and mastered the basic research and development capabilities. In terms of hydrogen fuel cell products, the company has completed the fully independent development of core materials for the fuel cell core materials from catalyst, gas diffusion layer (GDL) to membrane electrode (MEA); completed the full water-based ink formulation optimization and catalyst layer leveling optimization of catalyst coating membrane (CCM), and the performance is greatly improved. For extended field products, the first smart seat has left the production line, and commercial vehicle seats have officially started mass production.

**3. Layout new business in an orderly manner.** Continued to promote the strategic planning of fuel cells and core components of the intelligent network, newly increased and defined planning for key strategic products such as metal bipolar plates, auxiliary components (BOP), situational awareness systems, automotive smart seats. Focused on the two major fields of hydrogen fuel cell and intelligent network connection for new business layout. The company has continued to increase the layout and investment of hydrogen fuel cells, acquired 100% equity of Belgian Borit Company, and focused on developing IRD's business in the Chinese market, and accelerated the construction of the core competitiveness of bipolar plates with dual technology routes (metal, graphite). In the field of intelligent network connection, the environmental situation awareness system has won a number of customer projects, and the current focus is on intelligent security and industrial intelligent manufacturing to actively carry out product development, manufacturing and market capacity building. The company has completed the establishment of a joint venture of Weifu Autosmart Seating System Co., Ltd. (WFAS) and started operations.

**4. Continuously improve operation and management capabilities.** Information construction: the company

continued to promote projects such as intelligent manufacturing, supply chain collaboration, and process management through information technology's strong supports to the optimization and upgrading of the company's management level. Completed the high-level planning and design of the supply chain, data collection and preliminary analysis; completed the construction of the Aris process management platform and the unified process management portal, which provided a guarantee for the efficient operation of the long-term mechanism of the process management system. Steadily advanced the company's information security work. Compliance management: the company made plans for the overall construction of the company's risk management system so as to create three lines of defense for risk control with the goal of "essential compliance". Built a risk database for the company's people, finance, property, and engineering pilot domains, and integrated risk management and internal control elements into the business process design. Controlled the legal compliance risks in the company's various investments and other major projects. Manufacturing quality: continuously improved the company's quality system management platform, including special process audits, cross-divisional cross-quantitative audits, professional auditor echelon construction and quality system group certification, etc., continued to improve product projects, promoted intelligent manufacturing projects, and realized equipment information management; Comprehensively promoted the manufacturing informatization, and completed the on-line of multiple functional modules; realized the comprehensive informatization management of the production process. Financial management: strengthened internal business collaboration and optimized related transaction business processes. Strictly controlled slow-moving inventory and accounts receivable beyond credit period. Purchasing and logistics: completed the second phase construction of the company's procurement sharing system, established and implemented the indirect material category management processes to achieve cost control goals; completed the planning and promotion plan of the organizational structure based on "category management", and immediately started organizational optimization work. Carried out the logistics informatization and automation pilot work, started the overall planning project of the supply chain, completed the status survey and high-level design work. Human resources: continued to promote the strategic planning of human resources, and comprehensively analyzed the future development direction of the management mechanism and the talent team. Starting from the competency model and actual business needs, strengthened team building, planned and carried out special training, and improved work efficiency; in order to fully mobilize the enthusiasm, sense of responsibility and mission of the company's senior management and core personnel, paid attention to the interests of all shareholders and the company's long-term development and the preservation and appreciation of state-owned assets, launched the company's 2020 restricted stock incentive plan, and the first grant was completed at the end of the year.

## **2. Whether the main business had major change in the reporting period**

Yes No

## **3. The industries, products, or regions accounting for over 10% of the company's operating income or operating profit**

Applicable Not applicable

In RMB



Products	Operating revenue	Operating profit	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating profit y-o-y	Increase/decrease of gross profit ratio y-o-y
Automobile fuel injection system	5,365,576,457.96	1,402,884,591.93	26.15%	10.11%	-4.92%	-4.13%
Automobile exhaust after-treatment system	6,408,508,512.76	659,958,345.55	10.30%	111.08%	51.83%	-4.02%
Air management system	656,346,519.18	243,014,071.47	37.03%	47.20%	99.62%	9.73%

#### 4. Whether the characteristics of management seasonal or cyclical need special attention

Yes  No

#### 5. In the reporting period, note of major changes in operating revenue, operating cost, total net profit attributable to common stock shareholders of listed company or composing the previous reporting period

Applicable  Not applicable

#### 6. Facing delisting

Applicable  Not applicable

#### 7. Relevant items involving financial report

##### (1) Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable  Not applicable

Implementation of new revenue standards: the Ministry of Finance revised the Accounting Standards for Business Enterprise No.14- Revenue in 2017, which go into effect on 1 January 2020. The revised standard requires that the cumulative impact of the first implementation of the standard be adjusted by the amount of opening retained earnings and other related items in the financial statement for the period of first-time implementation for comparable periods. Found more in the "V.-35 Change of important accounting policy and estimation" carried in Section XII. Financial Report

##### (2) Major accounting errors within reporting period that needs retrospective restatement

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

##### (3) Compare with last year's financial report; explain changes in consolidation statement's scope

Applicable  Not applicable

Changes of consolidate scope	Enterprise	Equity obtained method	Contribution ratio
Consolidate scope increased	Borit NV	A wholly-owned subsidiary purchased in cash during the period through SPV	100.00%
Consolidate scope increased	Autosmart Seating	The enterprise jointly invested by controlling subsidiary of the Company - Weifu Leader and Qiqiong Automobile Technology (Shanghai) Co., Ltd.	66%

Board of Directors of  
Weifu High-Technology Group Co., Ltd.

20 April 2021