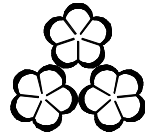


**Zhejiang Sanhua Intelligent Controls Co., Ltd.**  
**2021 Semi-Annual Report**



**August 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 X " Risks and Countermeasures of the Company" under Section III " Management's Discussion and Analysis of Operations". Please pay particular attention to relevant contents.

The Company will not distribute cash dividend, distribute bonus shares, or distribute shares from capital reserve during the current reporting period.

## CONTENTS

Section I Important Notes, Contents and Definitions.....	2
Section II Corporate Profile and Key Financial Indicators.....	6
Section III Management’ s Discussion and Analysis of Operations.....	10
Section IV Corporate Governance.....	26
Section V Environmental and Social Responsibility.....	29
Section VI Significant Events.....	34
Section VII Changes in Shares and Information about Shareholders.....	52
Section VIII Information of Preferred Shares.....	59
Section IX Bonds.....	60
Section X Financial Report.....	63

## **List of Documents Available for Inspection**

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

## Definitions

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

## Section II Corporate Profile and Key Financial Indicators

### I. Corporate Information

Stock abbreviation	Sanhua Intelligent Controls	Stock code	002050
Stock Exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	浙江三花智能控制股份有限公司		
Abbr. of the Company name in Chinese (if any)	三花智控		
Name of the Company in English (if any)	ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.		
Abbr. of the Company name in English (if any)	SANHUA		
Legal Representative	Zhang Yabo		

### II. Contacts and Contact Information

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

### III. Other Relevant Information

#### 1. Company's contact information

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

Applicable Not applicable

There are no changes in the Company's registered address, office address, zip code, website or Company email address during the reporting period. Please refer to 2020 Annual Report for details.

## 2. Information disclosure and place of the report

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

Applicable  Not applicable

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

Note: The newspapers designated by the Company were changed from *Securities Times* and *Shanghai Securities News* to *China Securities Journal* and *Securities Times* on July 1.

## IV. Key Accounting Information and Financial Indicators

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

Yes  No

Unit: RMB

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Operating Revenue (RMB)	7,674,081,761.69	5,318,178,626.77	44.30%
Net Profit Attributable to Shareholders of the Listed Company (RMB)	823,881,221.70	643,481,717.35	28.03%
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	719,771,655.78	582,191,161.67	23.63%
Net Cash Flow Generated from Operational Activities (RMB)	825,216,623.26	1,104,651,449.42	-25.30%
Basic Earnings per Share (RMB/Share)	0.23	0.18	27.78%
Diluted Earnings per Share (RMB/Share)	0.23	0.18	27.78%
Weighted Average ROE	8.04%	6.74%	1.30%
	At the End of the Current Reporting Period	At the End of Last Year	YoY Change (%)
Total Assets (RMB)	21,007,499,311.90	17,032,530,730.18	23.34%
Net Assets Attributable to Shareholders of the Listed Company (RMB)	10,444,077,103.59	10,064,794,519.57	3.77%

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable

Unit: RMB

Items	Amount	Note
Gains or Losses from Disposal of Non-current Assets (Including the Write-off for the Accrued Impairment of Assets)	-1,623,182.25	
The Government Subsidies Included in the Current Gains and Losses (Excluding the Government Subsidies Closely Related to Regular Businesses of the Company and Issued in the Quota or Quantity Based on the National Standards)	64,034,111.05	
Gains or Losses Attributed to the Changes in Fair Value for Holding Held-for-trading financial assets, Derivative Financial Assets, Trading Financial Liabilities, Derivative Financial Liabilities and Investment Income from Disposal of Held-for-trading financial assets, Derivative Financial Assets, Trading Financial Liabilities, Derivative Financial Liabilities and Other Debt Investment, Excluding Hedging Businesses Related to the Regular Business Operation of the Company	60,752,561.20	In order to avoid the price risk of raw materials and prevent exchange rate risk, the Company and its subsidiaries have carried out derivatives business, including futures contracts and foreign exchange forward contracts. From January to June 2021, the futures income was RMB 19.8287 million and the forward income was RMB 40.9239 million; from January to June 2020, the futures income was RMB 1.0049 million and the forward loss



		<p>was RMB 24.4147 million. Thus, the amount of non-recurring profit and loss items fluctuated greatly in the first half of the two years. Meanwhile, the exchange loss from January to June 2021 was RMB 51.1292 million, and the exchange gain from January to June 2020 was RMB 45.6796 million. According to the <i>Explanatory Announcement No. 1 of Information Disclosure of Listed Companies – Non-recurring Gains and Losses</i>, foreign exchange gains and losses are recurring gains and losses, while futures and forward gains and losses are non-recurring gains and losses.</p>
Non-operating Income and Expenditures Other Than the Above	891,333.20	
Other Gains and Losses Items that Fit in the Definition of Non-recurring Gains and Losses	702,064.60	
Less: Impact of Income Tax	20,201,305.62	
Impact of Minority Equity (after tax)	446,016.26	
Total	104,109,565.92	--

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

Applicable  Not applicable

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

## Section III Management's Discussion and Analysis of Operations

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

#### 1. 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 cooperative partner of Valeo, Volkswagen, Mercedes Benz, BMW, Volvo, Toyota, GM, Geely, BYD, SAIC, NIO, etc.

### **3. Industry position of the Company**

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. 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 synergetic 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 authorized 2,529 patents both domestic and abroad, including 1,235 invention patents. The first priority of the Company is to meet the needs of customers with all products, services and quality.

### **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 opening up international market, and 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 established overseas production bases in the United States, Poland, Mexico, Vietnam and other places, and has preliminary ability to cope with production globalization. And in practice, we have trained a number of management talents who can meet the requirements of business development in different countries and regions.

### **III. Main Business Analysis**

#### **Overview**

In the first half of 2021, the Company actively responded to the changes and challenges, and the overall operation of the Company were elevated even under the harsh background of continued impact from overseas epidemic, sharp rise in international shipping prices and raw material prices, appreciation of RMB exchange rate against US dollar. Specific to the industry in which the Company operates, the refrigeration and air conditioning electrical parts business has maintained a growth trend due to the stable recovery of the home appliance industry and the upgrading of consumption concept. The automotive components business continues to improve due to the prosperity of the new energy vehicle market, which drives the rapid growth of revenue.

During the reporting period, the operating revenue is RMB 7.674 billion, a year-on-year increase of 44.30%. The operating profit is RMB 1.008 billion, a year-on-year increase of 36.29%. The net profit attributable to shareholders of listed company is RMB 824 million, a year-on-year increase of 28.03%. The operating revenue of refrigeration and air conditioning electrical components business is RMB 5.563 billion, a year-on-year increase of 27.37%. The operating revenue of automotive components business is RMB 2.111 billion, a year-on-year increase of 122.14%.

#### **(I). Actively improve efficiency, reduce costs and optimize the layout of globalization**

##### **1. Refrigeration and air conditioning electrical components business**

In terms of the refrigeration and air conditioning electrical components business, the Company improves efficiency and reduces costs through automation transformation, lean production, staff reduction and efficiency increase, procurement costs reduction, technology costs reduction and other measures. Although AWECO's business is affected by the European epidemic, it has realized positive net profit monthly through tapping potentials of internal management and supply chain transformation. After relocation of the new plant in Vietnam Sanhua, it has been recognized by major customers in the United States, and costs of some products have been lower than that in China. In addition, the Company actively expands kitchen appliances and other products, so as to further broaden the Company's new development fields, continuously improve its sustainable profitability and market competitiveness.

##### **2. Automotive components business**

The automotive components business will continue to support its strategic customers. In order to satisfy the increasing need of capacity, the Company orderly promotes the production line construction and mass production

project of the Mexican factory and Shaoxing Binhai factory. On the premise of ensuring the projects of existing customers, the Company develops competitive products, technologies, and actively obtains new orders. In terms of internal management, the Company takes first-class enterprises as models, establishes a global quality management system, so as to improve the quality management of factories at home and abroad. Facing the challenge of the continuous rise of raw material prices and freight expenses, the Company spares no effort to promote the costs reduction, efficiency increase, and linkage rise of product prices through active communication with downstream customers.

(II). Continue to promote investment projects and improve the profitability

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

(III). Enhance product strength and improve patent layout of strategic products

During the reporting period, the Company invested RMB 352 million in R&D, a year-on-year increase of 46.73%. The Company spares no effort in enhancing its product strengthen through continuous R&D investment. And the Company participates in market competition with new products and new technologies through continuous optimization iteration. In terms of patent layout, the Company will continue to implement "High-quality patents and high-value patents" by promoting the patent layout of key products. By the end of the reporting period, 2,529 patents have been authorized at home and abroad, including 1,235 invention patents.

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

Unit: RMB

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)	Note of Change
Operating Revenue	7,674,081,761.69	5,318,178,626.77	44.30%	
Operating Cost	5,601,811,479.62	3,839,626,004.70	45.89%	
Selling Expenses	321,908,769.46	257,442,500.54	25.04%	
Administrative Expenses	374,431,536.21	315,350,745.15	18.73%	
Financial Expenses	49,304,431.90	-29,893,397.04	264.93%	Mainly due to the increase of foreign exchange loss in the current period
Income Tax Expenses	170,607,121.16	99,017,348.37	72.30%	Mainly due to the increase of total profit in

				the current period, and difference resulted from adjustment of final settlement of income tax
R&D Investments	352,175,549.62	240,012,928.38	46.73%	Mainly due to the increase of R&D personnel salary + investment in material and power
Net Cash Flows from Operating Activities	825,216,623.26	1,104,651,449.42	-25.30%	Mainly due to increase in purchasing goods and receiving labor services, decrease in net cash inflow from sales, and increase in employee compensation
Net Cash Flows from Investment Activities	-313,010,482.60	-679,392,344.66	53.93%	Mainly due to the increase in net redemption of financial products and the increase in the purchase of fixed, intangible and other long-term assets
Net Cash Flows from Financing Activities	2,299,821,228.74	310,293,217.58	641.18%	Mainly due to the issuance of convertible bonds in the current period
Net Increase in Cash and Cash Equivalents	2,794,780,733.88	709,896,200.36	293.69%	

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

Applicable  Not applicable

There is no such case during the reporting period

**Revenue structure**

Unit: RMB

	Current Reporting Period		Corresponding Period of Last Year		YoY Change (%)
	Amount	Proportion to total revenue	Amount	Proportion to total revenue	
Total Revenue	7,674,081,761.69	100%	5,318,178,626.77	100%	44.30%
<b>Classified by Industry</b>					
General	7,674,081,761.69	100.00%	5,318,178,626.77	100.00%	44.30%

Equipment Manufacturing Industry					
<b>Classified by Products</b>					
Refrigeration A/C Electrical Components	5,563,260,796.57	72.49%	4,367,942,431.64	82.13%	27.37%
Automotive Components	2,110,820,965.12	27.51%	950,236,195.13	17.87%	122.14%
<b>Classified by Region</b>					
Domestic	3,703,718,671.83	48.26%	2,479,768,382.72	46.63%	49.36%
Overseas	3,970,363,089.86	51.74%	2,838,410,244.05	53.37%	39.88%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross margin	YoY Change (%) of operating revenue	YoY Change (%) of operating cost	YoY Change (%) of gross margin
<b>Classified by industry</b>						
General Equipment Manufacturing Industry	7,674,081,761.69	5,601,811,479.62	27.00%	44.30%	45.89%	-0.80%
<b>Classified by product</b>						
Refrigeration A/C Electrical Components	5,563,260,796.57	4,015,609,936.55	27.82%	27.37%	26.91%	0.26%
Automotive Components	2,110,820,965.12	1,586,201,543.07	24.85%	122.14%	134.80%	-4.06%
<b>Classified by region</b>						
Domestic	3,703,718,671.83	2,655,946,262.75	28.29%	49.36%	52.18%	-1.33%
Overseas	3,970,363,089.86	2,945,865,216.87	25.80%	39.88%	40.66%	-0.41%

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

□ Applicable √ Not applicable

**Explanations on relevant data changed for more than 30% on a year-over-year base**

√Applicable □Not applicable

The operating revenue of automotive components business is increased by 122.14% over the same period of last year. It is mainly due to the continuous improvement of new energy vehicle market. Thus, it drives automotive components business to grow rapidly and operating costs are increased correspondingly.

#### IV. Non-Main Business Analysis

√Applicable □Not applicable

Unit: RMB

	Amount	Proportion to net profit	Note of Change	Sustainability
Investment Income	97,400,173.01	9.67%	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	-32,695,697.38	-3.25%	Floating income of futures contracts, foreign exchange forward contracts, bank financial products, etc.	No
Non-operating Income	2,472,160.14	0.25%	Income from nonpayment, compensation and liquidated damages, gains from retirement of fixed assets, etc.	No
Non-operating Expenditures	3,604,181.70	0.36%	Loss on retirement of fixed assets, litigation compensation loss, etc.	No
Credit Impairment Loss	-48,442,168.40	-4.81%	Bad debt loss, etc.	No
Assets Impairment Loss	-18,614,580.55	-1.85%	Loss on impairment of inventories, etc.	No
Gains on Disposal of Properties	400,172.51	0.04%	Gains on disposal of fixed assets	No
Other Gains	72,081,481.22	7.16%	Government subsidies, 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
--	--	--	--	-------------

## V. Analysis of Assets and Liabilities

### 1. Material changes of assets

Unit: RMB

	At the End of Current Reporting Period		At the End of Last Year		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and Bank Balance	6,301,888,182.65	30.00%	3,489,687,568.14	20.49%	9.51%	Mainly due to the issuance of convertible bonds in the current period
Accounts Receivable	3,100,856,902.63	14.76%	2,355,613,299.57	13.83%	0.93%	
Inventories	2,917,803,847.90	13.89%	2,307,761,706.46	13.55%	0.34%	
Investment property	9,398,176.54	0.04%	10,067,588.96	0.06%	-0.02%	
Long-term Equity Investment	17,828,507.38	0.08%	15,219,616.68	0.09%	-0.01%	
Fixed Assets	3,965,615,647.93	18.88%	3,839,408,059.45	22.54%	-3.66%	
Construction in Progress	914,010,795.59	4.35%	628,730,529.07	3.69%	0.66%	
Short-term Borrowings	521,381,193.64	2.48%	383,088,296.60	2.25%	0.23%	
Contractual Liabilities	44,096,560.86	0.21%	42,581,607.67	0.25%	-0.04%	
Long-term Borrowings	17,425,691.86	4.37%	1,707,918,994.87	10.03%	-5.66%	
Non-current liabilities due within one year	1,012,141,338.04	4.82%	130,553,923.87	0.77%	4.05%	
Bonds Payable	2,588,449,353.66	12.32%			12.32%	Mainly due to the issuance of convertible bonds in the current period

### 2. Main overseas assets

√Applicable □ Not applicable

Content of Assets	Formation	Assets Scale (RMB)	Location	Operation Mode	Control measures to ensure asset safety	Income (RMB)	Proportion of overseas assets in net assets of the Company	Whether there is significant impairment risk
Sanhua International Inc. (USA) (Consolidated)	Equity Investment	1,676,659,000.33	The United States	R&D, Manufacturing, Marketing and Investment Management	Financial supervision and external audit	108,267,406.20		No
Sanhua International Singapore PTE. Ltd. (Consolidated)	Equity Investment	3,020,615,669.89	Singapore	Manufacturing, Marketing and Investment Management	Financial supervision and external audit	48,785,981.05		No

### 3. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Items	Opening balance	Profit and loss of fair value change in the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	Current purchase amount	Current sale amount	Other changes	Closing balance
<b>Financial Assets</b>								
1. Held-for-trading financial assets (Excluding Derivative Financial Assets)	752,224,861.78	-613,379.14				562,087,170.50		189,524,312.14
2. Derivative Financial	58,330,486.53	-31,937,779.91						26,392,706.62

Assets								
Subtotal	810,555,348.3	-32,551,159.0				562,087,170.		215,917,018
	1	5				50		.76
Total	810,555,348.3	-32,551,159.0				562,087,170.		215,917,018
	1	5				50		.76
Financial Liabilities	7,939,957.91	-213,573.29						7,726,384.6
								2

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

Yes  No

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

Items	Closing Book value (RMB)	Reasons for being restricted
Cash and Bank Balance	106,963,410.23	Margin deposits, margin deposits in futures institutions, litigation frozen bank deposits
Notes Receivable	1,579,929,231.31	Pledge for financing
Total	1,686,892,641.54	--

## VI. Analysis of Investments

### 1. Overview

Applicable  Not applicable

Investment during the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year (RMB)	Fluctuation Rate (%)
1,581,000,000.00	0.00	0.00%

### 2. Significant equity investment during the reporting period

Applicable  Not applicable

### 3. Significant non-equity investment during the reporting period

Applicable  Not applicable

### 4. Financial asset investment

#### (1) Securities Investments

Applicable  Not applicable

**(2) Derivatives Investments**

Applicable  Not applicable

Unit: RMB in 10 thousand

Operation party of derivatives investment	Whether related party	Whether related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Initial date	Termination date	Opening investment amount	Purchased amount during the reporting period	Sold amount during the reporting period	Impairment provisions (if any)	Closing investment amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period	Actual gain or loss during the reporting period
Futures Company, Bank	No	No	Futures contracts, foreign exchange forward contracts, etc.										
Total					--	--							
Capital source of derivatives investment				Company's self-fund									
Prosecution (if applicable)				Not applicable									
Announcement date for approvals of derivatives investment from the board of directors (if any)													
Announcement date for approvals of derivatives investment from the general meeting (if any)													
Risk analysis and control measures (including but not				In order to avoid the price risk of raw materials and exchange rate risk, the Company and its subsidiaries have carried out derivative									

limited to, market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) of holding derivatives during the reporting period	business, including futures contracts and foreign exchange forward contracts. The Company has relevant provisions listed in the <i>Management Measures for Future Hedging Business and Hedging Business</i> .
Change of market price or fair value of invested derivatives during the reporting period; specific methods, related assumptions and parameter setting of the derivatives' fair value analysis should be disclosed	--
During the current reporting period, whether there was significant changes of accounting policies and accounting principles of the Company's derivatives comparing to the prior reporting period	Not applicable
Specific opinions on the Company's derivatives investments and risk control from independent directors	Not applicable

## VII. Disposal of Significant Assets and Equity

### 1. Disposal of significant assets

Applicable  Not applicable

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

### 2. Sale of significant equity

Applicable  Not applicable

## VIII. Analysis of Major Subsidiaries and Investees

Applicable  Not applicable

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

Unit : RMB

Company name	Company type	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Zhejiang Sanhua Refrigeration Group Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	RMB 250 million	3,637,761,589.65	3,279,261,854.94	774,323,415.75	111,526,879.24	95,553,871.33
Hangzhou Sanhua Microchannel Heat Exchanger Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	RMB 360 million	1,800,554,246.62	1,108,549,765.66	770,019,639.79	81,182,913.69	63,929,318.98
Zhejiang Sanhua Trading Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components marketing	RMB 50 million	2,537,279,807.18	123,385,281.81	1,945,291,190.28	2,372,959.94	843,027.66
Zhejiang	Subsidiary	Automotive	RMB 1.46	5,169,808,	3,247,619,	2,110,820,	308,193,12	258,125,37

Sanhua Automotive Components Co., Ltd		electronic components manufacturing and marketing	billion	588.81	222.58	965.12	6.38	9.09
Zhejiang Sanhua Commercial Refrigeration Co., Ltd	Subsidiary	Refrigeration and A/C electrical components marketing	RMB 1.64929 billion	1,707,953,772.71	1,646,698,303.74		-2,147,004.73	-2,147,004.73
Sanhua International Limited (USA) (Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	USD 37.55 million	1,676,659,000.33	359,644,425.37	1,648,045,127.66	116,132,366.44	108,267,406.20
Sanhua International Singapore PTE. Ltd. (Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	USD 105.579833 million	3,020,615,669.89	627,453,693.86	2,727,490,087.22	62,021,135.54	48,785,981.05

Information about obtaining and disposal of subsidiaries during the reporting period

Applicable  Not applicable

## IX. Structural Entities Controlled by the Company

Applicable  Not applicable



## **X. Risks and Countermeasures of the Company**

### **(1) Risk of price fluctuation of raw materials**

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

### **(2) The risk of rising labor cost**

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

### **(3) Exchange rate fluctuation risks**

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

## Section IV Corporate Governance

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

#### 1. Annual General Meeting convened during the current reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
First Extraordinary General Meeting in 2021	Extraordinary General Meeting	69.04%	February 25, 2021	February 26, 2021	<i>The announcement of the resolution of the first extraordinary general meeting of shareholders in 2021 No. 2021-012 was published in Securities Times, Shanghai Securities News and CNINFO</i>
2020 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	69.77%	April 16, 2021	April 17, 2021	<i>The announcement on the resolution of the annual general meeting of shareholders in 2020 (2021-029) was published in Securities Times, Shanghai Securities News and CNINFO.</i>
Second Extraordinary General Meeting in 2021	Extraordinary General Meeting	67.29%	June 24, 2021	June 25, 2021	<i>The announcement on the resolution of the second extraordinary general meeting of shareholders in 2021 (2021-055) was published in Securities Times, Shanghai Securities</i>

					News and CNINFO.
--	--	--	--	--	------------------

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

Applicable  Not applicable

## II. Changes of directors, supervisors and senior management personnel

Applicable  Not applicable

Name	Position	Type	Date	Reasons
Pan Yalan	Independent Director	Appointment	February 25, 2021	Mr. Zhu Hongjun, an independent director, resigned on December 28, 2020 and continued to perform the duties of independent director and the audit committee of the board of directors. On February 25, 2021, the general meeting of shareholders agreed to appoint Ms. Pan Yalan as an independent director of the Company. Ms. Pan Yalan will take the relevant position of Mr. Zhu Hongjun in the audit committee of the sixth board of directors of the Company.

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

Applicable  Not applicable

The Company will not distribute cash dividend, distribute bonus shares, or distribute shares from capital reserve during the current reporting period.

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

Applicable  Not applicable

On June 8, 2021, The 18th extraordinary meeting of the 6th board of directors and the 16th extraordinary meeting of the 6th board of supervisors approved *The Proposal on Adjusting Repurchase Price of Restricted Stock Incentive Plan in 2020*, *The Proposal on Repurchase and Cancellation of Some Restricted Stocks*, *The Proposal on the Achievement of Unlocking Conditions of the First Vesting Period for the 2020 Stock Incentive Plan*, and *The Proposal on Adjusting the Repurchase Price of the Restricted Stock Incentive Plan in 2018*. The specific contents of the announcements are disclosed as follows:

Important issues	Disclosure Date	Disclosure Index
<i>Announcement on the Resolution of the 18th Interim Meeting of the 6th Board of Directors</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

<i>Announcement on the Resolution of the 16th Interim Meeting of the 6th Board of Supervisors</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
<i>Announcement on Adjusting the Repurchase Price of the Restricted Stock Incentive Plan in 2018</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
<i>Announcement on adjusting the exercise price of stock appreciation right incentive plan in 2018</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
<i>Announcement on Adjusting Repurchase Price of Restricted Stock Incentive Plan in 2020</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
<i>Announcement on the Achievement of Unlocking Conditions of the First Vesting Period for the 2020 Stock Incentive Plan</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
<i>Announcement on Cancellation of Stock Appreciation Right</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
<i>Announcement on Repurchase and Cancellation of Some Restricted Stocks</i>	June 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## Section V Environmental and Social Responsibility

### I. Significant environmental issues

Whether the Company or any of its subsidiaries should be categorized as a critical pollutant enterprise defined by National Environmental Protection Department

√ Yes □ No

Name of Company or subsidiary	Name of main pollutants and characteristic pollutants	Emission mode	Number of outlets	Distribution of emission outlets	Emission concentration	Emission standards	Total emissions	Approved total emission	Over standard emission
Zhejiang Sanhua Intelligent Controls Co., Ltd	COD	Nanotube	1	North	$\leq 500\text{mg/L}$	The limitation of COD in GB8978-1996 <i>Integrated Wastewater Emission Standard</i> is 500mg / L	21.53 T	61.867 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Ammonia Nitrogen	Nanotube	1	North	$\leq 35\text{mg/L}$	The limitation listed in DB33/887-2013 <i>Indirect Emission Limits of Nitrogen and Phosphorus Pollutants from Industrial Wastewater</i> is 35mg / L	2.153 T	6.186 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent	SO <sub>2</sub>	Direct emission	1	North	$\leq 50\text{mg/m}^3$	The limitation listed in	0.402 T	2.15 T /year	Not exceeding

Controls Co., Ltd						GB13271-2014 Emission Standard of Air Pollutants for Boilers is 50mg/m <sup>3</sup>			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 <sup>3</sup>	1.879 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	2.377 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	0.079 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, total chromium, total nickel and flow. Wastewater treatment: The Company has entrusted a third-party professional treatment unit for treatment. The discharge indicators of the Company's internal control wastewater are stricter than the environmental discharge standard. The final treated wastewater is discharged into the sewage collection pipe network of the industrial zone and sent to Shengxin sewage treatment plant for retreatment.

2. Waste gas treatment: The Company has acid pickling, electroplating waste gas, welding dust, ultrasonic cleaning and other waste gas. All kinds of waste gas discharge cylinders are equipped with corresponding waste gas treatment devices. The acid pickling and electroplating waste gas absorption and treatment tower is installed with automatic dosing system, and the waste gas is discharged to air after treatment. At the same time, in order to win the blue-sky defense activity, the Company carried out low Nitrogen emission transformation of the Company's gas boilers in accordance with the requirements of relevant official departments in 2019. In 2021, the transformation and upgrading of VOCs treatment facilities in industrial enterprises are being implemented. At the same time, in order to reduce generation of VOCs, aqueous cleaning is used to replace organic solvent cleaning.
3. Solid waste and soil (groundwater) 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 25 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-write Emergency Response Plan in April 2021, and filed with Xinchang Environmental Protection Bureau on June 10, 2021 (Record No. 330624-2021-06-M).

2. In order to manage environmental emergencies and reduce the environmental hazards caused by sudden environmental pollution accidents, Zhejiang Sanhua 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, total chromium, total nickel, flow rate etc. are installed at the Company's total wastewater discharge outlet, so as to achieve the combination of automatic monitoring and manual testing. For the pollution factors such as suspended matters, total Phosphorus, Ammonia Nitrogen, total Iron and Petroleum, the Company entrusts a third-party testing agency to carry out regular monitoring. The monitoring results are published regularly on the enterprise self-monitoring information disclosure platform of Zhejiang Province.

Zhejiang Sanhua 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.

Administrative penalties for environmental problems during the reporting period

Not applicable

Other environmental information that should be disclosed

Not applicable

Other environmental information

Not applicable



## **II. Social Responsibility**

NO

## Section VI Significant Events

### I. Complete and Incomplete Commitments of the Company and Its Actual Controller, Shareholders, Related parties, Acquirers, and Other Related Parties by the End of the Reporting Period

√ Applicable □ Not applicable

Commitments	Giver of commitments	Nature	Details of commitments	Date of commitments	Term of commitments	Performance
Commitments of share reform	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, 2005	Long term	Strict performance
Commitments made during asset restructuring	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	The commitment made at the time of IPO, it shall not engage in the same production, operation or business as the Company in the future. In order to avoid business competition with the Company and clarify the non-competition obligations, Sanhua Holding Group, on behalf of itself and its subsidiaries with more than 50% equity, makes a commitment to Sanhua intelligent controls to avoid possible horizontal competition.	June 7, 2005	Long term	Strict performance
	Zhang Daocai, controlling shareholder Sanhua	Commitment on horizontal	Zhang Daocai and Sanhua holding group, the controlling shareholder of the Company, promise that there will not be	January 5, 2009	Long term	Strict performance

	Holding Group Co., Ltd.	ntal competition, related party transactions and capital occupation	any competition with Sanhua intelligent controls in the business scope being or already carried out in the future.			
	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 other shareholders will not be damaged through related party transactions.	January 5, 2009	Long term	Strict performance
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding	Commitment on horizontal competition, related	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	July 24, 2015	Long term	Strict performance

	Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	party transactions and capital occupation	<p>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:</p> <p>A. Stop the businesses that compete or may compete with Sanhua Intelligent Controls; B. Inject the competitive business into Sanhua Intelligent Controls; C. Transfer the competitive business to an unrelated third party.</p> <p>3. If I (or the Company) and other enterprises controlled by me (or the Company) have any business opportunities to</p>			
--	--	---	--	--	--	--

			<p>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>			
	<p>Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.</p>	<p>Commitment on horizontal competition, related party transactions and capital occupation</p>	<p>In order to standardize the related party transactions with Sanhua Intelligent Controls, Zhang Daocai, Zhang Yabo, Zhang Shaobo, Sanhua Holding Group the controlling shareholder of the Company and Sanhua Lvneng Industrial the trading partner made the following commitments:</p> <p>1. I (or the Company) and the controlled enterprises will reduce the related party transactions with Sanhua intelligent controls as far as possible, and will not use their own status as shareholders of Sanhua intelligent controls to seek for superior rights in terms of business cooperation and</p>	<p>July 24, 2015</p>	<p>Long term</p>	<p>Strict performance</p>

			<p>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 intelligent 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 engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other shareholders.</p>			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding	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	July 24, 2015	Long term	Strict performance

	Group Co., Ltd.		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.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	<p>1. I (or the Company) and the controlled enterprises will reduce the related party transactions with Sanhua intelligent controls as far as possible, and will not use the position as a shareholder of Sanhua intellectual controls to seek the superior rights for business cooperation with Sanhua intelligent controls compared with other third parties;</p> <p>2. I (or the Company) will not use my position as a shareholder of Sanhua intellectual controls to seek for the priority right to cooperate with Sanhua intellectual controls;</p> <p>3. If there are necessary and unavoidable related party transactions, I (or the Company) and the controlled enterprises will sign agreements with Sanhua intelligent controls in accordance with the principles of fairness, follow legal procedures, and perform the information disclosure</p>	September 18, 2017	Long term	Strict performance

			<p>obligations in accordance with the requirements of relevant laws, regulatory documents and the articles of association. It shall also perform relevant internal decision-making and approval procedures to ensure that it will not conduct transactions with Sanhua intelligent controls on terms that are obviously unfair compared with the market price, and will not use such transactions to engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other shareholders.</p>			
	<p>Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lveng Industrial Group Co., Ltd.</p>	<p>Comm itment on horizo ntal compe tition, related party transa ctions and capital occup ation</p>	<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'</p>	<p>September 18, 2017</p>	<p>Long term</p>	<p>Strict performance</p>



			<p>business after expansion, I (or the Company) and other enterprises controlled by me (or the Company) will withdraw from Sanhua intelligent controls in the following ways of competition: A. stop the businesses that compete or may compete with Sanhua intelligent controls; B. inject the competitive business into Sanhua intelligent controls; C. transfer the competitive business to an unrelated third party.</p> <p>3. If I (or the Company) and other enterprises controlled by me (or the Company) have any business opportunities to engage in and participate in any activities that may compete with Sanhua intelligent controls' business operation, they shall immediately inform Sanhua intelligent controls of the above business opportunities. If Sanhua intelligent controls makes an affirmative reply to take 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,	Other comm	After the completion of the transaction, the listed Company	September 18, 2017	Long term	Strict performance

	Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	itment	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.			
Are the commitments fulfilled on time	Yes					

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

Applicable  Not applicable

No such case during the reporting period.

## III. Illegal provision of guarantees for external parties

Applicable  Not applicable

No such case during the reporting period.

## IV. Engagement and disengagement of the CPA firm

Whether this financial report was audited

Yes  No

This report was not audited.

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

Applicable  Not applicable

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

Applicable  Not applicable

## **VII. Bankruptcy and Restructuring**

Applicable  Not applicable

No such case during the reporting period.

## **VIII. Material Litigation and Arbitration**

Material Litigation and Arbitration

Applicable  Not applicable

No such case during the reporting period.

Other litigations

Applicable  Not applicable

## **IX. Punishments and Rectifications**

Applicable  Not applicable

No such case during the reporting period.

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

Applicable  Not applicable

## **XI. Significant Related-party Transaction**

### **1. Significant related-party transactions arising from routine operation**

Applicable  Not applicable

No such case in the reporting period.

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

Applicable  Not applicable

No such case in the reporting period.

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

Applicable  Not applicable

No such case in the reporting period.

#### 4. Related credit and debt transactions

Applicable  Not applicable

No such case in the reporting period.

#### 5. Transactions with related financial companies and financial companies controlled by the Company

Applicable  Not applicable

No such case in the reporting period.

#### 6. Other significant related party transactions

Applicable  Not applicable

No such case in the reporting period.

## XII. 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 capital lease.

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.

### 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	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter guarantee (if any)	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Company's Guarantees to Subsidiaries										
Guaranteed Party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter guarantee (if any)	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	July 5, 2019	11,529.3	Joint liability guarantee			2019.07.05-2022.06.20	No	Yes
SANHUA INTERNATIONAL, INC.	April 3, 2019	30,000	December 9, 2019	20,026.31	Joint liability guarantee			2019.12.09-2022.12.09	No	Yes
SANHUA INTERNATIONAL, INC.	April 29, 2020	50,000	June 24, 2020	9,690.15	Joint liability guarantee			2020.06.24-2021.06.23	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	September 14, 2020	7,686.2	Joint liability guarantee			2020.09.14-2021.09.13	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2020	150,000	November 2, 2020	7,686.2	Joint liability guarantee			2020.11.02-2021.11.01	No	Yes

RE PTE. LTD.										
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	April 29, 2020	150,000	June 12, 2020	7,500	Joint liability guarantee			2020.06.1 2-2022.12 .25	No	Yes
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	April 3, 2019	132,000	February 10, 2020	9,992.06	Joint liability guarantee			2020.02.1 0-2021.02 .09	Yes	Yes
SANHUA INTERNAT IONAL, INC.	March 27, 2021	50,000	June 23, 2021	9,690.15	Joint liability guarantee			2021.06.2 3-2022.06 .16	No	Yes
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	March 27, 2021	180,000	February 10, 2021	9,992.06	Joint liability guarantee			2021.02.1 0-2021.08 .06	No	Yes
SANHUA INTERNAT IONAL SINGAPO RE PTE. LTD.	March 27, 2021	180,000	June 8, 2021	1,537.24	Joint liability guarantee			2021.06.0 8-2021.12 .08	No	Yes
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)		280,000		Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2)		21,219.45				
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)		334,428.01		Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (B4)		75,647.46				
Subsidiaries' Guarantees to Subsidiaries										
Guaranteed	Disclosure	Guarantee	Actual	Actual	Type of	Collateral	Counter	Term of	Due or	Guarante

Party	date of announcement of the guarantee cap	Cap	Occurrence Date	Guarantee Amount	Guarantee (if any)	guarantee (if any)	Guarantee	Not	e for Related Parties or Not
The total amount of the Company's guarantees (the total of the above three items)									
Total Amount of Guarantees Approved during the Reporting Period (A1+B1+C1)		280,000	Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)		21,219.45				
Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)		334,428.01	Total Balance of Guarantees Actually Paid at the End of the Reporting Period (A4+B4+C4)		75,647.46				
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets			7.24%						
Of which:									
Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)			29,716.46						
Total Amount of the Above Three Guarantees (D+E+F)			29,716.46						

### 3. Entrusted wealth management

Applicable  Not applicable

Unit: RMB in 10 thousand

Specific types	Capital source	Amount	Balance before maturity	Overdue uncollected amount	Accrued impairment amount of overdue unrecovered financial product
Bank financial products	The Company's owned funds, raised funds	75,048.5	18,839.78		
Total		75,048.5	18,839.78		

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)
Industrial and Commercial Bank of China Xinchang sub branch	Bank	"Tianlibao" Net worth financial product for corporate	20,000	Self-funds	December 30, 2020	January 4, 2021	Bank financial products	Floating income without guarantee of principal	2.62%		7.19	7.19		Yes	-	
Industrial and Commercial Bank of China Xinchang sub branch	Bank	"E-Lingto ng" net worth financial products for corporate without fixed term	5,000	Self-funds	December 31, 2020	January 4, 2021	Bank financial products	Floating income without guarantee of principal	3.03%		1.66	1.66		Yes	-	
Bank of	Bank	Bank of	10,000	Self-fun	Februar	May 10,	Bank	Floating	3.50%		80.51	80.51		Yes	-	



Communi cations Co., Ltd. Shaoxing Xinchang sub branch		Communi cations Yuntong wealth fix structured deposit for 89 days (linked exchange rate bullish)		ds	y 10, 2021	2021	financia l product s	income with guarant ee of principa l				
BNP Paribas Shanghai Branch	Bank	Structured deposits linked with foreign exchange rate of Euro and US dollar	10,000	Self-fun ds	June 29, 2021	Decemb er 13, 2021	Bank financia l product s	Floating income with guarant ee of principa l	3.80%		0	0
Guangzho u Developm ent Bank Hangzhou Xiaoshan sub branch	Bank	Xinjiaxin No.16 structured deposit	9,500	Self-fun ds	October 22, 2020	January 22, 2021	Bank financia l product s	Floating income with guarant ee of principa l	3.30%		73.74	73.

Heng Seng Bank Hangzhou Branch	Bank	Hengliying	5,000	Self-funds	October 23, 2020	January 22, 2021	Bank financial products	Floating income with guarantee of principal	3.35%		39.94	39.94
China CITIC Bank Hangzhou Branch	Bank	Structured deposit	5,000	Self-funds	December 31, 2020	February 1, 2021	Bank financial products	Fixed income with guarantee of principal	3.55%		15.14	15.14
Total			64,500	--	--	--	--	--	--	0	218.18	--

Note: [1] The above mentioned are the details of the Company's single significant financial management (single amount is million RMB)

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

Applicable  Not applicable

#### **4. Significant contracts for daily 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.

### **XIII. Other significant events**

Applicable  Not applicable

The Company completed the issuance and listing of RMB 3 billion convertible bonds. According to China Securities Regulatory Commission *Reply on Approving Public Offering of Convertible Corporate Bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd (ZJXK [2021] NO. 168)*, the Company issued 30 million convertible corporate bonds with a face value of RMB 100 on June 1, 2021. It was listed and traded on Shenzhen Stock Exchange on June 30, 2021 (the bond is referred to as "Sanhua convertible bond" and the bond code is "127036"). See Section IX "Bonds" of the 2021 Semi-Annual report for more details.

### **XIV. Significant events of the Company's subsidiaries**

Applicable  Not applicable

## Section VII Changes in Shares and Information about Shareholders

### I. Changes in Shares

#### 1. Changes in shares

Unit: Share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
1. Shares subject to conditional restriction(s)	61,268,305	1.71%				-4,426,340	-4,426,340	56,841,965	1.58%
3) Other domestic shares	61,268,305	1.71%				-4,426,340	-4,426,340	56,841,965	1.58%
Of which: Shares held by domestic legal person									
Shares held by domestic natural person	61,268,305	1.71%				-4,426,340	-4,426,340	56,841,965	1.58%
2. Shares without restriction	3,530,333,163	98.29%				4,426,340	4,426,340	3,534,759,503	98.42%
1) RMB ordinary shares	3,530,333,163	98.29%				4,426,340	4,426,340	3,534,759,503	98.42%
3. Total	3,591,601,468	100.00%				0	0	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 held by senior executives of the Company shall be recalculated according to 75% of the total shares held by senior executives.

2. On June 18, 2021, the first vesting period of the 2020 restricted stock incentive plan matured, and 4,596,150 restricted shares of 883 incentive objects who meet the unlocking conditions were unlocked. According to the relevant provisions of shares management for senior executives, 4,426,340 shares were actually unlocked and listed for circulation.

#### Approval for changes in share capital

Applicable  Not applicable

On June 8, 2021, the 18th interim meeting of the sixth board of directors and the 16th interim meeting of the sixth board of supervisors deliberated and approved *The Proposal on the Achievement of Unlocking Conditions of the First Vesting Period for the 2020 Stock Incentive Plan*. There were 883 incentive objects who meet the conditions for unlocking, and the number of unlocked shares was 4,596,150

#### Transfer of shares

Applicable  Not applicable

#### Information about the implementation of share repurchase

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

Please refer to the financial report for details.

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

Applicable  Not applicable

## 2. Changes in restricted shares

Applicable  Not applicable

Unit: Share

Name of shareholder	Opening balance of restricted shares	Vested in current period	Increased in current period	Closing balance of restricted shares	Note for restricted shares	Date of unlocking
Zhang Yabo	39,023,400	0	0	39,023,400	Restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Wang Dayong	197,600	39,000	33,962	192,562	On June 18, 2021, 39,000 restricted shares were unlocked + restricted shares for senior executives	According to the relevant provisions of shares management for senior executives + equity incentive
Ni Xiaoming	197,600	39,000	33,962	192,562	On June 18, 2021, 39,000	According to the relevant

					restricted shares were unlocked + restricted shares for senior executives	provisions of shares management for senior executives + equity incentive
Chen Yuzhong	197,600	39,000	33,962	192,562	On June 18, 2021, 39,000 restricted shares were unlocked + restricted shares for senior executives	According to the relevant provisions of shares management for senior executives + equity incentive
Hu Kaicheng	197,600	39,000	33,962	192,562	On June 18, 2021, 39,000 restricted shares were unlocked + restricted shares for senior executives	According to the relevant provisions of shares management for senior executives + equity incentive
Yu Yingkui	221,080	39,000	33,962	216,042	On June 18, 2021, 39,000 restricted shares were unlocked + restricted shares for senior executives	According to the relevant provisions of shares management for senior executives + equity incentive
Chen Xiaoming	8,325	0	0	8,325	Restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Other incentive objects	21,225,100	4,401,150		16,823,950	On June 18, 2021, 4,401,150 restricted shares were unlocked + equity incentive	According to the relevant provisions of shares management for equity incentive
Total	61,268,305	4,596,150	169,810	56,841,965	--	--

## II. Issuance and Listing of Securities

Applicable  Not applicable

### III. Total Number of Shareholders and Their Shareholdings

Unit: Share

Total Number of Common Shareholders at the End of the Reporting Period		77,721		Total Number of Preferred Shareholders (If Any) (Refer to Note 8) Whose Voting Rights Have Been Recovered at the End of the Reporting Period		0		
Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of common shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or frozen	
							Status	Amount
Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	29.44%	1,057,245,749	-12,291,831		1,057,245,749	Pledged	228,128,169
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Domestic non-state-owned corporation	20.68%	742,747,954	0		742,747,954		
Hong Kong Central Clearing Limited	Overseas corporation	16.50%	592,539,322	307,366,207		592,539,322		
Zhang Yabo	Domestic Individual	1.45%	52,031,200	0	39,023,400	13,007,800		
China Construction Bank Corporation - Huaxia energy innovation stock	Others	1.01%	36,405,561	36,405,561		36,405,561		

securities investment fund								
Bank of China Limited - E fund strategic emerging industry equity securities investment fund	Others	0.92%	33,182,090	33,182,090		33,182,090		
Abu Dhabi Investment Authority	Overseas corporation	0.75%	26,879,720	26,879,720		26,879,720		
Agricultural Bank of China Limited – Guotai intelligent automobile stock securities investment fund	Others	0.67%	24,221,783	24,221,783		24,221,783		
National Social Security Fund-111	Others	0.66%	23,692,945	34,765		23,692,945		
China Merchants Bank Co., Ltd. - E fund innovative growth hybrid securities investment fund	Others	0.65%	23,290,913	-2,235,774		23,290,913		
Information about Strategic	No							



Investors' or General Legal Persons' Becoming Top Ten Common Shareholders for Placement of New Shares (If Any) (Refer to Note 3)			
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.	1,057,245,749	RMB common stock	1,057,245,749
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	742,747,954	RMB common stock	742,747,954
Hong Kong Central Clearing Limited	592,539,322	RMB common stock	592,539,322
China Construction Bank Corporation - Huaxia energy innovation stock securities investment fund	36,405,561	RMB common stock	36,405,561
Bank of China Limited - E fund strategic emerging industry equity securities investment fund	33,182,090	RMB common stock	33,182,090
Abu Dhabi Investment Authority	26,879,720	RMB common stock	26,879,720
Agricultural Bank of China Limited – Guotai intelligent automobile stock securities investment fund	24,221,783	RMB common stock	24,221,783
National Social Security Fund-111	23,692,945	RMB common stock	23,692,945
China Merchants Bank Co., Ltd. - E fund innovative growth hybrid securities investment fund	23,290,913	RMB common stock	23,290,913
China Construction Bank Corporation - BOCOM Schroder alpha core hybrid securities investment fund	22,714,690	RMB common stock	22,714,690

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., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd. are the persons acting in concert. The Company does not know whether there is any related relationship between other shareholders, or whether they belong to the persons acting in concert stipulated in the <i>Administrative Measures for the Acquisition of Listed Companies</i> .
Explanation of Top Ten Common Shareholders' Participation in Securities Margin Trading (If Any) (Refer to Note 4)	No

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

Applicable  Not applicable

No such cases during the current reporting period.

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

Applicable  Not applicable

#### **V. Changes in Controlling Shareholders or Actual Controllers**

Change of the controlling shareholder during the current reporting period

Applicable  Not applicable

No such cases in the reporting period.

Change of the actual controller during the reporting period

Applicable  Not applicable

No such cases in the current reporting period.

## **Section VIII Information of Preferred Shares**

Applicable  Not applicable

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

## Section IX Bonds

Applicable  Not applicable

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

Applicable  Not applicable

### II. Corporate bond

Applicable  Not applicable

### III. Debt financing instruments of non-financial enterprises

Applicable  Not applicable

### IV. Convertible bond

Applicable  Not applicable

#### 1. Previous Adjustments of Stock Conversion Price

Applicable  Not applicable

#### 2. Share Conversions (Accumulative)

Applicable  Not applicable

#### 3. Top 10 Holders of the Convertible Bond

Unit: share

	Name of convertible bond holder	Nature of convertible bond holders	Number of convertible bonds held at the end of the reporting period (share)	Amount of convertible bonds held at the end of the reporting period (yuan)	Proportion of convertible bonds held at the end of the reporting period
1	Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	8,854,432	885,443,200.00	29.51%
2	Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Domestic non-state-owned corporation	6,220,514	622,051,400.00	20.74%
3	Zhang Yabo	Domestic Individual	435,760	43,576,000.00	1.45%
4	Bank of China Limited - E fund	Others	263,035	26,303,500.00	0.88%

	strategic emerging industry equity securities investment fund				
5	China Construction Bank Corporation - Huaxia energy innovation stock securities investment fund	Others	219,101	21,910,100.00	0.73%
6	China Merchants Bank Co., Ltd. - E fund innovative growth hybrid securities investment fund	Others	213,786	21,378,600.00	0.71%
7	China Construction Bank Corporation - BOCOM Schroder alpha core hybrid securities investment fund	Others	211,157	21,115,700.00	0.70%
8	Agricultural Bank of China Limited – Guotai intelligent automobile stock securities investment fund	Others	206,817	20,681,700.00	0.69%
9	Bohai Securities Co., Ltd	Domestic state-owned corporation	200,315	20,031,500.00	0.67%
10	Industrial and Commercial Bank of China Limited - BOCOM Schroeder's advantageous industries flexibly allocate hybrid securities investment funds	Others	193,317	19,331,700.00	0.64%

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Unit: RMB in 10 thousand

Item	At the end of the reporting period	At the end of last year	YoY Change (%)
------	------------------------------------	-------------------------	----------------

Current ratio	228.79%	245.04%	-16.25%
Asset liability ratio	49.81%	40.39%	9.42%
Quick ratio	183.95%	196.22%	-12.27%
	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Net profit after deducting non-recurring profit and loss	71,977.17	58,219.12	23.63%
EBITDA total debt ratio	18.39%	27.11%	-8.72%
Time interest earned ratio	26.05	23.72	9.82%
Cash interest guarantee times	33.01	36.41	-9.34%
EBITDA Time interest earned ratio	31.93	29.92	6.72%
Repayment of debt (%)	100.00%	100.00%	
Payment of interest (%)	100.00%	100.00%	

## Section X Financial Report

### I. Auditor Report

Whether audit has been performed on this interim financial report

Yes  No

The Company's 2021 Half Year Report has not been audited

### II. Financial Statements

Units of financial reports in the notes: RMB

#### 1. Consolidated Balance Sheet

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

June 30, 2021

Unit: RMB

Items	June 30, 2021	December 31, 2020
Current asset:		
Cash and Bank Balances	6,301,888,182.65	3,489,687,568.14
Settlement funds		
Loans to other banks		
Held-for-trading financial assets	189,524,312.14	752,224,861.78
Derivative financial assets	26,392,706.62	58,330,486.53
Notes receivable	2,019,431,592.73	2,323,934,781.53
Accounts receivable	3,100,856,902.63	2,355,613,299.57
Receivable financing		
Advances paid	101,251,054.08	69,404,326.45
Premium receivable		
Reinsurance accounts receivable		
Reinsurance reserves receivable		
Other receivables	98,155,207.51	76,935,495.05
Including: Interest receivable		
Dividends receivable		
Repurchasing of financial assets		
Inventories	2,917,803,847.90	2,307,761,706.46

Contract assets		
Assets held for sales		
Non-current assets due within one year		
Other current assets	131,694,347.04	150,460,488.01
Total current assets	14,886,998,153.30	11,584,353,013.52
Non-current assets:		
Loans and advances paid		
Debt investments		
Other debt investments		
Long-term receivable	2,295,085.00	2,074,750.00
Long-term equity investments	17,828,507.38	15,219,616.68
Other equity instrument investments		
Other non-current financial assets		
Investment property	9,398,176.54	10,067,588.96
Fixed assets	3,965,615,647.93	3,839,408,059.45
Construction in progress	914,010,795.59	628,730,529.07
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	643,300,116.81	507,693,672.93
Development expenditures		
Goodwill	31,959,091.60	31,959,091.60
Long-term prepayments	26,140,183.68	23,706,401.61
Deferred tax assets	144,257,327.85	137,808,879.28
Other non-current assets	365,696,226.22	251,509,127.08
Total non-current assets	6,120,501,158.60	5,448,177,716.66
Total assets	21,007,499,311.90	17,032,530,730.18
Current liabilities:		
Short-term borrowings	521,381,193.64	383,088,296.60
Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities		



Derivative financial liabilities	7,726,384.62	7,939,957.91
Notes payable	1,856,484,983.84	1,238,574,463.73
Accounts payable	2,491,675,800.21	2,279,661,755.97
Advances received	10,000,000.00	10,000,000.00
Contract liabilities	44,096,560.86	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	219,968,593.89	289,305,913.99
Taxes and rates payable	113,721,224.46	75,008,142.06
Other payables	229,547,075.23	270,888,400.58
Including: Interest Payable		
Dividends Payable	1,200,000.00	
Handling fee and commission payable		
Reinsurance accounts payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	1,012,141,338.04	130,553,923.87
Other current liabilities		
Total current liabilities	6,506,743,154.79	4,727,602,462.38
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	917,425,691.86	1,707,918,994.87
Bonds payable	2,588,449,353.66	
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	84,940,677.91	90,336,083.27
Long-term employee benefits		

payable		
Provisions		2,638,000.00
Deferred income	134,799,813.94	140,105,336.43
Deferred tax liabilities	151,508,468.13	130,778,184.48
Other non-current liabilities	79,000,938.74	80,398,897.72
Total non-current liabilities	3,956,124,944.24	2,152,175,496.77
Total liabilities	10,462,868,099.03	6,879,777,959.15
Equity:		
Share capital	3,591,601,468.00	3,591,601,468.00
Other equity instruments	409,766,556.24	
Including: Preferred shares		
Perpetual bonds		
Capital reserve	335,514,496.32	315,417,434.22
Less: Treasury shares	243,244,768.84	281,483,741.34
Other comprehensive income	-106,871,598.13	-89,624,962.61
Special reserve		
Surplus reserve	637,967,613.47	637,967,613.47
General risk reserve		
Undistributed profit	5,819,343,336.53	5,890,916,707.83
Total equity attributable to the parent Company	10,444,077,103.59	10,064,794,519.57
Non-controlling interest	100,554,109.28	87,958,251.46
Total equity	10,544,631,212.87	10,152,752,771.03
Total liabilities & equity	21,007,499,311.90	17,032,530,730.18

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

## 2. Parent Company Balance Sheet

Unit: RMB

Items	June 30, 2021	December 31, 2020
Current assets:		
Cash and bank balances	2,959,776,349.70	1,848,930,095.07
Held-for-trading financial assets	100,000,000.00	323,000,000.00
Derivative financial assets	7,353,623.48	8,856,174.56
Notes receivable	888,134,401.64	773,393,944.74

Accounts receivable	510,046,587.17	729,906,676.91
Receivables financing		
Advances paid	5,250,160.02	6,803,910.27
Other receivables	396,489,965.06	348,897,078.11
Including: Interest Receivable		
Dividends Receivable	1,800,000.00	
Inventories	530,323,536.73	553,388,303.73
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	36,417,031.99	46,083,837.26
Total current assets	5,433,791,655.79	4,639,260,020.65
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivable		
Long-term equity investments	6,129,331,347.10	4,528,546,229.37
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	1,548,514,876.61	1,565,826,802.57
Construction in progress	42,341,929.78	71,862,243.72
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	153,679,564.23	156,335,743.52
Development expenditures		
Goodwill		
Long-term prepayments		
Deferred tax assets	7,419,451.65	7,336,345.87
Other non-current assets	49,684,556.63	36,566,524.79
Total non-current assets	7,930,971,726.00	6,366,473,889.84
Total assets	13,364,763,381.79	11,005,733,910.49
Current liabilities:		

Short-term borrowings		20,012,527.78
Held-for-trading financial liabilities		
Derivative financial liabilities	2,395,550.00	
Notes payable	499,079,955.18	381,631,833.96
Accounts payable	1,568,983,343.65	1,566,994,944.07
Advances received		
Contract liabilities	261,929.11	1,155,759.09
Employee benefits payable	54,314,740.59	93,150,785.46
Taxes and rates payable	8,234,550.36	10,811,341.50
Other payables	1,173,975,858.95	1,355,955,388.81
Including: interest payable		
Dividends Payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	770,756,434.72	
Other current liabilities		
Total current liabilities	4,078,002,362.56	3,429,712,580.67
Non-current liabilities:		
Long-term borrowings	660,582,222.22	1,381,428,522.65
Bonds payable	2,588,449,353.66	
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		2,638,000.00
Deferred income	31,801,319.56	35,908,399.54
Deferred tax liabilities	45,003,642.04	48,177,657.42
Other non-current liabilities		
Total non-current liabilities	3,325,836,537.48	1,468,152,579.61
Total liabilities	7,403,838,900.04	4,897,865,160.28
Equity:		
Share capital	3,591,601,468.00	3,591,601,468.00
Other equity instruments	409,766,556.24	
Including: Preferred shares		

Perpetual bonds		
Capital reserve	1,224,991,751.62	1,198,721,706.52
Less: treasury shares	243,244,768.84	281,483,741.34
Other comprehensive income		
Special reserve		
Surplus reserve	509,280,441.15	509,280,441.15
Undistributed profit	468,529,033.58	1,089,748,875.88
Total equity	5,960,924,481.75	6,107,868,750.21
Total liabilities & equity	13,364,763,381.79	11,005,733,910.49

### 3. Consolidated Income statement

Unit: RMB

Items	2021 Interim	2020 Interim
I. Total operating revenue	7,674,081,761.69	5,318,178,626.77
Including: Operating revenue	7,674,081,761.69	5,318,178,626.77
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	6,735,994,919.86	4,658,848,422.13
Including: Operating cost	5,601,811,479.62	3,839,626,004.70
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	36,363,153.05	36,309,640.40
Selling expenses	321,908,769.46	257,442,500.54
Administrative expenses	374,431,536.21	315,350,745.15
R&D expenses	352,175,549.62	240,012,928.38
Financial expenses	49,304,431.90	-29,893,397.04

Including: Interest expenses	40,208,255.75	32,558,310.10
Interest income	43,640,017.31	19,167,271.27
Add: Other income	72,081,481.22	101,528,141.23
Investment income (or “-”: losses)	97,400,173.01	-8,109,921.96
Including: Investment income from associates and joint ventures	4,108,890.70	1,826,673.64
Gains from derecognition of financial assets at amortized cost	-3,707,072.41	-114,807.17
Gains on foreign exchange (or “-”: losses)		
Gains on net exposure to hedging risk (or “-”: losses)		
Gains on changes in fair value (or “-”: losses)	-32,695,697.38	6,520,045.96
Credit impairment loss (or “-”: losses)	-48,442,168.40	-12,874,290.80
Assets impairment loss (or “-”: losses)	-18,614,580.55	-6,302,857.17
Gains on asset disposal (or “-”: losses)	400,172.51	-319,355.00
III. Operating profit (or “-”: losses)	1,008,216,222.24	739,771,966.90
Add: Non-operating revenue	2,472,160.14	1,466,984.81
Less: Non-operating expenditures	3,604,181.70	1,354,079.15
IV. Profit before tax (or “-”: losses)	1,007,084,200.68	739,884,872.56
Less: Income tax expense	170,607,121.16	99,017,348.37
V. Net profit (or “-”: losses)	836,477,079.52	640,867,524.19
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or “-”: losses)	836,477,079.52	640,867,524.19
2. Net profit from discontinued operations (or “-”: losses)		
(II) Categorized by the portion of equity ownership		
1. Net profit attributable to owners of parent Company	823,881,221.70	643,481,717.35
2. Net profit attributable to	12,595,857.82	-2,614,193.16

non-controlling shareholders		
VI. Other comprehensive income after tax	-17,246,635.52	-26,456,121.98
Items attributable to the owners of the parent Company	-17,246,635.52	-26,456,121.98
(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	-17,246,635.52	-26,456,121.98
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	-17,246,635.52	-26,456,121.98
7. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	819,230,444.00	614,411,402.21
Items attributable to the owners of the parent Company	806,634,586.18	617,025,595.37
Items attributable to non-controlling shareholders	12,595,857.82	-2,614,193.16
VIII. Earnings per share (EPS):		

(I) Basic EPS	0.23	0.18
(II) Diluted EPS	0.23	0.18

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	2021 Interim	2020 Interim
I. Operating revenue	2,657,932,583.46	2,117,212,102.62
Less: Operating cost	2,099,047,503.77	1,616,751,481.77
Taxes and surcharges	14,087,430.38	14,883,710.72
Selling expenses	18,489,336.95	15,130,538.49
Administrative expenses	88,329,399.37	72,140,520.61
R&D expenses	130,378,747.72	88,292,793.63
Financial expenses	28,429,967.53	8,904,811.12
Including: Interest expenses	38,011,175.51	34,495,598.61
Interest income	21,728,593.75	10,398,609.20
Add: Other income	26,148,191.57	52,824,654.27
Investment income (or “-”: losses)	32,124,589.36	10,995,316.73
Including: Investment income from associates and joint ventures	3,703,896.30	1,922,776.38
Gains from derecognition of financial assets at amortized cost (or “-”: losses)		
Gains on net exposure to hedging (or “-”: losses)		
Gains on changes in fair value (or “-”: losses)	-3,898,101.08	12,520,875.00
Credit impairment loss (or “-”: losses)	-2,333,077.79	1,810,314.30
Assets impairment loss (or “-”: losses)		
Gains on asset disposal (or “-”: losses)	31,965.08	60,000.75
II. Operating profit (or “-”: losses)	331,243,764.88	379,319,407.33
Add: Non-operating revenue	703,532.10	472,666.13



Less: Non-operating expenditures	553,058.35	137,009.04
III. Profit before tax (or “-”: losses)	331,394,238.63	379,655,064.42
Less: Income tax expense	57,159,487.93	42,344,717.35
IV. Net profit (or “-”: losses)	274,234,750.70	337,310,347.07
(I) Net profit from continuing operations (or “-”: losses)	274,234,750.70	337,310,347.07
(II) Net profit from discontinued operations (or “-”: losses)		
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		
6. Translation reserve		
7. Others		
VI. Total comprehensive income	274,234,750.70	337,310,347.07

## 5. Consolidated Cash Flow Statement

Unit: RMB

Items	2021 Interim	2020 Interim
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	7,791,922,676.43	5,669,226,956.30
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	292,769,667.23	135,301,637.22
Other cash receipts related to operating activities	112,704,898.93	138,981,847.05
Subtotal of cash inflows from operating activities	8,197,397,242.59	5,943,510,440.57
Cash payments for goods purchased and services received	5,594,083,556.18	3,476,000,876.09
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	1,043,695,672.97	783,884,263.51
Cash payments for taxes and rates	212,797,119.37	205,682,821.70
Other cash payments related to operating activities	521,604,270.81	373,291,029.85
Subtotal of cash outflows from operating activities	7,372,180,619.33	4,838,858,991.15
Net cash flows from operating activities	825,216,623.26	1,104,651,449.42
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	5,663,475.29	23,348,369.16
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	508,246.83	2,066,447.61
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	671,922,049.93	277,649,043.00
Subtotal of cash inflows from investing activities	678,093,772.05	303,063,859.77
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	955,954,243.67	442,252,824.96
Cash payments for investments		
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	35,150,010.98	540,203,379.47
Subtotal of cash outflows from investing activities	991,104,254.65	982,456,204.43
Net cash flows from investing activities	-313,010,482.60	-679,392,344.66
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	283,678,800.00	1,379,378,896.06
Other cash receipts related to financing activities	2,987,977,500.00	26,080,652.17
Subtotal of cash inflows from financing activities	3,271,656,300.00	1,524,102,798.23
Cash payments for the repayment of borrowings	38,237,578.82	758,969,786.13
Cash payments for distribution of dividends or profits and for interest expenses	924,187,677.93	451,059,488.63
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		2,680,000.00
Other cash payments related to financing activities	9,409,814.51	3,780,305.89
Subtotal of cash outflows from financing activities	971,835,071.26	1,213,809,580.65
Net cash flows from financing activities	2,299,821,228.74	310,293,217.58
IV. Effect of foreign exchange rate changes on cash & cash equivalents	-17,246,635.52	-25,656,121.98
V. Net increase in cash and cash equivalents	2,794,780,733.88	709,896,200.36
Add: Opening balance of cash and cash equivalents	3,400,144,038.54	2,553,783,015.01
VI. Closing balance of cash and cash equivalents	6,194,924,772.42	3,263,679,215.37

## 6. Cash Flow Statement of the Parent Company

Unit: RMB

Items	2021 Interim	2020 Interim
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	2,501,766,645.73	1,582,936,545.48
Receipts of tax refund	69,595,321.15	45,688,483.71

Other cash receipts related to operating activities	44,634,342.32	59,466,164.51
Subtotal of cash inflows from operating activities	2,615,996,309.20	1,688,091,193.70
Cash payments for goods purchased and services received	1,584,525,056.92	822,533,884.63
Cash paid to and on behalf of employees	259,052,505.85	193,396,299.54
Cash payments for taxes and rates	67,230,440.08	51,272,174.14
Other cash payments related to operating activities	99,950,220.20	79,419,321.52
Subtotal of cash outflows from operating activities	2,010,758,223.05	1,146,621,679.83
Net cash flows from operating activities	605,238,086.15	541,469,513.87
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		3,000,000.00
Cash receipts from investment income	21,811,801.45	6,834,184.92
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	104,233.67	174,800.00
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	229,811,657.82	175,228,503.46
Subtotal of cash inflows from investing activities	251,727,692.94	185,237,488.38
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	89,501,487.52	102,274,729.91
Cash payments for investments	1,581,000,000.00	140,874,000.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	88,686,804.01	472,363,792.38
Subtotal of cash outflows from investing activities	1,759,188,291.53	715,512,522.29

Net cash flows from investing activities	-1,507,460,598.59	-530,275,033.91
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		118,643,250.00
Cash receipts from borrowings	50,000,000.00	1,159,811,000.00
Other cash receipts related to financing activities	3,139,300,342.01	161,770,652.17
Subtotal of cash inflows from financing activities	3,189,300,342.01	1,440,224,902.17
Cash payments for the repayment of borrowings	20,000,000.00	570,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses	919,172,149.40	437,223,073.41
Other cash payments related to financing activities	250,973,534.61	12,254,861.11
Subtotal of cash outflows from financing activities	1,190,145,684.01	1,019,477,934.52
Net cash flows from financing activities	1,999,154,658.00	420,746,967.65
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	1,096,932,145.56	431,941,447.61
Add: Opening balance of cash and cash equivalents	1,803,237,880.51	974,923,339.25
VI. Closing balance of cash and cash equivalents	2,900,170,026.07	1,406,864,786.86

## 7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

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









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			409,766,556.24	335,514,496.32	243,244,768.84	-106,871,598.13		637,967,613.47		5,819,343,336.53	

Amount of Previous Period

Items	2020 Interim											
	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
	Preferr ed shares	Perpetual bonds	Other s									
I. Balance at	2,765,657,898.				1,090,800,022.	363,781,151.	-39,332,748.		559,896,619.		5,278,392,288.	

the end of prior year	00				06	34	50		39		84	
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	
III. Current period increase (or decrease)	826,383,880.00				-847,059,678.04	-54,328,425.00	-26,456,121.98				230,144,177.05	
(I) Total							-26,456,121.98				643,481,717.39	





4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	3,592,041,778.00				243,740,344.02	309,452,726.34	-65,788,870.48		559,896,619.39		5,508,536,465.89	







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			409,766,556.24	1,224,991,751.62	243,244,768.84			509,280,44

Amount of Previous Period

Items	2020 Interim								
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve
		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
Add: Cumulative changes of accounting policies									
Error correction of prior period									
Others									
II. Balance at the beginning of current year	2,765,657,898.00				2,005,303,119.53	363,781,151.34			431,209,447.07
III. Current period increase (or less):	826,383,880.00				-847,059,678.04	-54,328,425.00			



4. Changes in defined benefit plan carried over to retained earnings									
5. Other comprehensive income carried over to retained earnings									
6. Others									
(V) Special reserve									
1. Appropriation of current period									
2. Application of current period									
(VI) Others									
IV. Balance at the end of current period	3,592,041,778.00				1,158,243,441.49	309,452,726.34			431,209,447.07

### **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 RMB 3,591,601,468.00, total share of 3,591,601,468 shares (each with par value of RMB 1). 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 August 11th, 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 acquire 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%

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**

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 in 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

1. Employee benefits includes short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. 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. Identification of a lease

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the following: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

### 2. Identification of separate leases

For a contract that contains more than one lease component, the Company separates the components and accounts for each lease component separately. The right to use an underlying asset is a separate lease component if both: (a) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and (b) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

### 3. Accounting treatments for the Company as lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method/unit-of-production method over the lease term. (Reminder: For short-term leases, choose the accounting policy according to the type of leased asset, and for low-value leases, choose the accounting policy for each lease. Please modify it according to the actual situation.)

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

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

After the commencement date, if there is a change in the following items: (a) actual fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option, the Company remeasures the lease liability based on the present value of lease payments after changes.

### 4. Accounting treatments for lease modifications in which the Company as lessee

## (1) A lease modification as a separate lease

The Company accounts for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

## (2) A lease modification not as a separate lease

At the effective date of the lease modification, the Company redetermines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payment using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term; if the interest rate implicit in the lease cannot be readily determined, the revised discount rate is determined as the Company's incremental borrowing rate at the effective date of the modification.

The Company accounts for the remeasurement of the lease liability by:

1) Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

2) Making a corresponding adjustment to carrying amount of the right-of-use asset for all other lease modifications.

## 5. Accounting treatments for the Company as lessor

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

## (1) Operating lease

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

## (2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

## 6. Accounting treatments for lease modifications in which the Company as lessor

## (1) Operating lease

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## (2) Finance lease

## 1) A lease modification as a separate lease

The Company accounts for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

## 2) A lease modification not as a separate lease

If the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Company applies regulations in the “CASBE 22 – Financial Instruments: Recognition and Measurement” regarding the modification or renegotiation of contracts.

## 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 21- Leases” revised by Ministry of Finance of PRC since January 1, 2021.

### (2) Since 2021 , adjustments to the relevant items of financial statements at the beginning of the year at the first implementation of lease standards.

Applicable

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

Yes  No

## 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 2021 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	327,111.73	232,265.51
Cash in bank	6,205,720,660.69	3,411,034,773.03
Other cash and bank balances	95,840,410.23	78,420,529.60

Total	6,301,888,182.65	3,489,687,568.14
Including: Deposited overseas	283,016,150.48	370,754,548.72
The total amount of the cash and bank balances that are limited by mortgage, pledge or freeze	106,963,410.23	89,543,529.60

## 2. Held-for-trading financial assets

Unit: RMB

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	189,524,312.14	752,224,861.78
Including:		
Bank financial products	189,524,312.14	752,224,861.78
Including:		
Total	189,524,312.14	752,224,861.78

## 3. Derivative Financial Assets

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	20,863,496.96	49,339,961.11
Futures tools	5,529,209.66	8,990,525.42
Total	26,392,706.62	58,330,486.53

## 4. Notes receivable

### (1) Categories of notes receivable

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance	1,718,559,685.30	2,190,368,328.70
Trade acceptance	300,871,907.43	133,566,452.83
Total	2,019,431,592.73	2,323,934,781.53

Unit: RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Notes receivable with provision for bad debt made on a collective basis	2,035,266,956.28	100.00%	15,835,363.55	0.78%	2,019,431,592.73	2,330,964,594.83	100.00%	7,029,813.30	0.30%	2,323,934,781.53
Including:										
Bank acceptance	1,718,559,685.30	84.44%			1,718,559,685.30	2,190,368,328.70	93.97%			2,190,368,328.70
Trade acceptance	316,707,270.98	15.56%	15,835,363.55	5.00%	300,871,907.43	140,596,266.13	6.03%	7,029,813.30	5.00%	133,566,452.83
Total	2,035,266,956.28	100.00%	15,835,363.55	0.78%	2,019,431,592.73	2,330,964,594.83	100.00%	7,029,813.30	0.30%	2,323,934,781.53

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	1,718,559,685.30		
Trade acceptance portfolio	316,707,270.98	15,835,363.55	5.00%
Total	2,035,266,956.28	15,835,363.55	--

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

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of this period				Closing balance
		Accrual	Recovered or reversed	Write off	Others	
Trade acceptance	7,029,813.30	8,805,550.25				15,835,363.55
Total	7,029,813.30	8,805,550.25				15,835,363.55

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	1,579,929,231.31
Total	1,579,929,231.31

### (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	72,862,252.02	
Trade acceptance	202,271,622.33	23,201,547.82
Total	275,133,874.35	23,201,547.82

## 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	57,335.28	0.00%	57,335.28	100.00%	0.00
Including:										
Receivables with provision made on a collective basis	3,264,621,824.66	100.00%	163,764,922.03	5.02%	3,100,856,902.63	2,481,072,027.67	100.00%	125,458,728.10	5.06%	2,355,613,299.57
Including:										
Total	3,264,679,159.94	100.00%	163,822,257.31	5.02%	3,100,856,902.63	2,481,129,362.95	100.00%	125,516,063.38	5.06%	2,355,613,299.57

Provision made on an individual basis:



Unit: RMB

Debtors	Closing balance			
	Book balance	Provision for bad debts	Accrued proportion	Reasons
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: aging

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	3,261,150,680.57	163,057,534.04	5.00%
1 to 2 years	2,154,196.08	215,419.61	10.00%
2 to 3 years	832,528.12	249,758.43	30.00%
Over 3 years	484,419.89	242,209.95	50.00%
Total	3,264,621,824.66	163,764,922.03	--

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

Applicable  Not Applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year(including 1 year)	3,261,150,680.57
1 to 2 years	2,154,196.08
2 to 3 years	832,528.12
Over 3 years	541,755.17
Total	3,264,679,159.94

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on an individual basis	57,335.28					57,335.28
Receivables with provision	125,458,728.10	39,398,806.27		1,092,612.34		163,764,922.03

made on a collective basis						
Total	125,516,063.38	39,398,806.27		1,092,612.34		163,822,257.31

**(3) Actual write-off of accounts receivable in current period**

Unit: RMB

Items	Write-off amount
Small sporadic accounts receivable	1,092,612.34

**(4) Top 5 debtors with the largest accounts receivable balances**

Unit: RMB

Debtors	Closing balance	Proportion to the total balance of accounts receivable	Provision for bad debt at the end of the period
Top 5 debtors with the largest balances	1,171,560,371.61	35.89%	58,578,018.58
Total	1,171,560,371.61	35.89%	

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

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	97,728,785.42	96.52%	61,348,884.20	88.39%
1 to 2 years	2,502,832.59	2.47%	6,712,609.39	9.67%
2 to 3 years	350,677.15	0.35%	64,117.70	0.09%
Over 3 years	668,758.92	0.66%	1,278,715.16	1.84%
Total	101,251,054.08	--	69,404,326.45	--

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

Closing balance of top 5 debtors totaled RMB 24,289,065.18, accounting for 23.99% of the total closing balance of advances paid.

**7. Other receivables**

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	98,155,207.51	76,935,495.05
Total	98,155,207.51	76,935,495.05

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

Unit: RMB

Items	Closing balance	Opening balance
Tax refund receivable	50,947,804.02	36,628,075.87
Guarantee deposits	32,226,145.19	30,801,053.14
Others	17,412,718.56	11,700,014.42
Total	100,586,667.77	79,129,143.43

**2) Provision of bad debt**

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2021	856,410.48	1,337,237.90		2,193,648.38
The balance as of January 1, 2021 is in the current period	—	—	—	—
Provision made in the current period	441,538.92			441,538.92
Provision recovered in current period		203,727.04		203,727.04
Balance on June 30, 2021	1,297,949.40	1,133,510.86		2,431,460.26

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)	1,297,949.40
1 to 2 years	126,719.58
2 to 3 years	278,342.70
Over 3 years	728,448.58
Total	2,431,460.26

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

Unit: RMB

Items	Nature of receivables	Closing balance	Ages	Proportion to the total balance of other receivables	Provision for bad debt at the end of the period
Tax refund receivables	Tax refund	50,947,804.02	Within 1 year	50.65%	
Finance Bureau of Xinchang County	Performance bond	6,971,285.00	1 to 4 years	6.93%	
Shaoxing Binhai New City Management Committee	Performance bond for land and project construction	5,410,000.00	3 to 4 years	5.38%	
Xinchang County Land Reserve Development Center	Deposit of construction projects	3,774,000.00	5 to 8 years	3.75%	
Wuhu Yijiang District Finance Bureau	Deposit of construction projects	3,751,000.00	3 to 4 years	3.73%	
Total	--	70,854,089.02	--	70.44%	

### 4) Other receivables related to Government grants

Unit: RMB

Items	Government grant	Closing balance	Ages	Estimated receipt time, amount and basis
Local finance and taxation departments	VAT refund of civil welfare enterprises	1,735,806.82	Within 1 year	From July to October, 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	Book balance	Provision for decline in value of inventories or provision for impairment of contract performance costs
Raw materials	798,314,357.03	39,409,438.41	758,904,918.62	530,578,235.34	38,591,465.21	491,986,770.13
Work-in-progress	267,306,340.68	955,782.93	266,350,557.75	377,607,984.60	661,948.94	376,946,035.66
Finished goods	1,931,323,857.32	46,652,663.72	1,884,671,193.60	1,488,998,382.81	55,323,878.13	1,433,674,504.68
Others	7,877,177.93		7,877,177.93	5,154,395.99		5,154,395.99
Total	3,004,821,732.96	87,017,885.06	2,917,803,847.90	2,402,338,998.74	94,577,292.28	2,307,761,706.46

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

Unit: RMB

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Accrued	Others	Reversal or write off	Others	
Raw materials	38,591,465.21	4,457,352.23		3,639,379.03		39,409,438.41
Work-in-progress	661,948.94	293,833.99				955,782.93
Finished goods	55,323,878.13	13,863,394.33		22,534,608.74		46,652,663.72
Total	94,577,292.28	18,614,580.55		26,173,987.77		87,017,885.06

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	67,017,753.97	100,377,659.11
Prepaid Enterprise income tax	63,363,501.00	49,911,203.33
Others	1,313,092.07	171,625.57
Total	131,694,347.04	150,460,488.01

**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	2,295,085.00		2,295,085.00	2,074,750.00		2,074,750.00	
<b>Total</b>	<b>2,295,085.00</b>		<b>2,295,085.00</b>	<b>2,074,750.00</b>		<b>2,074,750.00</b>	<b>--</b>

Impairment of provision for bad debt

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Total
	12 month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
The balance as of January 1, 2021 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	1,525,252.76			15,260.42						1,540,513.18	

(Guangdong) Co., Ltd.										
Chongqing Tainuo Machinery Co., Ltd.	9,396,904.73			3,344,529.44			1,500,000.00			11,241,434.17
Nanchang Sanhua Jinlifeng Machinery Co., Ltd.	1,517,138.95			-1,763.92						1,515,375.03
Ningbo Jinlifeng Machinery Co., Ltd.	1,062,209.18			345,870.36						1,408,079.54
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.	0.00									0.00
Zhongshan Xuanyi Pipe Manufacturing Co., Ltd.	1,718,111.06			404,994.40						2,123,105.46
Xinchang zhejiang energy sanhua comprehensive energy co.	0.00									0.00
Subtotal	15,219,616.68			4,108,890.70			1,500,000.00			17,828,507.38
Total	15,219,616.68			4,108,890.70			1,500,000.00			17,828,507.38

	6.68			.70			.00			7.38
--	------	--	--	-----	--	--	-----	--	--	------

Other remarks:

Qingdao Sanhua Jinlifeng Machinery Co., Ltd. has been insolvent, the equity investment has been reduced to zero yuan; As of June 30, 2021, 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	12,643,427.54	3,539,025.00		16,182,452.54
2. Increase in current period	-403,290.39	-149,410.80		-552,701.19
(1) Acquisition				
(2) Transferred in from inventory\fixed assets\ construction in progress				
(3) Business combination				
(4) Converted difference in Foreign Currency Statements	-403,290.39	-149,410.80		-552,701.19
3. Decrease in current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	12,240,137.15	3,389,614.20		15,629,751.35
II . Accumulated depreciation and amortization				
1. Opening balance	6,114,863.58			6,114,863.58
2. Increase in current period	116,711.23			116,711.23



(1) Depreciation or amortization	380,365.53			380,365.53
(2) Converted difference in Foreign Currency Statements	-263,654.30			-263,654.30
3. Decrease in current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	6,231,574.81			6,231,574.81
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	6,008,562.34	3,389,614.20		9,398,176.54
2. Opening balance	6,528,563.96	3,539,025.00		10,067,588.96

### 13. Fixed assets

Unit: RMB

Items	Closing balance	Opening balance
Fixed assets	3,965,615,647.93	3,839,408,059.45
Total	3,965,615,647.93	3,839,408,059.45

#### (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	2,335,750,475.01	3,639,249,906.77	115,451,585.42	40,354,179.00	236,938,987.10	6,367,745,133.30
2. Increase in current period	-3,329,066.88	331,090,911.94	7,942,035.57	2,097,563.13	6,744,983.38	344,546,427.14
(1) Acquisition		95,281,538.93	8,411,514.29	2,351,291.15	8,262,324.06	114,306,668.43
(2) Transferred in from construction in progress	5,563,254.51	251,194,456.72				256,757,711.23
(3) Business combination						
(4) Converted difference in Foreign	-8,892,321.39	-15,385,083.71	-469,478.72	-253,728.02	-1,517,340.68	-26,517,952.52
3. Decrease in current period		13,242,839.12	462,910.27	956,717.03	8,098,164.35	22,760,630.77
(1) Disposal or scrap		13,242,839.12	462,910.27	956,717.03	8,098,164.35	22,760,630.77
4. Closing balance	2,332,421,408.13	3,957,097,979.59	122,930,710.72	41,495,025.10	235,585,806.13	6,689,530,929.67
II. Accumulated depreciation						
1. Opening 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
2. Increase in current period	42,520,529.36	151,621,285.50	5,646,196.60	1,633,711.35	8,077,616.47	209,499,339.28
(1) Accrual	44,929,601.97	159,841,857.17	5,700,348.95	1,753,189.02	9,021,453.76	221,246,450.87
(2) Converted difference in Foreign Currency Statements	-2,409,072.61	-8,220,571.67	-54,152.35	-119,477.67	-943,837.29	-11,747,111.59
3. Decrease in current period		9,017,193.54	439,764.76	954,046.09	3,510,127.00	13,921,131.39
(1) Disposal or scrap		9,017,193.54	439,764.76	954,046.09	3,510,127.00	13,921,131.39

4. Closing balance	654,301,397.17	1,821,080,603.86	45,305,782.66	31,083,742.57	168,449,424.80	2,720,220,951.06
III. Provision for impairment						
1. Opening balance		3,694,330.68				3,694,330.68
2. Increase in current period						
(1) Accrual						
3. Decrease in current period						
(1) Disposal or scrap						
4. Closing balance		3,694,330.68				3,694,330.68
IV. Carrying amount						
1. Closing balance	1,678,120,010.96	2,132,323,045.05	77,624,928.06	10,411,282.53	67,136,381.33	3,965,615,647.93
2. Opening 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) Fixed assets with certificate of titles being unsettled**

Unit: RMB

Items	Carrying amount	Reasons for unsettlement
13# factory in Meizhu North district	74,188,222.31	New assets, the certificate of title to be processed uniformly after the overall completion
Finished goods warehouse in Meizhu North district	20,742,454.16	New assets, the certificate of title to be processed uniformly after the overall completion
14# factory in Meizhu North district	23,819,727.63	New assets, the certificate of title to be processed uniformly after the overall completion
15# factory in Meizhu North district	58,312,098.92	New assets, the certificate of title to be processed uniformly after the overall completion
Shaoxing new energy plant (Phase I)	146,061,271.52	New assets, the certificate of title to be processed uniformly after the overall completion

小计	323,123,774.54
----	----------------

#### 14. Construction in progress

Unit: RMB

Items	Closing balance	Opening balance
Construction in progress	914,010,795.59	628,730,529.07
Total	914,010,795.59	628,730,529.07

##### (1) Details of construction in progress

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Annual production of 7.3 million sets of new energy vehicle thermal management system components project	138,826,452.14		138,826,452.14	145,885,533.67		145,885,533.67
Annual production of 12.7 million sets of automotive air conditioning control components project	13,272,734.98		13,272,734.98			
Annual production of 11.5 million sets of new energy auto parts project	78,054,678.49		78,054,678.49	78,290,263.60		78,290,263.60
Annual production of 1.5 million sets of new energy thermal management components project	168,660,657.79		168,660,657.79	88,939,186.18		88,939,186.18
Annual production of 1 million sets of new energy vehicle air-conditioning thermal sensors project	1,038,025.68		1,038,025.68	3,772,038.19		3,772,038.19
Annual production of 11 million sets of high-efficiency heat exchanger components for new energy vehicles	25,437,837.80		25,437,837.80			
Annual production of 65 million sets of commercial	101,456,068.31		101,456,068.31	25,812,948.25		25,812,948.25

refrigeration and air conditioning intelligent control components construction project						
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components technology transformation projects	15,371,049.05		15,371,049.05	11,841,050.00		11,841,050.00
Annual output of 27.5 million tubing part and 10,000 tons of stainless steel pipe construction project	38,692,424.61		38,692,424.61	20,961,098.29		20,961,098.29
Vietnam industrial plant project	97,028,569.59		97,028,569.59	80,569,043.24		80,569,043.24
Others	236,172,297.15		236,172,297.15	172,659,367.65		172,659,367.65
Total	914,010,795.59		914,010,795.59	628,730,529.07		628,730,529.07

**(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	145,885,533.67	148,210,461.30	155,269,542.83		138,826,452.14	104.28%					Raised funds
Annual production of 12.7 million sets of automotive air conditioning control components project	215,000,000.00		13,329,200.13	56,465.15		13,272,734.98	91.12%					Raised funds
Annual production of 11.5 million sets of new energy auto parts project	528,800,000.00	78,290,263.60	49,586,870.52	49,822,455.63		78,054,678.49	87.00%					Raised funds
Annual production of 1.5 million sets of new energy thermal management components project	500,000,000.00	88,939,186.18	102,836,403.92	23,114,932.31		168,660,657.79	38.41%					Other
Annual production of 1 million sets of new energy vehicle air-conditioning thermal sensors project	44,786,000.00	3,772,038.19		2,734,012.51		1,038,025.68	45.81%					Other

Annual production of 11 million sets of high-efficiency heat exchanger components for new energy vehicles	760,000,000.00		25,437,837.80			25,437,837.80	3.35%	
Annual production of 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	1,780,550,000.00	25,812,948.25	75,643,120.06			101,456,068.31	7.01%	
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	11,841,050.00	20,226,039.05	16,696,040.00		15,371,049.05	4.10%	
Annual output of 27.5 million tubing part and 10,000 tons of stainless steel pipe construction project	409,420,000.00	20,961,098.29	17,731,326.32			38,692,424.61	9.45%	
Vietnam industrial plant project	180,882,800.00	80,569,043.24	16,459,526.35			97,028,569.59	52.14%	
Total	5,673,608,800.00	456,071,161.42	469,460,785.45	247,693,448.43		677,838,498.44	--	--

## 15. Intangible Assets

### (1) Details of intangible assets

Items	Land use right	Patent right	Non-patent technology	Overseas land ownership	Intellectual property right of air conditioner controller	Patent technology electronic ex control
I . Original book value						
1. Opening balance	552,419,787.61			28,945,626.51	42,150,175.56	6
2. Increased in current period	106,915,159.83			35,839,547.38		
(1) Acquisition	107,284,800.00			36,642,563.43		
(2) Internal research and development						
(3) Business combination						
(4) Converted difference in Foreign	-369,640.17			-803,016.05		
3. Decreased in current period						
(1) Disposal						
4. Closing balance	659,334,947.44			64,785,173.89	42,150,175.56	6
II . Accumulated amortization						
1. Opening balance	99,284,584.15			314,580.96	25,152,312.84	1
2. Increased in current period	6,408,869.88			84,765.91	1,947,508.82	
(1) Accrual	6,425,475.49			92,303.33	1,947,508.82	



(2) Converted difference in Foreign	-16,605.61			-7,537.42		
3. Decreased in current period						
(1) Disposal						
4. Closing balance	105,693,454.03			399,346.87	27,099,821.66	1
III. Provision for impairment						
1. Opening balance				3,862,456.71		
2. Increased in current period				-38,358.78		
(1) Accrual						
(2) Converted difference in Foreign				-38,358.78		
3. Decreased in current period						
(1) Disposal						
4. Closing balance				3,824,097.93		
IV. Carrying amount						
1. Closing balance	553,641,493.41			60,561,729.09	15,050,353.90	5
2. Opening balance	453,135,203.46			24,768,588.84	16,997,862.72	5

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

**17. Long-term prepayments**

Unit: RMB

Items	Opening balance	Increased in current period	Amortization	Other decreases	Closing balance
Plant renovation expenditure	23,706,401.61	7,076,194.30	4,642,412.23		26,140,183.68
Total	23,706,401.61	7,076,194.30	4,642,412.23		26,140,183.68

**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
Provision for bad debt	115,626,649.82	23,099,167.21	78,915,609.30	15,835,440.18
Provision for inventory write-down	62,933,045.42	10,444,607.18	67,642,565.60	11,282,463.93
Unrealized profit from internal transactions	185,453,037.25	22,200,912.62	180,209,650.54	17,242,885.11
Deductible losses	148,946,529.36	29,996,233.85	153,097,367.85	32,871,988.62
Deferred income: government grants	134,799,813.94	22,257,469.79	140,105,328.43	22,782,106.08
Provision for fixed assets impairments	3,694,330.68	554,149.62	3,694,330.68	554,149.61
Floating loss on derivatives	3,665,344.50	549,801.68	300,000.00	45,360.00
Share-paid remuneration	193,768,250.56	30,827,179.70	209,618,110.53	33,059,655.93
Provisional cost estimate	28,942,635.18	4,327,806.20	27,565,532.12	4,134,829.82
Total	877,829,636.71	144,257,327.85	861,148,495.05	137,808,879.28

**(2) Deferred tax liabilities before offset**

Unit: RMB

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Depreciation and amortization expense	867,295,201.66	149,245,103.66	770,755,369.92	128,446,514.86
Floating gain on derivatives	13,672,819.75	2,261,859.33	13,804,602.36	2,070,690.35
Floating gain on financial products	10,034.26	1,505.14	1,739,861.78	260,979.27
<b>Total</b>	<b>880,978,055.67</b>	<b>151,508,468.13</b>	<b>786,299,834.06</b>	<b>130,778,184.48</b>

**(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 period	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets		144,257,327.85		137,808,879.28
Deferred tax liabilities		151,508,468.13		130,778,184.48

**(4) Details of unrecognized deferred tax assets**

Unit: RMB

Items	Closing balance	Opening balance
Provision for bad debt	66,462,431.30	55,823,915.76
Provision for inventory write-down	24,084,839.64	26,934,726.68
Deductible losses of subsidiaries	26,719,611.87	24,790,389.63
Provision for intangible assets impairments	3,824,097.93	3,862,456.71
Floating loss on derivatives	4,061,040.12	7,639,957.91
Share-paid remuneration	12,106,170.57	11,139,485.50
Investment losses recognized by the equity method	6,428,507.38	4,319,616.68
<b>Total</b>	<b>143,686,698.81</b>	<b>134,510,548.87</b>

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

Unit: RMB

Maturity years	Closing balance	Opening balance	Remarks
Year 2025	445,585.90	445,585.90	
Year 2026	2,147,004.73		
Year 2028	10,478,078.42	10,478,078.42	
Year 2029	7,488,066.67	7,488,066.67	
Year 2030	6,146,831.81	6,378,658.64	
Year 2031	14,044.34		
Total	26,719,611.87	24,790,389.63	--

**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	365,696,226.22		365,696,226.22	251,509,127.08		251,509,127.08
Total	365,696,226.22		365,696,226.22	251,509,127.08		251,509,127.08

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

Unit: RMB

Items	Closing balance	Opening balance
Credit borrowings		20,000,000.00
Overseas loan under domestic guarantee	520,960,900.00	362,698,500.00
Accrued interest	420,293.64	389,796.60
Total	521,381,193.64	383,088,296.60

**21. Derivative financial liabilities**

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	3,100,848.00	7,939,957.91

Futures tool	4,625,536.62	
Total	7,726,384.62	7,939,957.91

## 22. Notes payable

Unit: RMB

Categories	Closing balance	Opening balance
Bank acceptance bill	1,856,484,983.84	1,238,574,463.73
Total	1,856,484,983.84	1,238,574,463.73

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	2,476,690,653.88	2,184,050,911.51
1 to 2 years	7,670,181.61	88,579,882.54
2 to 3 years	2,553,875.30	1,289,268.11
Over 3 years	4,761,089.42	5,741,693.81
Total	2,491,675,800.21	2,279,661,755.97

## 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	10,000,000.00
Total	10,000,000.00	10,000,000.00

## 25. Contract liabilities

Unit: RMB

Items	Closing balance	Opening balance
Advance payment for goods	44,096,560.86	42,581,607.67
Total	44,096,560.86	42,581,607.67

**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	282,701,491.43	938,462,396.23	1,008,263,483.03	212,900,404.63
II . Post-employment benefits - defined contribution plan	2,888,141.35	33,893,467.67	32,910,297.65	3,871,311.37
III. Termination benefits	3,716,281.21		519,403.32	3,196,877.89
Total	289,305,913.99	972,355,863.90	1,041,693,184.00	219,968,593.89

**(2) Details of Short-term employee benefits**

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
1. Wage, bonus, allowances and subsidy	264,874,751.98	793,550,205.74	864,919,353.82	193,505,603.90
2. Employee welfare fund		27,709,433.14	27,709,433.14	
3. Social insurance premium	10,408,040.81	54,208,888.92	52,896,580.40	11,720,349.33
Including: Occupational injuries premium	256,781.03	805,218.15	827,973.35	234,025.83
Medicare premium and Maternity premium	2,405,489.05	18,967,757.73	19,016,455.93	2,356,790.85
Overseas social security contributions	7,745,770.73	34,435,913.04	33,052,151.12	9,129,532.65
4. Housing provident fund		16,029,179.81	16,029,179.81	
5. Trade union fund and employee education fund	1,224,164.06	3,590,876.43	3,554,347.13	1,260,693.36
Dispatching remuneration	3,460,279.64	43,149,696.73	43,154,588.73	3,455,387.64
Cash stock appreciation option	2,734,254.94	224,115.46		2,958,370.40
Total	282,701,491.43	938,462,396.23	1,008,263,483.03	212,900,404.63

**(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	2,771,543.35	32,894,443.29	31,945,151.28	3,720,835.36
2. Unemployment insurance premium	116,598.00	999,024.38	965,146.37	150,476.01
Total	2,888,141.35	33,893,467.67	32,910,297.65	3,871,311.37

**27. Taxes and rates payable**

Unit: RMB

Items	Closing balance	Opening balance
VAT	23,370,647.97	14,647,359.92
Enterprise income tax	66,877,724.47	33,105,141.57
Individual income tax	5,192,919.69	5,797,449.67
Urban maintenance and construction tax	1,894,588.22	2,283,772.47
Education surcharge	978,617.02	1,207,595.10
Local education surcharge	652,424.69	717,275.16
Housing property tax	7,615,056.89	14,503,893.38
Land use tax	6,375,492.82	2,162,780.06
Local foundation for water works	73,179.76	60,119.04
Others	690,572.93	522,755.69
Total	113,721,224.46	75,008,142.06

**28. Other payables**

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	1,200,000.00	
Other payables	228,347,075.23	270,888,400.58
Total	229,547,075.23	270,888,400.58

**(1) Dividend payable**

Unit: RMB

Items	Closing balance	Opening balance
Dividend of common stock	1,200,000.00	
Total	1,200,000.00	

## (2) Other payables

### 1) Other payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Restricted shares repo obligations	106,824,717.50	145,063,690.00
Freight and miscellaneous charges	69,107,949.99	72,117,058.15
Product warranty fee	3,030,855.08	2,757,036.90
Guarantee deposit	13,589,517.70	6,564,169.23
Rent and property fee	2,044,648.52	7,877,975.71
Compensation for product quality loss	1,303,380.14	3,889,429.08
Collection of talent awards	6,013,705.92	1,320,000.00
Others	26,432,300.38	31,299,041.51
Total	228,347,075.23	270,888,400.58

## 29. Non-current liabilities due within one year

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	770,000,000.00	
Overseas loan under domestic guarantee	241,362,511.00	130,498,000.00
Accrued interest	778,827.04	55,923.87
Total	1,012,141,338.04	130,553,923.87

## 30. Long-term borrowings

### (1) Categories of long-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	660,000,000.00	1,380,000,000.00
Overseas loan under domestic guarantee	256,465,970.00	326,142,884.74
Accrued interest	959,721.86	1,776,110.13



Total	917,425,691.86	1,707,918,994.87
-------	----------------	------------------

### 31. Bonds payable

#### (1) Bonds payable

Unit: RMB

Items	Closing balance	Opening balance
Convertible bond	2,588,449,353.66	
Total	2,588,449,353.66	

#### (2) Changed amount in current period (Excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

Unit: RMB

Bonds	Nominal value	Issue date	Bond duration	Issue amount	Opening balance	Issue in current period	Accrued interest at nominal value	Premium or discount amortization	Repayment in current period	Closing balance
Sanhua convertible bond	100.00	Jun 1, 2021	6 years	3,000,000,000.00		2,577,764,452.17	500,000.00	10,184,901.49		2,588,449,353.66
Total	--	--	--	3,000,000,000.00		2,577,764,452.17	500,000.00	10,184,901.49		2,588,449,353.66

#### (3) Condition for shares converted from convertible bond and the time of conversion

According to ZJXX [2021] No. 168, the company issued RMB 3 billion convertible bonds on June 1, 2021. The Company issued 30 million convertible corporate bonds with a nominal value of RMB 100.

Condition for shares converted from convertible bond and the time of conversion:

- 1) Bond duration: The term of convertible bonds is 6 years from the date of issuance, i.e. from June 1, 2021 to May 31, 2027
- 2) Nominal interest rate: 0.2% in the first year, 0.4% in the second year, 0.6% in the third year, 1.5% in the fourth year, 1.8% in the fifth year and 2.0% in the sixth year.

3) Initial shares conversion price: the initial conversion price of the convertible bonds is RMB 21.55 per share. During the duration of the convertible bond, when the closing price of the Company's stock is lower than 85% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the board of directors of the Company has the right to propose a downward amendment for the conversion price and submit it to the general meeting of shareholders of the Company for deliberation and voting.

4) Term of conversion: the term of the convertible bond starts from the first trading day (December 7, 2021), 6 months after the end of the issuance on June 7, 2021(T + 4 days), to the maturity date of the convertible bond (May 31, 2027)

## 5) Redemption conditions:

## a. Redemption at maturity

Within five trading days after the maturity of convertible bond issuance, the Company will redeem the unconverted convertible bond at a price of 110% of the bond's nominal value (including the last instalment interest)

## b. Conditional redemption

During the conversion period, when any of the following situations occurs, the Company reserves the right to decide to redeem all or part of the convertible bonds that have not been converted at the nominal value of the bonds plus the accrued interest for the current period.

(1) The closing price of the Company's stock shall not be lower than 130% of the current conversion price for at least 15 trading days in any 30 consecutive trading days.

(2) When the unconverted balance of convertible bond is less than RMB 30 million.

## 6) Puttable bonds provision

## a. Conditional convertible puttable bonds

In the last two interest bearing years of the Conditional Convertible Puttable Bonds (“the Puttable Bonds”), if the company's stock closing price for any 30 consecutive trading days is lower than 70% of the current conversion price, the Puttable Bonds holders have the right to resell all or part of the Puttable Bonds to the Company at the nominal value plus the current accrued interest. If the conversion price has been adjusted within by the above 30 trading days, the trading day before adjustment should be calculated according to the conversion price and closing price before adjustment, and the trading day after adjustment shall be calculated according to the conversion price and closing price after adjustment. In case of downward amendment for the conversion price, the above 30 consecutive trading days should be recalculated from the first trading day after downward amendment for the conversion price.

Within the last two interest bearing years of the Puttable Bonds, after the conditions for exercise right are met for the first time each year, the holder of the Puttable Bonds can exercise the puttable right once in accordance with the above agreed conditions. If the conditions for bondholders to exercise the right to early repayment of the principal are met for the first time and the holder of the Puttable Bonds fails to notify their intention to exercise it during the repurchase declaration period announced by the company at that time, the bondholder right to early repayment shall not be exercised in the interest calculation year. Each puttable bond holder can exercise the puttable right only once in accordance with the above agreed conditions.

## b. Additional issuance of puttable bonds

If there is a significant change in the implementation of the company's investment project with the proceeds raised from the issuance of Puttable Bonds and the company's commitment in the prospectus, it will be deemed to be a change in the use of the proceeds according to the relevant provisions of the China Securities Regulatory Commission or be recognized by the China Securities Regulatory Commission as if the purpose of the raised funds is changed, the holders of the Puttable Bonds have the option to exercise the right once to early repayment of principal. Holders of Puttable Bonds have the right to sell all or part of their Puttable Bonds back to the company at the bond face value plus current accrued interest. In the event that additional issuance of puttable bonds conditions are met, the existing holder can exercise its right for the bond to be redeemed during the reporting period after the company's announcement; if the right to redemption is not exercised during the reporting period by the bondholder, the bondholder's right shall not be exercised.

**32. Long-term payables**

Unit: RMB

Items	Closing balance	Opening balance
-------	-----------------	-----------------

Long-term payables	84,940,677.91	90,336,083.27
Total	84,940,677.91	90,336,083.27

**(1) Long-term payables listed by nature**

Unit: RMB

Items	Closing balance	Opening balance
Payables for financial leasing	84,162,723.15	89,432,221.08
Stock appreciation rights deposit	777,954.76	903,862.19

**Payables for financial leasing**

Remaining lease term	Closing balance	Opening balance
Within 1 year	9,196,945.21	6,417,433.10
1 to 2 years	9,840,440.59	10,274,197.36
2 to 3 years	10,019,388.66	10,274,197.36
Over 3 years	62,098,461.15	70,534,422.75
Subtotal	91,155,235.61	97,500,250.57
Less: Unrecognized financing charges	6,992,512.46	8,068,029.49
Subtotal	84,162,723.15	89,432,221.08

**33. Accrued Liability**

Unit: RMB

Items	Closing balance	Opening balance	Reason
Pending litigation		2,638,000.00	
Total		2,638,000.00	--

**34. Deferred income**

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance	Reason
Government grants	140,105,336.43	4,700,000.00	10,005,522.49	134,799,813.94	
Total	140,105,336.43	4,700,000.00	10,005,522.49	134,799,813.94	--

Projects related to government grants:

Unit: RMB

Items	Opening balance	Increased in current period	Grants included into Non-operating revenue in current period	The amount recorded as other income in current period	Offsetting cost and expenses in current period	Other changes	Closing balance	Related to assets/related to income
Grant for project of an annual output of 15 million commercial refrigeration and air-conditioning automatic control components	2,449,000.20			1,224,499.98			1,224,500.22	Related to assets
Special fund grant for multistory factory buildings of small and medium-sized enterprises	4,995,134.10			110,959.98			4,884,174.12	Related to assets
Grant for innovation ability construction project of National Enterprise Technology Center	3,125,000.16			312,499.98			2,812,500.18	Related to assets
Grant for technical transformation project of newly increased 800000 sets of heat exchanger per year	2,274,000.00			379,000.00			1,895,000.00	Related to assets
Grant for technical transformation project of new annual output of 2 million air conditioning components	2,208,000.08			276,000.00			1,932,000.08	Related to assets
Grant for the industrialization project of 20 million refrigeration and air conditioning automatic control components	278,837.70			278,837.70				Related to assets
Grant for commercial machine micro-channel heat exchanger technical transformation project	1,291,850.00			369,100.00			922,750.00	Related to assets
Grant for 1 million sets of air-conditioning thermal sensor technology transformation of new energy vehicle	5,492,100.16	500,000.00		457,674.95			5,534,425.21	Related to assets

Grant for an annual output of 2 million sets of high-efficiency energy-saving inverter controllers	1,779,470.08			257,973.82	
Grant for technical transformation project of newly increased 100000 sets of heat exchanger per year	5,056,860.00			421,405.00	
Grant for construction project of public test and detection service platform for refrigeration components	699,999.64			350,000.04	
Grant for the construction project of automatic control components for residential air conditioners with an annual output of 10 million	480,000.00			240,000.00	
Grant for pollution source treatment project	1,168,491.67			89,450.00	
Grant for construction project of public inspection and testing service platform for automobile air conditioning parts	256,666.87			192,499.98	
Technical transformation project for the production line of energy-saving residential air-conditioning control components with an annual output of 50 million sets	497,115.56			63,461.52	
Grant for construction project of 25 million sets of new energy-saving and environmental protection variable frequency air conditioning expansion valve	340,000.28			67,999.98	
Industrial transfer projects and single equipment investment grant	306,364.06			71,196.42	
Comprehensive investment award for technological transformation of industrial enterprises in Wuhu City	2,985,248.00			178,944.00	
Industrial transformation and upgrading, technological	1,412,834.44			101,212.44	

transformation and industrial investment					
Grant for comprehensive technical transformation project of intelligent manufacturing of refrigeration components	5,799,850.00			414,274.98	
Grant for technical transformation project of 30 million sets of high efficiency energy saving refrigeration and air conditioning control components	6,400,000.00			400,000.02	
Grant for project of an annual output of 11.5 million new energy automobile parts	17,663,068.27	4,200,000.00		1,488,090.22	
Four-way reversing valve optimization project	573,333.44			79,999.98	
Policy grant for Wuhu City's strong industrial base and manufacturing strong province	705,000.00			45,000.00	
Grant for technical transformation project of annual output of 7.3 million new energy vehicle thermal management system components	40,380,000.00				
Annual production of 3 million self-circulating superconducting plates technology project	717,750.00			49,500.00	
Intelligent factory technological transformation project based on The Internet of Things technology	3,624,999.89			250,000.02	
Grant for intelligent manufacturing technical transformation project of an annual output of 6 million commercial refrigeration components	2,631,220.00			180,000.00	
Comprehensive award and compensation for investment in technological transformation of industrial enterprises	1,942,702.09			137,982.12	
Grant for technical transformation project of annual	1,115,724.17			56,254.98	

output of 12 million commercial refrigeration control components					
Grant for equipments promoting new type industrial technological transformation	1,273,707.32			65,888.98	
Product technical transformation project of annual output of 700000 large heat exchangers	6,025,050.00			334,725.00	
Grant for technical transformation project of 30 million sets of high efficiency energy saving refrigeration and air conditioning control components	12,015,132.50			605,805.00	
Grant for energy-saving project with an annual output of 35 million sets of L-type four-way reversing valve for air conditioners	2,140,825.75			455,285.40	
Total	140,105,336.43	4,700,000.00		10,005,522.49	

**35. Other non-current liabilities**

Unit: RMB

Items	Closing balance	Opening balance
Engineering agent construction fund	28,782,218.09	28,782,218.09
Long-term employee rights protection payment	50,218,720.65	51,616,679.63
Total	79,000,938.74	80,398,897.72

Other remarks:

According to local investment promotion policies, the "seven connections and one leveling" project of the construction land of the Wuhu city is completed by Wuhu high-tech Industrial Development Zone Administration Committee. As the state-owned assets management unit of Wuhu high-tech Industrial Development Zone, Wuhu Xinma Investment Co., Ltd. and Wuhu High-tech Construction Development Co., Ltd. entrusted Wuhu Sanhua Auto-control Components Co., Ltd and Wuhu Sanhua Technology Co., Ltd. to build the "seven connections and one leveling" project, and allocated RMB 72.03 million as engineering fund. As of June 30, 2021, the accumulated amount of hedging and written-off of engineering agent construction fund and project expense was RMB 43.2478 million, and the amount to be written-off at the end of the period was RMB 28.7822 million.

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

**36. Share capital**

Unit: RMB

	Opening balance	Changed amount of current period (+/-)					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	3,591,601,468.00						3,591,601,468.00

**37. Other equity instruments****(1) Changes in preferred shares, perpetual bonds and other financial instruments issued at the end of the period**

Unit: RMB

Financial instruments issued	Opening balance		Increased in current period		Decreased in current period		Opening balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value



Convertible bond				409,766,556.24				409,766,556.24
Total				409,766,556.24				409,766,556.24

Changes of other equity instruments in the current period, explanation of change reasons, and basis of relevant accounting treatment:

With the approval of [2021] No. 168 document of China Securities Regulatory Commission, the company publicly issued 30 million convertible bonds on June 1, 2021, with a nominal value of RMB100 per share, a total issuance amount of RMB 3 billion and a term of 6 years. The total amount of funds raised from the issuance of convertible bonds is RMB 3 billion, after deducting the issuance expenses of RMB 12,468,991.59 (excluding tax), the actual net amount of funds raised is RMB 2,987,531,008.41.

With reference to the credit bond interest rates of similar enterprises with AA + credit rating and similar maturities in the market, and after deducting the bond issuance expenses, the value of the convertible bond debt instrument is RMB 2,577,764,452.17 and the value of the equity instrument is RMB 409,766,556.24.

### 38. Capital reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Capital premium (Share premium)	99,640,721.51	41,153,220.00		140,793,941.51
Other capital reserve	215,776,712.71	26,270,045.10	47,326,203.00	194,720,554.81
Total	315,417,434.22	67,423,265.10	47,326,203.00	335,514,496.32

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

Reasons for changes in the current period: ①In current period, the company have unlocked 4,596,150 equity incentive restricted shares, corresponding to share-based payment remuneration of RMB 41,153,220.00, transfer the same amount from capital reserve to share premium, and reduce other capital reserves and deferred income tax assets RMB 6,172,983.00; ②Other capital reserve increased RMB 26,270,045.10 due to the confirmation of share-based payment remuneration.

### 39. Treasury shares

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Restricted shares	145,063,690.00		38,238,972.50	106,824,717.50
Repo shares	136,420,051.34			136,420,051.34
Total	281,483,741.34		38,238,972.50	243,244,768.84

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

①In April 2021, the company implemented the 2020 equity distribution with a dividend of RMB 5,553,275.00 for equity incentive restricted shares, and the treasury shares and repo obligations payable were reduced by the same amount; ②In current period, the company have unlocked 4,596,150 equity incentive restricted shares, the grant price was RMB 9.85 per share, after ex-rights dividend adjustment, the price approximately equal to RMB 7.1115 per share  $((9.85-0.15)/(1+0.3)-0.1-0.25)$ , unlocked

amount is RMB 32,685,697.50, and the treasury shares and repo obligations payable were reduced by the same amount.

#### 40. Other comprehensive income (OCI)

Unit: RMB

Items	Opening balance	Changed amount of the current period						Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: OCI carried forward transferred to undistributed profit	Less: income tax expense	Attributable to the parent Company after tax	Attributable to Non-controlling interest after tax	
Items to be reclassified subsequently to profit or loss	-89,624,962.61	-17,246,635.52				-17,246,635.52		-106,871,598.13
Converted difference in Foreign	-89,624,962.61	-17,246,635.52				-17,246,635.52		-106,871,598.13
Total OCI	-89,624,962.61	-17,246,635.52				-17,246,635.52		-106,871,598.13

#### 41. Surplus reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Statutory surplus reserve	611,472,556.89			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	637,967,613.47			637,967,613.47

#### 42. Undistributed profit

Unit: RMB

Items	Current period	Previous period
Balance before adjustment at the end of the previous period	5,890,916,707.83	5,278,392,288.84
Opening balance after adjustment	5,890,916,707.83	5,278,392,288.84
Add: Net profit attributable to shareholders of the	823,881,221.70	643,481,717.35

parent company for current year		
Less: Payable dividends on ordinary shares	895,454,593.00	413,337,540.30
Closing balance of undistributed profit	5,819,343,336.53	5,508,536,465.89

### 43. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	7,359,458,785.54	5,303,220,897.98	5,154,036,483.16	3,687,894,611.98
Other operations	314,622,976.15	298,590,581.64	164,142,143.61	151,731,392.72
Total	7,674,081,761.69	5,601,811,479.62	5,318,178,626.77	3,839,626,004.70

### 44. Taxes and surcharges

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	10,179,080.41	11,285,362.07
Education surcharge	5,228,681.60	5,862,443.58
Housing property tax	7,902,829.60	7,739,313.64
Land use tax	4,561,087.17	3,936,973.44
Stamp duty	2,905,152.17	1,718,299.51
Local education surcharge	3,485,801.10	3,917,789.39
Local foundation for water works	480,439.56	317,066.13
Others	1,620,081.44	1,532,392.64
Total	36,363,153.05	36,309,640.40

### 45. Selling expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	107,494,444.60	89,959,268.53
Warehousing, freight and miscellaneous charges	170,380,255.46	107,209,661.24

Entertainment expense	15,792,822.53	11,184,991.26
Travel expense	6,797,345.19	7,216,150.87
Market maintenance fee	7,048,733.83	21,127,233.51
Advertising expense	1,899,365.32	3,565,221.92
Others	12,495,802.53	17,179,973.21
<b>Total</b>	<b>321,908,769.46</b>	<b>257,442,500.54</b>

#### 46. Administrative expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	221,584,740.82	180,394,958.75
Share-based payment remuneration	26,494,160.56	31,363,797.18
Office expense	43,677,277.45	37,525,515.30
Entertainment expense	7,220,376.68	4,931,757.55
Depreciation and amortization expense	34,793,775.73	33,079,843.36
Intermediary service fee	15,889,432.17	15,638,721.85
Vehicle expense	5,647,121.79	3,554,310.73
Others	19,124,651.01	8,861,840.43
<b>Total</b>	<b>374,431,536.21</b>	<b>315,350,745.15</b>

#### 47. R&D expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	186,897,454.69	133,441,569.36
Material and power expense	110,747,519.73	70,421,777.52
Depreciation and amortization expense	17,325,821.94	16,095,750.47
Mold manufacturing fee	22,006,077.52	9,274,489.97
Travel expense	1,375,884.50	1,444,769.03
Royalties	2,136,353.46	1,278,190.44
Outsourcing R&D expense	150,000.00	734,967.97
Others	11,536,437.78	7,321,413.62
<b>Total</b>	<b>352,175,549.62</b>	<b>240,012,928.38</b>

**48. Financial expenses**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Interest expense	40,208,255.75	32,558,310.10
Interest income	-43,640,017.31	-19,167,271.27
Bank financing fee	802,376.05	1,399,332.23
Cash discount	-1,978,825.66	-1,126,936.47
Exchange gains or losses	51,129,161.17	-45,679,616.29
Others	2,783,481.90	2,122,784.66
<b>Total</b>	<b>49,304,431.90</b>	<b>-29,893,397.04</b>

**49. Other income**

Unit: RMB

Source of the other income	Current period cumulative	Preceding period comparative
Government grants	71,379,416.62	100,414,953.91
Including: VAT refund of civil welfare enterprises	4,370,400.00	5,134,826.02
VAT refund on software products in excess of tax burden	2,974,905.57	1,689,841.68
Handling fees for withholding individual income tax	702,064.60	1,113,187.32
<b>Total</b>	<b>72,081,481.22</b>	<b>101,528,141.23</b>

**50. Investment income**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	4,108,890.70	1,826,673.64
Investment income of bank financing products	4,163,475.28	20,408,132.79
Gains and losses on settlement of futures contracts	31,449,091.11	-17,407,734.45
Gains and losses on settlement of foreign exchange contract	61,385,788.33	-12,822,186.77
Bill discount interest	-3,707,072.41	-114,807.17

Total	97,400,173.01	-8,109,921.96
-------	---------------	---------------

**51. Gains or losses on changes in fair value**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Floating income of bank financing products	-613,379.14	-300,099.30
Floating income of futures contracts	-11,620,437.02	18,412,630.80
Floating income of foreign exchange contract	-20,461,881.22	-11,592,485.54
Total	-32,695,697.38	6,520,045.96

**52. Credit impairment loss**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Provision for bad debt	-48,442,168.40	-12,874,290.80
Total	-48,442,168.40	-12,874,290.80

**53. Assets impairment loss**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss and contract performance cost impairment loss	-18,614,580.55	-6,302,857.17
Total	-18,614,580.55	-6,302,857.17

**54. Gains on asset disposal**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Gains on disposal of fixed assets	400,172.51	-319,355.00

**55. Non-operating revenue**

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Exempted payment	1,062,439.33	637,810.13	1,062,439.33
Compensation and penalty income	1,182,168.21	471,406.19	1,182,168.21
Gains from retirement of fixed assets	74,165.94	26,006.68	74,165.94
Others	153,386.66	331,761.81	153,386.66
<b>Total</b>	<b>2,472,160.14</b>	<b>1,466,984.81</b>	<b>2,472,160.14</b>

## 56. Non-operating expenditures

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	160,000.00	52,072.82	160,000.00
Losses on retirement of fixed assets	2,097,520.70	1,109,947.20	2,097,520.70
Compensation and liquidated damages expenses	942,720.28		942,720.28
Others	403,940.72	192,059.13	403,940.72
<b>Total</b>	<b>3,604,181.70</b>	<b>1,354,079.15</b>	<b>3,604,181.70</b>

## 57. Income tax expenses

### (1) Income tax expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	162,540,094.71	90,079,636.80
Deferred income tax expenses	8,067,026.45	8,937,711.57
<b>Total</b>	<b>170,607,121.16</b>	<b>99,017,348.37</b>

### (2) Reconciliation of accounting profit to income tax expenses

Unit: RMB

Items	Current period cumulative
-------	---------------------------

Profit before tax	1,007,084,200.68
Income tax expense based on statutory/applicable tax rate	171,418,116.18
Effect of prior income tax reconciliation	9,019,203.13
Effect of deducible temporary differences or deductible losses not recognized	416,537.08
Adjustment of permanent differences	-10,246,735.23
Income tax expenses	170,607,121.16

## 58. Other comprehensive income

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

## 59. 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	44,281,463.72	88,442,413.04
Net change in restricted funds	730,130.35	
Interest income	43,640,017.31	19,167,271.27
Rental income	4,188,087.32	5,168,725.74
Guarantee deposit, etc.	19,865,200.23	26,203,437.00
Total	112,704,898.93	138,981,847.05

### (2) Other cash payments related to operating activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Net change in restricted funds		56,390,427.84
Guarantee deposit	939,945.51	901,638.78
Expense payments for the period	520,664,325.30	315,998,963.23
Total	521,604,270.81	373,291,029.85



**(3) Other cash receipts related to investing activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Redemption of bank financing products	579,087,170.50	276,799,043.00
Net change in restricted funds		850,000.00
Income from settlement of foreign exchange instruments	61,385,788.32	
Income of settlement of futures instruments	31,449,091.11	
<b>Total</b>	<b>671,922,049.93</b>	<b>277,649,043.00</b>

**(4) Other cash payments related to investing activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Payments for purchasing bank financing products	17,000,000.00	505,000,000.00
Net change in restricted funds	18,150,010.98	8,965,073.04
Loss from settlement of foreign exchange instruments		12,129,251.67
Loss of settlement of futures instruments		14,109,054.76
<b>Total</b>	<b>35,150,010.98</b>	<b>540,203,379.47</b>

**(5) Other cash receipts related to financing activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Net change in restricted funds		26,080,652.17
Issuance of convertible bond	2,987,977,500.00	
<b>Total</b>	<b>2,987,977,500.00</b>	<b>26,080,652.17</b>

**(6) Other cash payments related to financing activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
-------	---------------------------	------------------------------

Repayment of financial lease and interest	6,345,014.96	2,380,973.66
Bank financing fee	802,376.05	1,399,332.23
Repo shares expenses (including restricted shares)	2,262,423.50	
<b>Total</b>	<b>9,409,814.51</b>	<b>3,780,305.89</b>

## 60. 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	836,477,079.52	640,867,524.19
Add: Provision for assets impairment loss	67,056,748.95	19,177,147.97
Depreciation of fixed assets, oil and gas assets, productive biological assets	221,626,816.40	188,283,241.38
Depreciation of right of use assets		
Amortization of intangible assets	10,184,699.56	9,406,201.41
Amortization of Long-term prepayments	4,642,412.23	4,013,736.74
Loss on disposal of fixed assets, intangible assets and other long-term assets (or “-”: gains)	-400,172.51	319,355.00
Loss on retirement of fixed assets (or “-”: gains)	2,023,354.76	1,083,940.52
Losses on changes in fair value (or “-”: gains)	32,695,697.38	-6,520,045.96
Financial expenses(or “-”: income)	41,010,631.80	33,957,642.33
Investment loss(or “-”: income)	-101,107,245.42	8,109,921.96
Decrease of deferred tax assets(or “-”: increase)	-12,621,431.57	4,667,823.78
Increase of deferred tax liabilities (or “-”: decrease)	20,730,283.65	4,269,887.79
Decrease in inventories(or “-”: increase)	-629,050,587.52	271,639,352.73
Decrease in operating receivables(or “-”: increase)	-522,973,086.43	112,901,508.32
Increase of operating payables (or “-”: decrease)	828,651,377.36	-218,889,585.92
Others	26,270,045.10	31,363,797.18
Net cash flow from operating activities	825,216,623.26	1,104,651,449.42
2. Significant investing and financing activities not related to cash receipts and payments:	--	--

The conversion of a debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:	--	--
Closing balance of cash	6,194,924,772.42	3,263,679,215.37
Less: Opening balance of cash	3,400,144,038.54	2,553,783,015.01
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	2,794,780,733.88	709,896,200.36

## (2) Composition of cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
I. Cash	6,194,924,772.42	3,400,144,038.54
Including: Cash on hand	327,111.73	232,265.51
Cash in bank that can be readily drawn on demand	6,194,597,660.69	3,399,911,773.03
II. Cash and cash equivalents at end of year	6,194,924,772.42	3,400,144,038.54

## 61. 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 balance	106,963,410.23	Guarantee deposit, Guarantee deposited in futures institutions, Bank deposits frozen by litigation
Notes receivable	1,579,929,231.31	Pledge financing
Total	1,686,892,641.54	--

## 62. Monetary items in foreign currencies

### (1) Monetary items in foreign currencies

Unit: RMB

Items	Closing balance in foreign	Exchange rate	RMB equivalent
-------	----------------------------	---------------	----------------

	currencies		
Cash and bank balances	--	--	
Including: USD			
EUR			
HKD			
Accounts receivable	--	--	
Including: USD			
EUR			
HKD			
Long-term receivable	--	--	
Including: USD			
EUR			
HKD			
Monetary fund			
Including: USD	46,015,091.67	6.4601	297,262,093.70
EUR	36,202,791.97	7.6862	278,261,899.64
Other currencies			57,851,656.41
Subtotal			633,375,649.75
Derivative financial assets			
Including: USD	1,576,886.76	6.4601	10,186,846.16
EUR	600.00	7.6862	4,611.72
Other currencies			749,740.85
Subtotal			10,941,198.73
Accounts receivable			
Including: USD	174,645,579.62	6.4601	1,128,227,908.90
EUR	42,997,722.05	7.6862	330,489,091.22
Other currencies			93,305,368.12
Subtotal			1,552,022,368.24
Other receivables			
Including: USD	2,688,153.59	6.4601	17,365,741.01
EUR	38,069.02	7.6862	292,606.10
Other currencies			15,943,987.01

Subtotal			33,602,334.12
Short-term borrowings			
Including: USD	39,065,059.93	6.4601	252,364,193.64
EUR	35,000,000.00	7.6862	269,017,000.00
Subtotal			521,381,193.64
Derivative financial liabilities			
Including: USD	628,634.25	6.4601	4,061,040.12
Subtotal			4,061,040.12
Accounts payable			
Including: USD	12,222,531.59	6.4601	78,958,776.32
EUR	10,293,975.90	7.6862	79,121,557.56
Other currencies			33,500,760.60
Subtotal			191,581,094.48
Other payables			
Including: USD	955,519.33	6.4601	6,172,750.42
EUR	1,766,403.53	7.6862	13,576,930.81
Other currencies			17,361,384.04
Subtotal			37,111,065.27
Non-current liabilities due within one year			
Including: USD	20,113,466.25	6.4601	129,935,003.32
EUR	14,500,000.00	7.6862	111,449,900.00
Subtotal			241,384,903.32
Long-term borrowings			
Including: USD	39,758,435.57	6.4601	256,843,469.64
EUR		7.6862	
Subtotal			256,843,469.64
Long-term payables			
Including: USD	32,288.00	6.4601	208,583.67
EUR	11,015,552.19	7.6862	84,667,737.24
Other currencies			64,357.00
Subtotal			84,940,677.91

**(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, Japanese yen, Polish zloty, Mexican pesos, etc. are used as the standard reporting currency.

### 63. Government grants

#### (1) Refund of government grants

Applicable ✓ Not Applicable

Other remarks:

Government grants

##### (1) Details

1) Government grants related to assets

For details, please refer to explanation of deferred income in the notes of the consolidated financial statements.

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

Items	Current period cumulative	Financial Report Items
Overseas subsidy of COVID-19	15,149,189.44	Other income
Award of enterprise R&D investment	11,115,100.00	Other income
Talent introduction and job stabilization subsidies	6,748,889.22	Other income
VAT refund of civil welfare enterprises	4,370,400.00	Other income
Subsidy and award of innovative development	4,366,000.00	Other income
Enterprise patent subsidy	4,238,800.00	Other income
Subsidies and rewards for scientific and technological innovation and entrepreneurship	3,900,000.00	Other income
Special funds for foreign trade and economic development	3,710,600.00	Other income
VAT refund on software products in excess of tax burden	2,974,905.57	Other income
Return of employment promotion unemployment insurance	2,042,500.00	Other income
Industrial support fund bonus	1,480,367.00	Other income

Others	1,979,207.50	Other income
Subtotal	62,075,958.73	

(2) The amount of government grants included in the profit or loss statement in the current period is RMB 72,081,481.22

## VIII. 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 & Appliance Controls Group Co., Ltd	Zhejiang	Zhejiang	Manufacture	74.00%	26.00%	Business combination under common control
Zhejiang Sanhua Automotive Components Co., Ltd	Zhejiang	Zhejiang	Manufacture	100.00%		Business combination under common control
Sanhua(hangzhou) Micro Channel Heat Exchanger Co., Ltd	Zhejiang	Zhejiang	Manufacture	100.00%		Business combination under common control
Zhejiang Sanhua Commercial Refrigeration Controls Co., Ltd	Zhejiang	Zhejiang	Manufacture	100.00%		Establishment
Sanhua International Singapore Pte. Ltd	Singapore	Singapore	Commerce	100.00%		Business combination under common control
Sanhua International Inc	the United States	the United States	Commerce	100.00%		Business combination under common control

Other remarks:

The above subsidiaries are significant subsidiaries of the Company.

## IX. Risks Relating to Financial Instruments

The Company's operating activities have exposure to various financial risks, 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. During the evaluation, the Company considers that it can obtain reasonable and supportable information without additional cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, 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.

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, which include: 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, for economic or contractual reasons relating to the debtor's financial difficulty, the creditor having granted to the debtor a concession 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 account receivable.

The Company deposits 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, cash and bank balances, 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 June 30, 2021, the Company has a certain concentration of credit risk, and 35.89% 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 June 30, 2021, the undiscounted contractual cash flows of the Company's financial liabilities listed by maturity date are shown in the following table (Unit: RMB):

#### 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)	523,812,457.25			523,812,457.25
Notes payable	1,856,484,983.84			1,856,484,983.84
Accounts payable	2,491,675,800.21			2,491,675,800.21
Other payables	228,347,075.23			228,347,075.23
Non-current liabilities due within one year (Include interest)	1,034,381,809.45			1,034,381,809.45
Long-term borrowings (Include interest)		949,241,904.65		949,241,904.65
Long-term payables (Include interest)	9,196,945.21	19,859,829.25	62,098,461.15	91,155,235.61
Subtotal	6,143,899,071.19	969,101,733.90	62,098,461.15	7,175,099,266.24

(Continued)

Items	Opening 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 payables	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	20,548,394.72	70,534,422.75	97,500,250.57
Subtotal	4,312,589,459.38	1,802,238,882.55	70,534,422.75	6,185,362,764.68

#### (III) Market Risk

##### 1. Interest Rate Risk

The Company's interest risk relates mainly to bank borrowings. The Company's cash flow interest risks arise from floating interest of financial liabilities, and fair value interest risks arise from fixed-rate of financial

liabilities. The Company determines the proportion of fixed-rate financial liabilities and floating interest rate financial liabilities based on the market environment. As of June 30, 2021, 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. The Company continues to monitor the level of interest rates.

## 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; c. Carry out forward exchange settlement and foreign currency swap business to lock in exchange rates.

As of June 30, 2021, please refer to “monetary items in foreign currencies” of notes to financial statements for details in foreign currency financial assets and liabilities.

## X. Disclosure of Fair Values

### 1. Fair values of the assets and liabilities measured at fair value at the end of the period

Unit: RMB

Items	Fair value as of the balance sheet date			
	Level 1	Level 2	Level 3	Total
<b>I. Recurring fair value measurement</b>	--	--	--	--
<b>(I) Held-for-trading financial assets</b>	5,529,209.66	110,387,809.10	100,000,000.00	215,917,018.76
Financial assets measured at fair value through profit or loss	5,529,209.66	110,387,809.10	100,000,000.00	215,917,018.76
(1) Debt instrument investments		89,524,312.14	100,000,000.00	189,524,312.14
(2) Derivative financial assets	5,529,209.66	20,863,496.96		26,392,706.62
Total amount of assets constantly measured at their fair values	5,529,209.66	110,387,809.10	100,000,000.00	215,917,018.76
<b>(II) Held-for-trading liabilities</b>	4,625,536.62	3,100,848.00		7,726,384.62
Derivative financial liabilities	4,625,536.62	3,100,848.00		7,726,384.62
Total amount of liabilities constantly measured at their fair values	4,625,536.62	3,100,848.00		7,726,384.62
<b>II. Non-constant measurement at fair values</b>	--	--	--	--

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

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

## 3. Items under second level constantly and non-constantly 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 constantly and non-constantly 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.

# XI. Related party relationships and transactions

## 1. Parent Company

Parent Company	Place of registration	Business nature	Registered capital	Holding proportion over the Company	Voting right proportion over the Company
Sanhua Holding Group Co., Ltd	Zhejiang	Industrial Investment	660 million yuan	50.12%	50.12%

Remarks on the parent company:

As of June 30, 2021, 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.

## 2. Information about the Company's subsidiaries

Please refer to notes of financial statements about interest on other entities.

## 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
Qingdao Sanhua jinlifeng Machinery Co., Ltd	Associates
Zhongshan Xuanyi Pipe Manufacturing Co., Ltd.	Associates

Other remarks

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

#### 4. Other related parties of the Company

Other related parties	Relationships with the Company
Zhejiang Sanhua Lvneng Industry 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
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 Fulda Intelligent Technology 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 Lvneng Industry Group Co., Ltd	ZSGE
Hangzhou Tongchan Machinery Co., Ltd.	HTM
Hangzhou Sanhua Research Institute Co., Ltd.	HSRI
Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.	ZSZR
Zhejiang Haoyuan Technology Co., Ltd.	ZHT
Ningbo Fulda Intelligent Technology Co., Ltd	NFIT
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	Whether it exceeds the transaction limit	Preceding period comparative
ZXPM	Merchandise	12,581,552.34	35,000,000.00	No	5,023,870.90

WAT	Merchandise	55,752.21	3,000,000.00	No	4,743.36
HSRI	Merchandise				14,303.48
QSJM	Merchandise				1,656,061.81
ZHT	Merchandise				1,063,598.21
HTM	Merchandise				57,168.14

Sale of goods and rendering of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Merchandise	52,256.96	674,800.00
QSJM	Merchandise	203,134.21	79,420.08
HSRI	Merchandise	101,089.74	182,978.26
ZSZR	Merchandise	9,734.51	
WAT	Merchandise	1,350.00	7,230.77

## (2) Related party guarantees

The Company as a guaranteed party

Unit: RMB

Guarantor	Guaranteed amount	Commencement date	Maturity date	Whether the guarantee is mature
SHG	1,430,000,000.00	February 27, 2020	October 25, 2022	No
SHG	44,000,000.00	December 24, 2019	December 23, 2021	No

Remarks of related party guarantees

The information listed in the table does not include the related guarantee within the consolidation scope, nor does it include the completed related guarantee, in which the second amount is in US dollars.

## (3) Key management's emoluments

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	6,196,143.93	4,127,788.78

## (4) Other related party transactions

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
ZHT	Rental fee, property management	6,034,039.91	628,351.19

ZSGE	fee, water and electricity fee,	2,631,152.03	1,032,369.03
HSRI	service fee	397,622.42	226,684.14
HTM	Purchase equipment	24,450,210.36	5,112,554.76
SHG	Rental income, property management income, water and electricity income, service income	3,848,329.72	4,313,221.66
HSRI		518,602.95	717,369.20
ZSGE		427,216.07	720,433.64
WAT		383,092.22	197,707.74
HFMT		236,607.29	966,272.27
ZHT		62,433.76	
HTM		22,852.39	

## 6. Related party transactions

### (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	SHG	68,948.53	3,447.43	180,000.00	9,000.00
Accounts receivable	WAT	271,957.50	13,597.88	376,293.54	18,814.68
Accounts receivable	HFMT	267,366.23	13,368.31		
Accounts receivable	HSRI	114,263.13	5,713.16	18,514.60	925.73
Accounts receivable	QSJM	79,541.66	3,977.08	26,973.19	1,348.66
Other receivable	SHG	20,000.00	1,000.00	20,000.00	1,000.00
Other non-current assets (equipment prepayment)	HTM	4,175,349.24		9,122,291.82	

### (2) Payables

Unit: RMB

Items	Related parties	Closing balance	Opening Balance
Accounts payable	ZXPM	5,254,603.61	1,072,110.11
Accounts payable	HTM	1,297,118.10	3,883,247.79
Accounts payable	HSRI	266,150.00	266,150.00
Accounts payable	ZHT	256,549.65	
Contract liabilities	WAT		1,518.94
Advances received	NFIT	10,000,000.00	10,000,000.00

Other payables	HFMT	100,000.00	100,000.00
----------------	------	------------	------------

## XII. Share-based payment

### 1. Overall information

✓ Applicable  Not applicable

Unit: share

Total equity instruments granted in current period	
Total equity instruments exercised in current period	4,596,150
Total equity instruments retired in current period	395,070
The range of exercise price of stock options issued by the company at the end of the period and the remaining term of the contract	The adjusted grant price of stock appreciation rights is RMB 4.34, 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 RMB 4.34, 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 7.11, which will be unlocked in batches within 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.

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, and it will be unlocked year by year in batches at a ratio of 30%:30%:40%.

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.

In April, 2021, the Company implemented the 2020 equity distribution. According to the methods stipulated in the "2018 Restricted Stock Incentive Plan" and "2018 Stock Appreciation Rights Incentive Plan", the exercise price of the underlying stocks involved were adjusted accordingly. After the adjustment, the grant price per share was RMB 4.34.

## (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.

In April 2021, the Company implemented the 2020 equity distribution. According to methods stipulated in the "2020 Restricted Stock Incentive Plan", the exercise price of the underlying stocks involved were adjusted accordingly. After the adjustment, the grant price per share was RMB 7.11.

## 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	123,513,933.28
Total expenses arising from equity-settled share-based payment	26,270,045.10

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 assumed by the Company and to be calculated on the basis of shares or other equity instruments	Calculated based on the closing price of the stock on the balance sheet date after deduction of the adjusted stock appreciation right grant price.
Accumulated liabilities arising from cash-settled share-based payment in	6,556,955.90



liabilities	
Total expenses arising from cash-settled share-based payment	224,115.46

### XIII. Commitments and contingencies

#### 1. Significant commitments

Significant commitments existing on the balance sheet date

No significant commitments matter needs to be disclosed by the Company

#### 2. Contingencies

**(1) If no significant contingent matter to be disclosed by the Company, it should also be noted accordingly**

No significant contingent matter needs to be disclosed by the Company.

### XIV. Other significant events

#### 1. Segment information

**(1) Basis for reportable segments and the accounting policy**

Reportable segments are identified 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 segments**

Unit: RMB

Items	Refrigeration and air-conditioning electrical parts business	Auto parts business	Inter-segment elimination	Total
Total operating revenue	5,563,260,796.57	2,110,820,965.12		7,674,081,761.69
Total operating cost	4,015,609,936.55	1,586,201,543.07		5,601,811,479.62
Total assets	15,837,690,723.09	5,169,808,588.81		21,007,499,311.90
Total liabilities	8,540,678,732.80	1,922,189,366.23		10,462,868,099.03

## XV. 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	306,020,208.90	58.76%			306,020,208.90	568,926,107.65	77.05%			568,926,107.65
Including:										
Receivables with provision made on a collective basis	214,764,608.71	41.24%	10,738,230.44	5.00%	204,026,378.27	169,453,230.80	22.95%	8,472,661.54	5.00%	160,980,569.26
Including:										
Total	520,784,817.61	100.00%	10,738,230.44	2.06%	510,046,587.17	738,379,338.45	100.00%	8,472,661.54	1.15%	729,906,676.91

Provision made on an individual basis:

Unit: RMB

Name	Closing balance			
	Book balance	Provision for bad debt	Accrued proportion	Accrued reason
Sanhua International Singapore Pte. Ltd	115,562,468.94			
Sanhua (Vietnam) Company Limited, etc.	68,788,408.36			
American Investment Fund I LLC	33,911,688.82			
Zhejiang Sanhua Commercial Refrigeration Controls Co., Ltd	28,141,509.72			
Zhejiang Sanhua Automotive Components Co.,Ltd	15,601,946.79			
Other subsidiaries	44,014,186.27			
Total	306,020,208.90		--	--

Provision made on a collective basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	214,764,608.71	10,738,230.44	5.00%
Total	214,764,608.71	10,738,230.44	--

If the Provision for bad debt of accounts receivable is accrued in accordance with the general expected credit loss model, please refer to the disclosure of other receivables to disclose the relevant information about the Provision for bad debt:

Applicable  Not Applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	520,784,817.61
Total	520,784,817.61

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

Provision for bad debt accrued in current period:

Unit: RMB

Category	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	8,472,661.54	2,265,568.90				10,738,230.44
Total	8,472,661.54	2,265,568.90				10,738,230.44

## (3) Top 5 debtors with the largest accounts receivable balances

Unit: RMB

Name	Closing balance	Proportion to the total balance of accounts receivable	Provision for bad debt at the end of the period
Sanhua International Singapore Pte. Ltd	115,562,468.94	22.19%	
Sanhua (Vietnam) Company Limited, etc.	68,788,408.36	13.21%	
The Third	63,886,602.40	12.27%	3,194,330.12
The Forth	58,929,632.21	11.32%	2,946,481.61
American Investment Fund I LLC	33,911,688.82	6.51%	
Total	341,078,800.73	65.50%	

**2. Other receivables**

Unit: RMB

Items	Closing balance	Opening balance
Dividends receivable	1,800,000.00	
Other receivables	394,689,965.06	348,897,078.11
Total	396,489,965.06	348,897,078.11

**(1) Dividends receivable****1) Categories of dividends receivable**

Unit: RMB

Project (or invested entity)	Closing balance	Opening balance
Wuhan Sanhua Refrigeration Parts Co., Ltd	1,800,000.00	
Total	1,800,000.00	

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

Unit: RMB

Other receivables categorized by nature	Closing balance	Opening balance
Principal and interest of capital assistance to subsidiaries	379,004,607.58	329,063,840.37
Refund of VAT receivable	1,962,668.32	8,536,537.99
Guarantee deposit	9,827,285.00	10,381,285.00
Others	4,271,529.69	1,224,031.39
Total	395,066,090.59	349,205,694.75

**2) Provision for bad debt**

Unit: RMB

Provision for bad debt	Phase 1	Phase 2	Phase 3	Total
	Next 12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2021	43,389.30	265,227.34		308,616.64
Balance in current period on January 1, 2021	—	—	—	—
Provision made in current	144,570.13			144,570.13

period				
Reversed in current period			77,061.24	77,061.24
Balance on June 30, 2021	187,959.43		188,166.10	376,125.53

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)	187,959.43
1 to 2 years	9,172.30
2 to 3 years	46,972.80
Over 3 years	132,021.00
Total	376,125.53

### 3) Top 5 debtors with the largest other receivables balances

Unit: RMB

Debtors	Nature of receivables	Closing balance	Aging	Proportion to the total balance of other receivables	Provision for bad debt at the end of the period
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	Financial aid	55,067,200.00	Within 1 year	13.94%	
Wuhu Sanhua Auto-control Components Co., Ltd	Financial aid	46,231,000.00	Within 1 year	11.70%	
Sanhua (Jiangxi) Self - control Components Co., Ltd.	Financial aid	45,318,000.00	Within 1 year	11.47%	
Wuhu Sanhua Refrigeration Fittings Co. Ltd	Financial aid	44,969,167.21	Within 1 year	11.38%	
Zhongshan Sanhua Refrigeration Components Co., Ltd	Financial aid	40,033,000.00	Within 1 year	10.13%	
Total	--	231,618,367.21	--	58.62%	

### 3. Long-term equity investments

Unit: RMB

Investees	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount

Investments in subsidiaries	6,113,625,945.18		6,113,625,945.18	4,515,044,723.75		4,515,044,723.75
Investments in associates and joint ventures	15,705,401.92		15,705,401.92	13,501,505.62		13,501,505.62
Total	6,129,331,347.10		6,129,331,347.10	4,528,546,229.37		4,528,546,229.37

## (1) Investments in subsidiaries

Unit: RMB

Investees	Opening balance(Carrying amount)	Changed amount of the current period				Closing balance (Carrying amount)	Closing balance of provision for impairment
		Investments increased	Investments decreased	Provision for impairment	Others		
Zhejiang Sanhua Automotive Components Co.,Ltd	1,994,138,976.82	5,959,855.74				2,000,098,832.56	
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co.,Ltd.	644,441,139.10	3,326,620.50				647,767,759.60	
Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd	320,278,269.01	3,069,749.10				323,348,018.11	
Sanhua International Inc.	308,285,328.31	265,399.02				308,550,727.33	
Sanhua International Singapore Pte. Ltd	664,644,511.07	1,221,079.62				665,865,590.69	
Wuhu Sanhua Auto-control Components Co., Ltd	151,271,932.66	316,125.36				151,588,058.02	
Sanhua (Jiangxi) Self - control Components Co., Ltd.	93,367,388.93	186,714.20				93,554,103.13	
Xinchang Sitong Electrical and Mechanical Co., Ltd	46,645,756.62	382,252.13				47,028,008.75	
Zhejiang Sanhua Commercial Refrigeration Controls Co., Ltd	68,290,894.37	1,581,000,000.00				1,649,290,894.37	
Zhejiang Sanhua Trading Co., Ltd	53,745,007.56	928,812.72				54,673,820.28	
Changzhou Ranco Reversing Valve Co., Ltd	62,499,656.16	21,183.00				62,520,839.16	
Hangzhou Leaderway Electronics Co., Ltd	51,017,554.19	1,109,051.28				52,126,605.47	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	32,527,587.10	212,854.20				32,740,441.30	
Zhongshan Sanhua Air conditioning Refrigeration Components Co., Ltd	5,082,444.18	112,028.64				5,194,472.82	
Wuhan Sanhua Refrigeration Parts Co., Ltd	4,240,191.30	163,152.06				4,403,343.36	
Zhongshan Sanhua Refrigeration Components Co., Ltd	5,899,010.73	207,963.54				6,106,974.27	
Suzhou Sanhua Air-Conditioner Parts Co.,Ltd	8,669,075.64	98,380.32				8,767,455.96	
<b>Total</b>	<b>4,515,044,723.75</b>	<b>1,598,581,221.43</b>				<b>6,113,625,945.18</b>	

**(2) Investments in associates and joint ventures**

Investees	Opening balance (Carrying amount)	Changed amount of the current period						
		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
I. Joint ventures								
II. Associates								
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	1,525,252.76			15,260.42				
Chongqing Tainuo Machinery Co., Ltd.	9,396,904.73			3,344,529.44			1,500,000.00	
Nanchang Sanhua Jinlifeng Machinery Co., Ltd.	1,517,138.95			-1,763.92				
Ningbo Jinlifeng Machinery Co., Ltd	1,062,209.18			345,870.36				
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.	0.00							
Xinchang zhejiang energy sanhua comprehensive energy co. Ltd	0.00							
Subtotal	13,501,505.62			3,703,896.30			1,500,000.00	
Total	13,501,505.62			3,703,896.30			1,500,000.00	



**4. Operating revenue and Operating cost**

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,466,694,440.92	1,937,346,462.24	2,025,861,982.70	1,525,914,788.36
Other operations	191,238,142.54	161,701,041.53	91,350,119.92	90,836,693.41
Total	2,657,932,583.46	2,099,047,503.77	2,117,212,102.62	1,616,751,481.77

**5. Investment income**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	3,703,896.30	1,922,776.38
Investment income from long-term equity investments under cost method	1,800,000.00	16,058,323.76
Gains on disposal of long-term equity investments		-13,099,711.84
Investment income of bank financing products	1,260,477.52	3,214,184.92
Gains and losses on settlement of futures contracts	13,415,131.42	-5,205,759.36
Gains and losses on settlement of foreign exchange contract	5,575,206.59	-1,711,629.28
Income of fund using fee	6,369,877.53	9,817,132.15
Total	32,124,589.36	10,995,316.73

**XVI. 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	-1,623,182.25	
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)	64,034,111.05	
Gains on changes in fair value of held-for-trading financial assets, derivative financial assets,	60,752,561.20	In order to avoid raw material price risks and exchange rate risks, the Company and its subsidiaries have

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		carried out derivatives instruments business, including futures contracts and foreign exchange forward contracts. From January to June 2021, the futures contracts income is RMB 19.8287 million, and foreign exchange forward contracts income is RMB 40.9239 million. And from January to June 2020, the futures contracts income is RMB 1.0049 million, and foreign exchange forward contracts loss is RMB 24.4147 million. Therefore, the amount of non-recurring profit and loss items produced large fluctuations between the first half of the two years. Meanwhile, the exchange loss from January to June 2021 is RMB 51.1292 million, and it is RMB 45.6796 million from January to June 2020. According to “the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Profit or Loss”, exchange gains and losses are recurring gains and losses, and futures and forward contracts gains and losses are non-recurring gains and losses.
Other non-operating revenue or expenditures except the above items	891,333.20	
Other profit or loss satisfying the definition of non-recurring profit or loss	702,064.60	
Less: Enterprise income tax affected	20,201,305.62	
Non-controlling interest affected	446,016.26	
Total	104,109,565.92	--

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 (RMB/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	8.04%	0.23	0.23
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	7.02%	0.20	0.20

### 3. 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	10,064,794,519.57	6/6	10,064,794,519.57
Net profit attributable to shareholders of ordinary shares	823,881,221.70	3/6	411,940,610.85
Cash dividend announced in April	-895,454,593.00	2/6	-298,484,864.33
Cash dividend announced in April, including the reduction of restricted shares repo obligations	5,553,275.00	2/6	1,851,091.67
Converted difference in Foreign Currency Statements	-17,246,635.52	3/6	-8,623,317.76
Equity-settled share-based payment (phase 1)	2,407,500.54	3/6	1,203,750.27
Equity-settled share-based payment (phase 2)	23,862,544.56	3/6	11,931,272.28
Net assets increased from unlocking of restricted stock incentive on June 18, 2021	26,512,714.50	0/6	-
Fair value of convertible bond equity which issued on June 1, 2021	409,766,556.24	1/6	68,294,426.04
Net assets attributable to shareholders of ordinary shares at the end of period	10,444,077,103.59		10,252,907,488.59

##### (2) Weighted average ROE

Items	Symbol	Current period cumulative
Net assets attributable to shareholders of ordinary shares of the parent company	A	823,881,221.70
Non-recurring profit or loss attributable to shareholders of ordinary shares of the parent company	B	104,109,565.92
Net profit attributable to shareholders of ordinary shares of the parent company after deducting non-recurring profit or loss	C=A-B	719,771,655.78
Weighted average net assets	D	10,252,907,488.59
Weighted average ROE	E=A/D	8.04%
Weighted average ROE after deducting non-recurring profit or loss	F=C/D	7.02%

#### 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 of the parent company	A	823,881,221.70
Non-recurring profit or loss attributable to shareholders of ordinary shares of the parent company	B	104,109,565.92
Net profit attributable to shareholders of ordinary shares of the parent company after deducting non-recurring profit or loss	C=A-B	719,771,655.78
Total shares at the beginning of period	D	3,591,601,468

Number of restricted stock (After increase by transferring and repo)	E	17,616,950
Weighted average number of ordinary shares outstanding (excluding restricted stock)	F=D-E	3,573,984,518
Basic EPS	G=A/F	0.23
Basic EPS after deducting non-recurring profit or loss	H=C/F	0.20

## (2) Diluted EPS

Items	Symbol	Current period cumulative
Net profit attributable to shareholders of ordinary shares of the parent company	A	823,881,221.70
Effect of convertible bond assumed conversion on net profit	B	9,082,166.27
Net profit attributable to shareholders of ordinary shares of the parent company after dilution	C=A+B	832,963,387.97
Non-recurring profit or loss attributable to shareholders of ordinary shares of the parent company	D	104,109,565.92
Net profit attributable to shareholders of ordinary shares of the parent company after deducting non-recurring profit or loss	E=C-D	728,853,822.05
Weighted average number of ordinary shares outstanding (excluding restricted stock)	F	3,573,984,518
Weighted average number of ordinary shares diluted by equity incentive restricted shares	G	10,280,289
Weighted average number of ordinary shares diluted by convertible bonds	H	23,201,856
Weighted average number of ordinary shares outstanding after dilution	I= F+G+H	3,607,466,663
Diluted EPS	J=C/I	0.23
Diluted EPS after deducting non-recurring profit or loss	K=E/I	0.20