

HARBIN BOSHI AUTOMATION CO.,LTD.

**2021** SUMMARY OF  
THE SEMI-ANNUAL REPORT

August 2021

**HARBIN BOSHI AUTOMATION CO., LTD. Semi-Annual Report 2021****( Abstract )****I . Important Notes**

This Abstract is extracted from Semi-Annual Report 2021. In order to have a full understanding of the operating results, financial condition and future development planning of the Company, investors are suggested to read the full report carefully on the media designated by the China Securities Regulatory Commission (the “CSRC”). The Company’s 2021 Semi-Annual Report is prepared and published in Chinese version, and the English version is for reference only. Should there be any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

All directors except listed below attended the Board Meeting in person for reviewing of this Semi-Annual Report.

Name of absent director	Position of absent director	Reasons of absence	Name of entrustee
Liu Yaojie	Director	Official business	Zhang Fan

Indicate by check mark if independent auditor issues non-standard unqualified opinion.

Applicable Not applicable

Indicate by check mark if there is a pre-arranged plan of profit distribution or transferring capital reserve into common stock for the report period which has been reviewed by the Board of Directors.

Applicable Not applicable

The Company does not plan to issue cash or equity dividends, nor to convert equity reserve into share capital of the Company.

Indicate by check mark if preplan for preferred stocks profit distribution to shareholders for the report period which has been reviewed and approved by the Board of Directors.

Applicable Not applicable

## II. Basic Situation of the Company

### 1. Company Profile

Stock Abbreviation	Boshi	Stock Code	002698
Stock Exchange for Stock Listing	Shenzhen Stock Exchange		
Contact Person and Contact Information	Secretary of the Board	Securities Affairs Representative	
Name	Chen Bo	Zhang Junhui	
Contact Address	9 Donghu Street, Concentration Zone of Yingbin Road, Harbin Development Zone, Heilongjiang province, China	9 Donghu Street, Concentration Zone of Yingbin Road, Harbin Development Zone, Heilongjiang province, China	
Tel	+86-451-84367021	+86-451-84367021	
Email	ir@boshi.cn	zhangjh@boshi.cn	

### 2. Company main business during the reporting period

Does the Company need to make retroactive adjustment or restatement of the accounting data of the previous year.

Yes No

	2021 H1	2020 H1	Increase/Decrease over the same period of previous year
Operating revenue (Yuan)	1,115,555,107.33	932,632,675.43	19.61%
Net profit attributable to shareholders of the parent company (Yuan)	286,687,578.90	226,355,138.50	26.65%
Net profit after deducting non-recurring profit or loss attributable to shareholders of the parent company (Yuan)	269,730,624.10	215,012,808.81	25.45%
Net cash flow from operating activities (Yuan)	183,443,783.69	27,095,464.08	577.03%
Basic earnings per share (Yuan/share)	0.2804	0.2214	26.65%
Diluted earnings per share (Yuan/share)	0.2804	0.2214	26.65%
Weighted average return on net assets	10.56%	9.50%	1.06%
	End of the current reporting period	End of previous year	Increase/Decrease over previous year end
Total assets (Yuan)	4,575,476,162.35	4,576,810,168.61	-0.03%
Total equity attributable to shareholders of the parent company (Yuan)	2,655,399,833.91	2,568,750,413.53	3.37%

## 3. Number of Shareholders and Shareholding

Unit: Share

Total number of shareholders of common stocks at the end of the reporting period	24,543	Total number of shareholders of preferred stock with resumed voting right at the end of the reporting period	0			
Top 10 shareholders						
Name	Nature	Ownership	Quantity of stocks	Quantity of restricted stocks held	Pledged or frozen stocks	
					Status	Quantity
Unicom Kaixing Equity Investment Management (Zhuhai Hengqin) Limited - Lianchuang Weilai (Wuhan) Intelligent Manufacturing Industrial Investment Partnership (Limited Partnership)	Others	17.11%	175,007,500			
Deng Xijun	Domestic natural person	9.31%	95,206,362	71,404,772		
Zhang Yuchun	Domestic natural person	8.09%	82,696,357	62,022,268	Pledged	4,770,000
Wang Chungang	Domestic natural person	5.61%	57,394,047	43,045,535		
Harbin Institute of Technology Asset Investment Management Co. Ltd	Domestic state-owned corporate	5.00%	51,127,500			
Cai Zhihong	Domestic natural person	4.96%	50,677,029			
Cai Hegao	Domestic natural person	4.89%	50,000,000	50,000,000		
Sealand Securities - SPDB - Guohai Securities Lvyuan No. 1058 Collective Asset Management Plan	Others	2.00%	20,450,000			
Cheng Fang	Domestic natural person	1.51%	15,484,638			
Tan Jianxun	Domestic natural person	1.51%	15,432,533			
Explanation on the above-mentioned shareholders' affiliated relationship or concerted action	Deng Xijun, Zhang Yuchun, Wang Chungang, and Cai Hegao keep concerted action through the <i>Concert Action Agreement</i> and jointly control the company at the end of the reporting period; Cai Zhihong is the son of Cai Hegao, he independently exercised shareholder rights based on his personal wishes, he has not signed concerted action agreement or reached a similar agreement or arrangement with Cai Hegao, nor has other concerted action plan, they are not persons acting in concert; Cheng Fang and Tan Jianxun are the sponsors of shareholders. Cheng Fang is the sister of Wang Chungang 's wife. In addition, the company is not made aware whether there is any affiliated relationship between the above-mentioned shareholders or whether they are persons acting in concert as defined in <i>Administrative Measures for the Acquisition of Listed Companies</i> .					
Explanation on the shareholders that are engaged in margin trading business	Not applicable					

**4. Change of the controlling shareholder or the actual controller**

Change of the controlling shareholder in the reporting period

Applicable Not applicable

The controlling shareholder did not change in the reporting period.

Change of the actual controller in the reporting period

Applicable Not applicable

The actual controller did not change in the reporting period.

**5. Number of preference shareholders and shareholdings of top 10 of them**

Applicable Not applicable

The Company had no preference shareholders in the reporting period.

**6. Corporate bonds that existed on the date when this Report was authorized for issue**

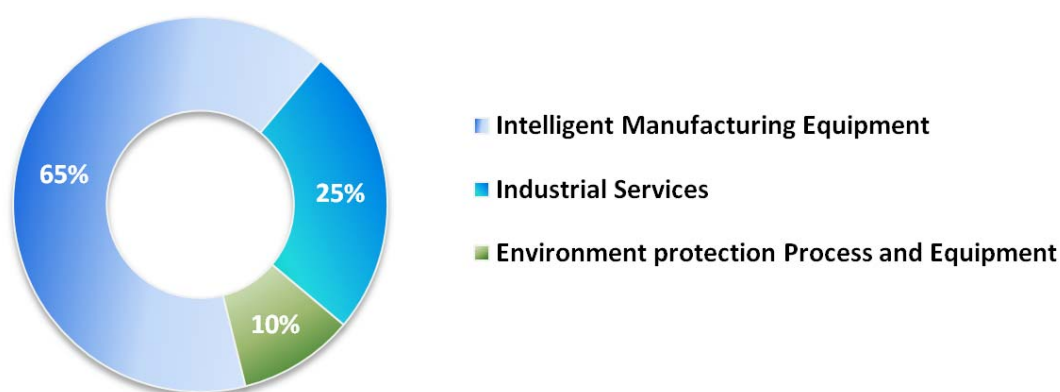
Applicable Not applicable

### III. Operating Performance Discussion and Analysis

#### 1. Company Main Businesses during the Reporting Period

##### (1) Main businesses and industry development status

According to the proportion of revenue during the reporting period, the Company's main businesses are shown in the following figure:



##### **Intelligent manufacturing equipment:**

"Manufacturing is the main body of the national economy, the foundation of building the country, the instrument of rejuvenating the country and the foundation of strengthening the country." Made in China 2025 points out that China's manufacturing industry "has an obvious gap in independent innovation ability, resource utilization efficiency, industrial structure level, informatization degree, quality and efficiency, and the task of transformation, upgrading and leapfrog development is urgent and arduous". The State attaches great importance to the development of high-end equipment manufacturing industry from the strategic height, and the development of intelligent manufacturing is a strategic task of long-term persistence, which will "accelerate the integrated development of the new generation of information technology and manufacturing technology and take intelligent manufacturing as the main direction of the in-depth integration of informatization and industrialization".

The Company has been cultivating in the field of intelligent equipment for a long time, and the high-end intelligent equipment with independent intellectual property rights has been continuously upgrading for Chinese manufacturing, replacing imported equipment or being the first applications equipment to promote the technological progress of related industries. China manufacturing large-scale enterprises generally have automated production lines, but the proportion of digitalization is not high, factory data sharing is not much, and few intelligent technologies are used. There is still a big gap between China and the United States, Japan and Germany in respect of intelligent manufacturing development, and the overall level is low.

In the face of the historic opportunities of Made in China 2025 and the post-pandemic era and the urgent

demand for intelligent equipment and intelligent factories, the Company will concentrate on advantages, integrate resources, accumulate competitiveness, with rich product lines and intelligent manufacturing overall solutions, to respond and guide market demand, strive to achieve better and rapid development and bring continuous returns to shareholders.

### **Industrial service:**

On March 16, 2021, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology and the like totaling thirteen departments jointly issued *the Opinions on Accelerating the High-quality Development of the Manufacturing Service Industry*, pointing out, "Improve the efficiency of the manufacturing industry. Make use of new generation information technologies, such as 5G, big data, cloud computing, artificial intelligence and Blockchain, vigorously to develop intelligent manufacturing, achieve accurate and efficient matching between supply and demand and promote the fundamental reform of the manufacturing development model and the reform of enterprise forms." "Manufacturing service industry" is an important support for improving the competitiveness and comprehensive strength of manufacturing products, promoting the transformation and upgrading of manufacturing industry and high-quality development. At present, China's manufacturing service industry supply quality is not high, the degree of specialization and socialization is not enough, the role of leading the manufacturing value chain is not obvious, and there is still a gap between the requirements of building a modern economic system and realizing high-quality economic development."; "By 2025, the role of the manufacturing service industry will be significantly enhanced in improving the quality and efficiency, innovation capacity, and efficiency of resource allocation, and play a more prominent role in supporting and leading the high-quality development of the manufacturing industry" to "realize the coupling and integration of the manufacturing industry and the manufacturing service industry".

The production and operation management service of the Company's intelligent equipment includes integrated industrial services for equipment operation, repair, maintenance, finished products outbound & inbound, tranship, loading and so on. These professional work presents a trend of outsourcing. The Company takes precautions, relying on the leading technology advantage, and continues to vigorously promote the strategy of product and service integration. The professional, economic, high-quality and efficient service has been recognized and praised by users, and the Company's industrial service revenue has increased year after year. During the reporting period, the Company's operating and after-sales industrial service revenue reached 224 million Yuan, achieving a growth of 20.39% year on year. The Company's integrated industrial services and the sales of intelligent equipment products form a benign interaction, promote each other, enhance customer stickiness and effectively extend the industrial chain.

The Company's industrial services of intelligent equipment, on the one hand, will maintain a steady growth with the growth of product sales and equipment stock, on the other hand, will give a positive response to the customer's deep service demand, the service scale is expected to continue to step up, become an important source of revenue and profit of the Company.

### **Environmental protection process and equipment:**

The 14<sup>th</sup> Five-Year Plan takes "achieving new progress in ecological civilization construction" as one of the

main goals, including "more reasonable allocation of energy and resources, substantial improvement in utilization efficiency, continuous reduction of the total emissions of major pollutants, and continuous improvement of the ecological environment...".Continuing to improve environmental quality and promoting the all-round green transformation of economic and social development provide important development opportunities for the field of environmental protection. Current climate change that seriously threatens human survival and development is mainly caused by carbon dioxide emissions from human activities since the Industrial Revolution.At the 75<sup>th</sup> United Nations General Assembly in 2020, China announced that it will strive to achieve "carbon peak" by 2030 and strive to achieve "carbon neutrality" by 2060, in the *Government Work Report* of the Fourth Session of the 13<sup>th</sup> National People's Congress, it is clearly proposed to "do a solid job in carbon peak and carbon neutrality", and relevant industries are facing major opportunities.

Industrial waste acid and acidic gas treatment and recycling project, implemented by Harbin Boao Environmental Technology Co.,Ltd, the holding subsidiary of the Company, and its wholly-owned subsidiary Austrian P&P Company, can collect and treat industrial waste sulfuric acid and sulfur-containing acid gases in chemical production to produce high-purity sulfuric acid for recycling production, and to recycle and reuse the heat energy released in the process to achieve energy saving, emission reduction, recycling, environmental protection and economic results, that it will strive to achieve "carbon peak" ,"carbon neutrality" emission reduction targets.

The Company will promote its research and development in the field of industrial waste sulfuric acid, sulfur-containing acid gas in order to apply in more fields, strive to overcome the adverse impact of the pandemic on the development of overseas market sales, enhance its sustainable development profitability.



## Overall Solution for Intelligent Manufacturing Equipment and Intelligent Factory

### Post-processing Intelligent Manufacturing Equipment for solid material

It is applied in the post-processing fields for the powder, granular materials or irregular materials of petrochemical, chemical, cereals, building materials, new energy, food, medicine, ports, feed, etc. (such as crushing, screening, bagging, boxing of reduced silicon rods, etc.), providing efficient automatic weighing, packaging and palletizing intelligent manufacturing and production equipment and overall solutions of smart factories

In the field of post-processing high-end equipment for powder and granular materials in China it has obvious advantages and a stable competitive position  
In the field of post-processing high-end equipment for the irregular polysilicon materials, the original and first equipment's application has promoted the upgrade of intelligent manufacturing in the industry

### Post-processing Intelligent Manufacturing Equipment for rubber

It is intelligent equipment and intelligent plant overall solution, applied in production process of synthetic rubber and natural rubber and in the fields of product refining process, dewatering and drying process (rubber washing, cleaning and impurity removal, dewatering, crushing and drying, etc.) and finished product packaging process (weighing, baling, detecting, conveying, packaging and palletizing, etc.)

Complete product line, covering natural rubber and synthetic rubber  
It is the only enterprise which can provide complete large-scale systems worldwide

### Robot and Complete System Equipment

(High temperature) Operation robot for submerged arc furnace and complete system solutions of serialized intelligent products are applied for high-risk working environment as well as other special robots and complete system solutions which can replace high-risk, harsh working conditions, and heavy manual labor.

(High temperature) Operation robot for Submerged Arc Furnace and its surrounding systems are in leading position worldwide in the field of Calcium carbide

### Intelligent Logistics, Warehousing Systems

Connecting with solid material post-processing and rubber post-processing intelligent manufacturing equipment to realize intelligent identification, outbound and inbound warehousing management, logistics transshipment, Automatic Vehicle Loading, etc., and to help customers to build smart factory overall solutions

Automatic Loading machine has first-mover advantage, the market responds positively and the large-scale application has big potential.

## Industrial Services

The industrial services, rooted in the above-mentioned related fields of Intelligent Manufacturing Equipment, are mainly integrated service, equipment maintenance and spare parts sales and the like facing the operation in the application fields of Intelligent Manufacturing Equipment, After-sales Industrial Service, and Supplementary Industrial Service.

Holding technical genetic advantages, leading service capabilities and scale in the field

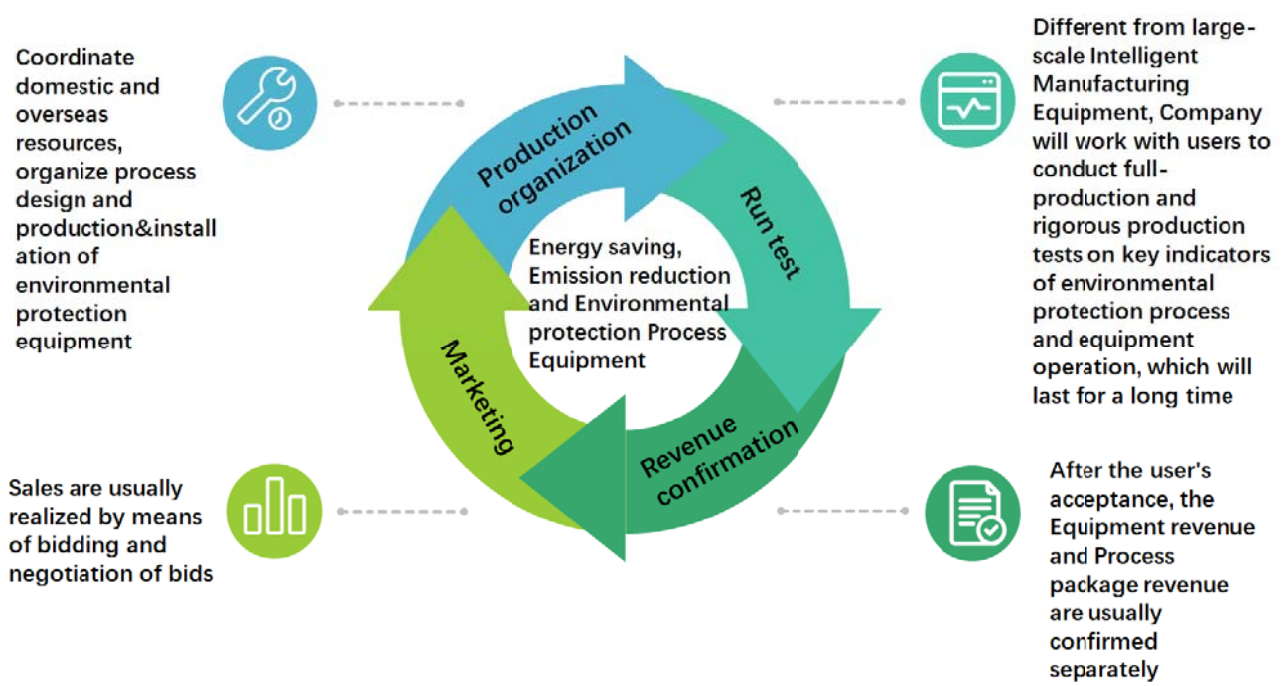
## Energy saving, emission reduction and environmental protection process equipment field



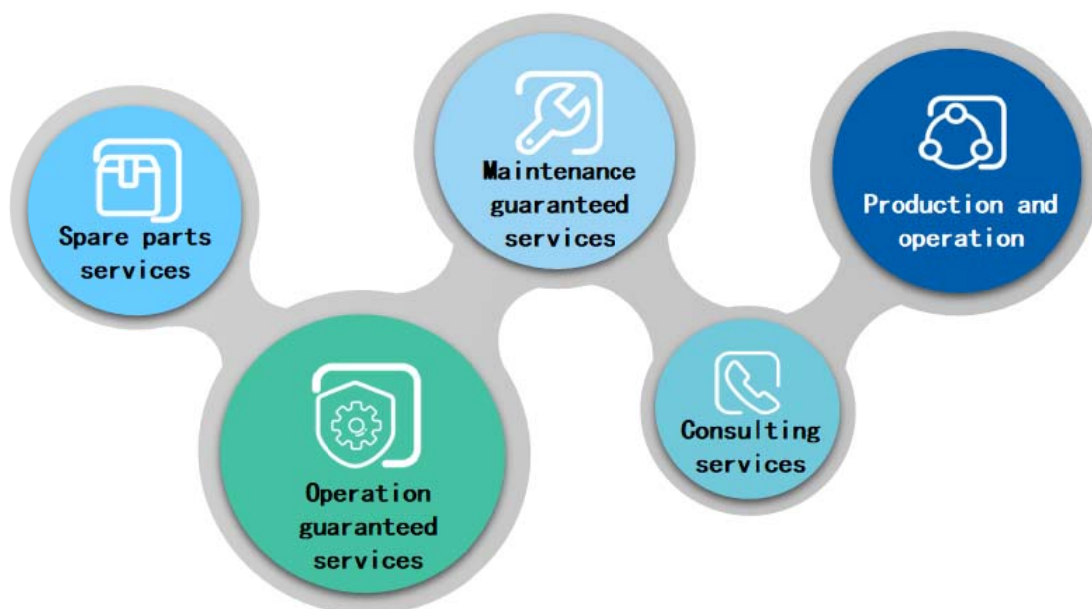
Harbin Boao Environmental Technology Co.,Ltd and its wholly-owned subsidiary (P&P Company, registered in Graz, Austria) is currently mainly engaged in the design, production, and sales of energy-saving, emission-reduction and environmental protection process equipment which is represented by industrial waste acid regeneration process and equipment. Industrial waste acid regeneration technology and equipment collect and process industrial waste sulfuric acid and sulfur-containing acid gas which are produced in the customer's chemical production to generate high-purity sulfuric acid for recycling production, and release heat energy for recycling and reusing, realizing the effects of energy saving and emission-reduction, recycling uses, economy and environment protection and help to achieve carbon peak and carbon neutral emission reduction targets.

Realize the effects of energy saving and emission-reduction, recycling uses, economy and environment protection

(2)Business mode

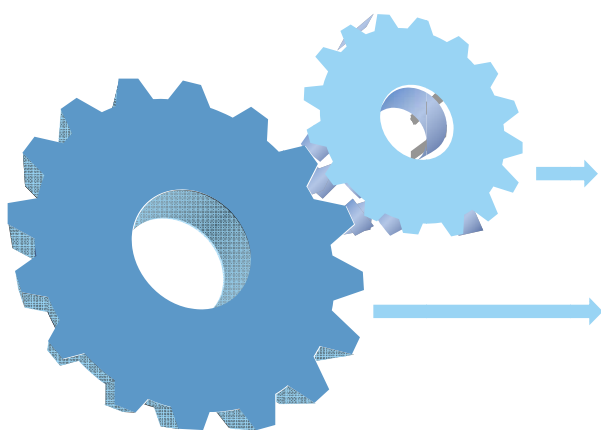


## Industrial Services——Operation and After-sales type Industrial Services



By participating in bidding or negotiating bids, the Company signs integrated service, equipment maintenance service agreements with users (which may include FFS film rolls sales matching with production services), equipment maintenance, operation maintenance and the like to determine the contents and modes of services; Usually on a monthly or quarterly basis, after the performance of the service or the phased completion, the operating revenue is confirmed according to the agreement or the consistent settlement basis confirmed with the customer; The sales mode of spare parts is flexible (the company initiates stocking or the customer initiates procurement), and the operating revenue is confirmed based on the actual delivery of the product and the time when the revenue confirmation conditions are met

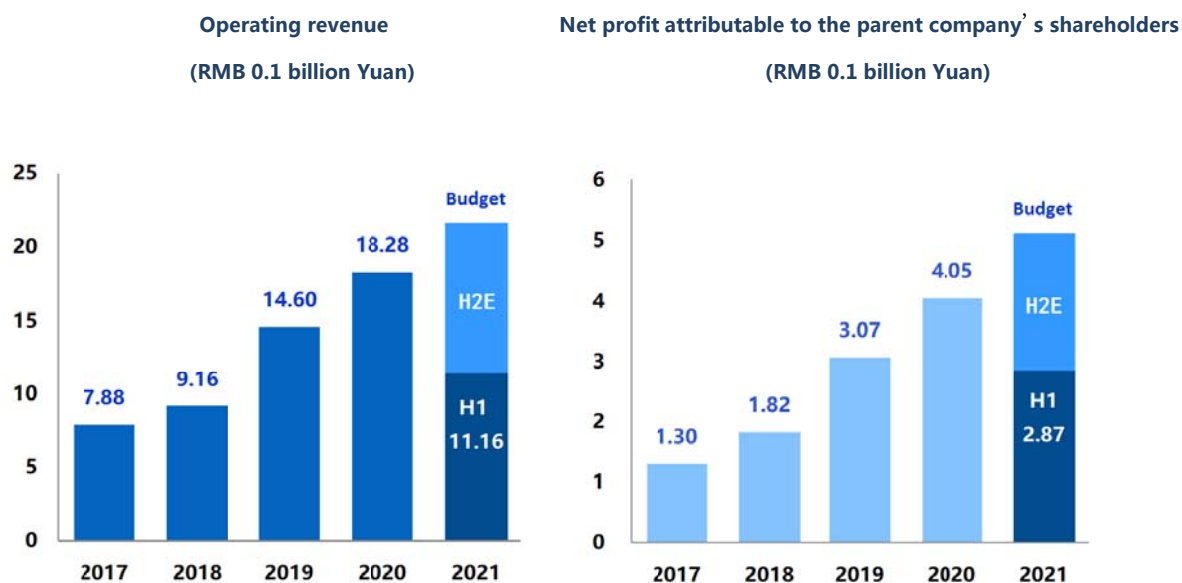
## Industrial Services——Supplementary Industrial Services and Miscellaneous



Content 1: FFS Film roll production enterprise matching with industrial services (Nanjing Green New Material Co., Ltd., Company's holding subsidiary) separately sells FFS film rolls, plastic auxiliaries and the like apart from the Company's production and operation services;  
 Content 2: Other small revenues which don't have qualification to be classified of importance  
 Revenue confirmation: usually as per the contract signed with customer, implement the contract and meet the revenue conditions, then confirm the operating revenue

### (3)Key performance driving factors

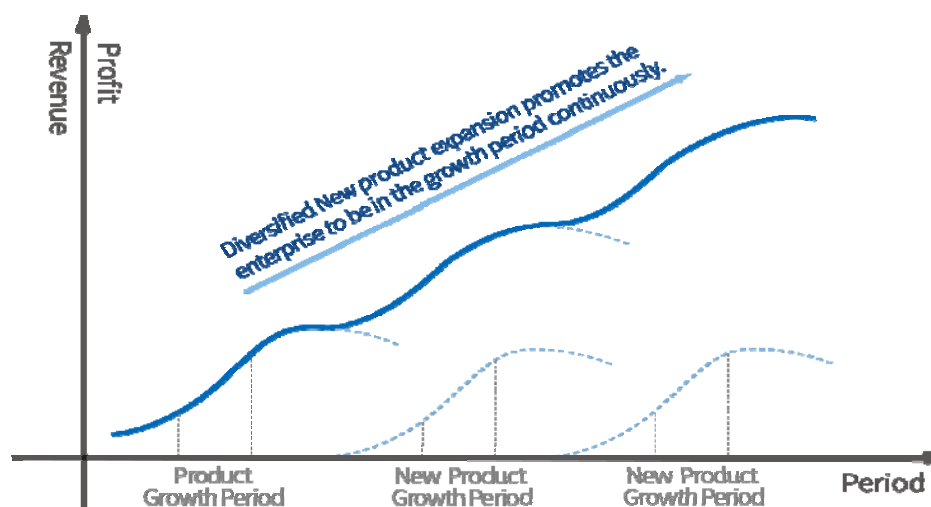
The Company's operating revenue and net profit attributable to the parent company's shareholders in recent years are shown in the figure below:



**In recent years, the Company's performance continues to grow better and faster. The main driving factors are as follows:**

- ①Benefiting from the strong demand for intelligent manufacturing equipment from the intelligent manufacturing upgrade in China and strong support from the Company's diversified products expansions, the Company's intelligent manufacturing equipment business continues to exert strength.
- ②Represented by the operating robot for submerged arc furnace, the promotion and application of intelligent equipment that replaces the manual labor in the fields of high-risk, severe and heavy working conditions has promoted the rapid growth of the Company's overall performance.
- ③The synergy between industrial services and intelligent manufacturing equipment and steady growth for service revenue improves the Company's ability to resist risks, and enhance the Company's overall performance;
- ④In terms of the new business direction, in mid-2017, the energy saving, emission reduction and environmental protection business was consolidated in financial report, the business and the Company's intelligent manufacturing equipment achieved a good synergy in the application field, and entered the return period in 2019, bringing better performance contributions.

As shown in the figure below, technological innovation and new products constant applications help to promote the continuous growth or prolong growth period of the Company.



The Company's intelligent manufacturing equipment has undergone continuous technological innovation and an optimization process of continuous application of new technologies and new products. Currently, the Company has ability to provide users with overall solutions for smart factories in the main product application fields, which helps the Company to be in a better business competition pattern in the market, and its comprehensive competitiveness continues to increase.

**The Company's future performance growth and driving factors mainly include:**

- ①The promotion of the overall solution of solid material post-processing intelligent manufacturing in different customers and the duplication among different factories bring the growth momentum;
- ②New energy raw materials polysilicon production expansion releases the demand for irregular material post-processing intelligent equipment;
- ③The R&D and industrialization progress of high-temperature special operation robots (under high-risk, heavy and harsh working conditions) in the fields of silicon iron, silicomanganese, industrial silicon etc.;
- ④Promotion and accelerated application of overall solutions such as plant intelligent warehousing, logistics and loading;
- ⑤Technology development, project accumulation and industrial application of iron and steel intelligent manufacturing solutions;
- ⑥Phased implementation and continuous industrialization of the overall solution of intelligent factories;
- ⑦The continuous growth of industrial services and the implementation of new major industrial service projects in production and operation.

For the details of the above future performance growth driving factors, please combine the "core competitiveness analysis" part of this report and the "2020 Annual Report" outlook for the future development of the Company " and other relevant contents

## 2. Core Competitiveness Analysis

As a technology-based enterprise, Boshi adheres to a differentiated competitive strategy of leading technology, and relies on a deep understanding of China's automation field and practical experience in industrial applications to maintain a long-term competitive position in the field it is engaged. Boshi's intelligent manufacturing equipment, environmental protection process equipment, and industrial service businesses are effectively synergized and industrially linked. The business scale is growing rapidly, the profitability is enhanced, and the comprehensive competitiveness is stable.

### (1) Industry status



### (2) Leading competitiveness of products and technologies

Innovation is the first driving force to lead the development of an enterprise and technological leadership is an important core competitiveness of the Company. The Company continuously improves its technology application level and technology reserve capacity, seizes new opportunities, and expands into new fields. Through R&D investment, technology accumulation and technological innovation, the Company has been playing a leading role in the field of product application for a long time, with outstanding technological leadership advantage and a competitive position in the industry.

From the perspective of intelligent equipment product line, the Company's intelligent equipment reaches high speed, high accuracy and stable operation, which is a replacement of imported high-end equipment, suitable for the customer production environment with high efficiency and safety production requirements. In the domestic product application field, products and technology are at the leading level. From the perspective of the overall solution of intelligent manufacturing, the Company integrates multi-category innovative products with the production scenarios of manufacturing users, which can realize the overall solution of solid materials post-processing intelligent manufacturing, help users realize the digital and intelligent transformation of the factory, and realize intelligent manufacturing. For example, the company developed revolutionary solutions regarding the urgent safety production demand of the calcium carbide industry. Since the (high temperature) operation robot for submerged arc furnace has been successfully applied in the field of calcium carbide, the Company has successively developed calcium carbide tamping furnace robot system, inspection robot system, furnace door automatic on/off system, intelligent pot logistics system and so on. The Company's application of the (high temperature) operation robot for Submerged arc furnace and its peripheral systems in the field of calcium carbide takes the leading position globally; The Company continues to develop the application of high temperature special robots in iron silicon, silicon manganese, industrial silicon furnace and other high temperature furnace operating environment, and the phased results have been achieved. Among them, silicon manganese discharge robot has completed the site test, the customer has accepted and used it.

### **(3) Advantages of the main business structure of "intelligent manufacturing equipment" + "environmental protection process equipment"**

Through the industrial waste acid and acid gas treatment and recycling projects implemented by the holding subsidiary Harbin Boao Environmental Technology Co., Ltd and its overseas wholly-owned P&P Company, the Company can collect and process industrial waste sulfuric acid and sulfur-containing acid gas in chemical production to generate high-purity sulfuric acid for recycling production, achieving the effects of energy saving, emission reduction, environmental protection and economy.

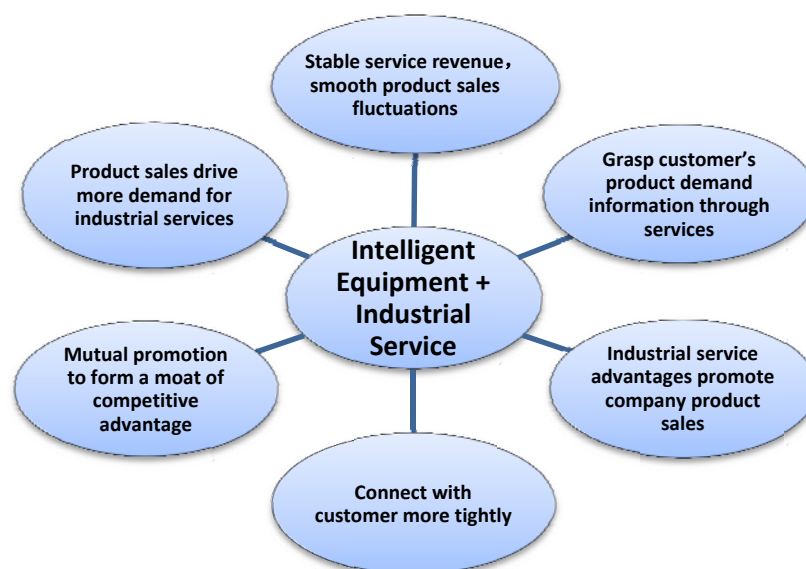
The positive interaction and synergy between the Company's "intelligent manufacturing equipment" and "environmental protection process equipment" are significant. In mid-2017, Harbin Boao Environmental Technology Co., Ltd completed the acquisition of the Austrian P&P Company. After the environmental protection business achieved financial consolidation, it continues to make important market progress. Since 2019, the environmental protection process and equipment have started the industry return period. During the reporting period, it achieved sales revenue of RMB106 million Yuan, contributing considerable profit to the Company. The main business structure of "intelligent manufacturing equipment" + "environmental protection process equipment" broadens the Company's business fields, enhances the Company's business scale, strengthens the Company's ability to resist risks and consolidates the advantage of the Company's competition in related business fields.

### **(4) Competitive advantages of two-wheel drive of "intelligent equipment" + "industrial service"**

The Company fully integrates product application advantage, technological leading advantage and industrial service, actively promotes the strategy of industrial service integration and achieves rapid development. The



Company's professional, high-quality and efficient industrial service is the necessary guarantee for customers' continuous production and operation, stable and efficient production, and achieves a win-win situation for the Company and customers. During the reporting period, the Company's industrial service achieved revenue of RMB 282 million Yuan, of which operating and after-sales industrial services achieved revenue of RMB 224 million Yuan, achieving 20.39% year-on-year growth, which contributes stable profit to the Company.

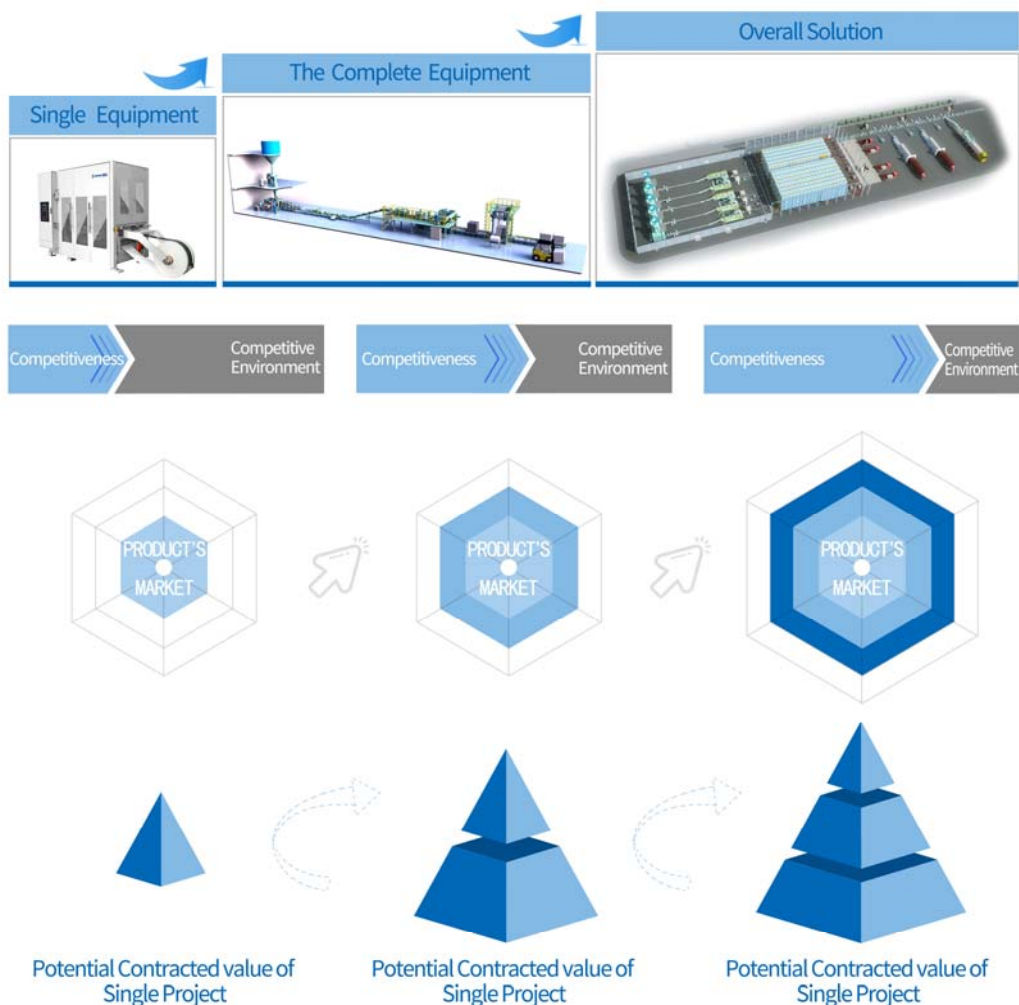


Legend: Schematic diagram, the positive interaction between intelligent equipment and industrial service

##### **(5) The overall solution of intelligent manufacturing enhances the Company's competitiveness**

Throughout the Company's technology, product development and industrialization process, the Company enters new industries and new fields usually with key single unit equipment ("points"); after breakthrough in solving industry pain points, quickly form an automated production line ("line"); With the accumulation of technology and the in-depth understanding of the industry, the overall solution ("surface") of intelligent manufacturing is completed to help users realize the upgrade to digital and intelligent factories. This process of technological progress from "point → line → surface" helps the Company to concentrate resources, reduce technology development risks, open the ceiling for industry growth, and comprehensively enhance the Company's core competitiveness.

As shown in the figure below, compared with single unit equipment and automation production line, the overall solution of intelligent manufacturing helps the Company face a more potential product market and be in a better competitive environment, which can stimulate the potential contract value of a single customer, which is expected to be multiplied.



Legend: Schematic diagram of the competitive environment and potential market opportunities of single unit equipment, automation production line and overall solution of intelligent manufacturing

**(6)Brand competitiveness**

The Company builds brand with quality, seeks progress with technology, and wins trust with service. Through high-quality products and efficient services, we strive to realize production automation and intelligent manufacturing for customers and achieve win-win cooperation. The Company’s brand enjoys a constant leading in popularity, high reputation and customer loyalty in the main domestic product application fields. The Company pursues excellence, leads the development of intelligent equipment in the application industry and builds up a stable and healthy customer network for a long time. At the same time, high-quality customer resources and huge demand for intelligent manufacturing equipment have become the source of the Company's sustainable and rapid development.

**(7) Achievements in intellectual property, proprietary technology and software copyright**

During the reporting period, the Company obtained 9 patents approved by the State Intellectual Property

Office, including 1 invention patent and 8 utility model patents; 2 software copyrights are approved by the National Copyright Administration. In addition to patented technology, the Company has a considerable amount of core technical know-how that exists in the form of proprietary technology by relying on confidentiality measures. Through the patents, proprietary technology and software copyright owned and mastered by the Company, the Company has further consolidated its competitive advantage in the industry and enhanced its core competitiveness.

### **(8) Social and economic benefits**

The transformation of traditional industries with high technology is the responsibility and mission given to technological innovation enterprises by the era. The Company's automatic vehicle loading machine which is widely used in the national economy field and (high temperature) operation robot for submerged arc furnace in the calcium carbide industry are of great significance to replace manual operations in high-risk or heavy manual working conditions to achieve safe production, improve production efficiency and have a significant economical benefit, which have a transformative impact on the production field of "3D" work scenes (Dangerous, Dirty, Dull). The Company's large-scale intelligent manufacturing equipment can provide one-stop solution for customers in the product application field, realize safe and efficient production for users, fundamentally solve labor difficulties and promote the improvement of social production efficiency. The application of these high-tech products not only achieves good social benefits, but also brings considerable economic benefits to the enterprise at the same time.

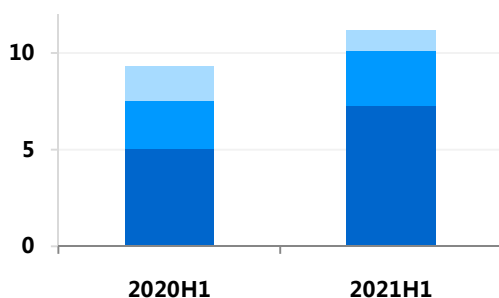
### **3. Analysis of Main Business**

In the first half of 2021, the Company aggregated the power and stored energy, improved technology R&D, design and production capacity, fully responded to the market demand in the field of intelligent manufacturing equipment, and the market upgrading demand guided by new technology products, accelerated the depth integration of information technology and intelligent manufacturing equipment, and actively implemented the overall solutions of intelligent factories. The Company's operating revenue and profit indicators continue to achieve relatively better and faster growth year on year, achieving more than half of the targeting performance after a half year passed.

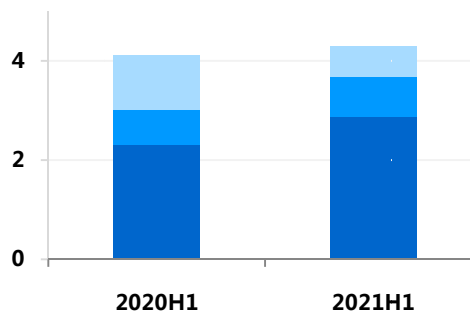
During the reporting period, the Company's intelligent manufacturing equipment made great efforts to overcome the influence of uneven structural revenue of its internal product segments, and jointly promote the continuous growth of the Company's overall performance with the industrial service business. The Company achieved the operating revenue of RMB 1.116 billion Yuan, increasing by 19.61% year on year, and the net profit attributable to the owners of the parent company was RMB 287 million Yuan, increasing by 26.65% year on year. The net cash flow generated by operating activities was RMB 183 million Yuan. The Company's main financial indicators are stable, and maintain good profitability.

From the perspective of operating revenue and contribution gross profit, the structure proportion of the operating revenue and gross profit contribution of the Company's intelligent manufacturing equipment, industrial services and environmental protection process comparing with the same period last year is shown as follows.

**Operating Revenue**  
(RMB 0.1 billion Yuan)



**Contribution Gross Profit**  
(RMB 0.1 billion Yuan)



■ Intelligent Manufacturing Equipment    ■ Industrial Service    ■ Environment protection process and equipment

Note: in the above figure, contributing gross profit = operating revenue of corresponding business – cost of sales

During the reporting period, the key accounting data and financial indicators are listed as follows:

Unit: Yuan

Items	2021 H1	2020 H1	Increase/Decrease over the same period of previous year
Operating revenue	1,115,555,107.33	932,632,675.43	19.61%
Operating profit	351,039,945.53	321,758,480.60	9.10%
Total profit	350,867,770.00	321,656,272.56	9.08%
Net profit	300,450,682.85	268,251,555.01	12.00%
There of: Attributable to shareholders of the parent company	286,687,578.90	226,355,138.50	26.65%

Year-on-year changes to major financial data

Unit: Yuan

	2021 H1	2020 H1	Increase/Decrease over the same period of previous year	Rationale
Operating revenue	1,115,555,107.33	932,632,675.43	19.61%	The operating revenue increases due to the rapid growth in which of intelligent manufacturing equipment.
Cost of sales	686,843,468.37	519,885,409.68	32.11%	The cost of sales increases by 32.11% year-on-year due to the continuous

				improvements in the new product application, which lead to an increase in improvement costs, as well as structural adjustments in high margin product and higher cost pressure.
Selling and distribution expenses	39,766,634.19	28,024,493.09	41.90%	Affected by the pandemic, the expenses of base period are relatively low. In this reporting period, after-sales service expenses, sales staff travel expenses and business expenses have increased compared with the base period.
General and administrative expenses	49,958,002.37	43,876,315.55	13.86%	
Finance expenses	266,085.36	515,126.29	-48.35%	Fluctuations in exchange rate during this period which affect exchange profit and loss.
Income tax expenses	50,417,087.15	53,404,717.55	-5.59%	
Research and development expenses	33,299,584.34	30,077,506.74	10.71%	
Net cash flows from operating activities	183,443,783.69	27,095,464.08	577.03%	The year-ago data was affected by pandemic, this period the data recovers to the preferable level.
Net cash flows from investing activities	368,031,503.33	327,764,454.25	12.29%	
Net cash flows from financing activities	-219,789,445.67	-186,073,340.09	-18.12%	
Net increase in cash and cash equivalents	329,224,058.91	170,616,302.29	92.96%	Affected by the big increase of net cash flows from operating activities.

Major changes to the profit structure or sources of the company in the reporting period:

Applicable Not applicable

No such cases in the reporting period.

**Breakdown of operating revenue:**

Unit: Yuan

	2021 H1		2020 H1		Increase/Decrease over the same period of previous year
	Amount	Proportion of revenue	Amount	Proportion of revenue	
Total	1,115,555,107.33	100%	932,632,675.43	100%	19.61%
Categorized by industry					
Intelligent manufacturing equipment	727,303,592.98	65.20%	507,905,517.99	54.46%	43.20%
Environmental protection process and equipment	106,197,100.78	9.52%	175,556,082.72	18.82%	-39.51%
Industrial service	282,054,413.57	25.28%	249,171,074.72	26.72%	13.20%
Categorized by product					
Post-processing intelligent manufacturing equipment for solid material	628,607,058.25	56.36%	303,487,822.61	32.55%	107.13%
Robots and complete system equipment	31,549,557.52	2.83%	134,151,605.98	14.38%	-76.48%
Post-processing intelligent manufacturing equipment for rubber	62,722,198.45	5.62%	36,321,454.52	3.89%	72.69%
Intelligent logistics, warehousing systems	4,424,778.76	0.40%	33,944,634.88	3.64%	-86.96%
Environmental process and complete equipment	106,197,100.78	9.52%	175,556,082.72	18.82%	-39.51%
Operation and after-sales type industrial services	224,485,684.42	20.12%	186,469,009.28	20.00%	20.39%
Supplementary industrial services and others	57,568,729.15	5.15%	62,702,065.44	6.72%	-8.19%
Categorized by region					
Region of east China	335,550,526.31	30.08%	277,112,942.81	29.71%	21.09%
Region of south China	46,834,576.23	4.20%	54,879,962.24	5.88%	-14.66%

Region of central China	136,168,523.27	12.21%	14,467,163.71	1.55%	841.22%
Region of north China	149,224,058.26	13.38%	123,589,598.52	13.25%	20.74%
Region of northwest China	225,170,155.78	20.18%	264,654,415.64	28.38%	-14.92%
Region of southwest China	50,480,350.28	4.53%	31,041,212.03	3.33%	62.62%
Region of northeast China	117,687,257.53	10.55%	158,623,567.18	17.01%	-25.81%
Overseas	54,439,659.67	4.87%	8,263,813.30	0.89%	558.77%

During the reporting period, the reasons of operating revenue change are as follows:

From the industry perspective, the operating revenue of intelligent manufacturing equipment increases by 43.20% year-on-year, because of a rapid increase in delivery acceptance of this kind, which as a percentage of total operating revenue increases to 65.20%. The operating revenue of environmental protection process and equipment decreases obviously year-on-year, because of the delay of acceptance, and the revenue decrease extent of this kind will narrow down obviously this year. The operating revenue of industrial services continues to maintain progressive growth.

From the product perspective, the operating revenue of post-processing intelligent manufacturing equipment for solid material increases by 107.13%, which as a percentage of total operating revenue amounts up to 56.36%. The revenue level is close to the total revenue of 2020. There is still a good growth potential in this field. Affected by product acceptance progress and price adjustments, the operating revenue of robots and complete system equipment declined sharply in reporting period. The expected revenue of this kind of product amounts to 150 million this year. The operating revenue of post-processing intelligent manufacturing equipment for rubber increases by 72.69% year-on-year, because of the increase in the overseas product revenue, which caused by the fulfillment of installment and delivery acceptance of overseas products. The operating revenue of intelligent logistics, warehousing systems will increase rapidly in the latter half of the year due to multiple production tasks, but delayed in delivery acceptance. The operating revenue of operation and after-sales type industrial services increases by 20.39% year-on-year, the business scale of this kind continues to expand and the revenue continues to maintain a progressive growth trend.

From the region perspective, based on the Company's business model, the operating revenue usually varies from period to period, which is mainly affected by demand fluctuations from region to region, as well as Company response demands, completion of product delivery and acceptance progress.etc.

Industries, products, or regions accounting for more than 10% of company revenue or operating profit

√Applicable □Not applicable

Unit: Yuan

	Operating revenue	Cost of sales	Gross profit margin	Operating revenue increase/decrease over the same period of previous year	Cost of sales increased or decreased over the same period of previous year	Gross profit margin increased or decreased over the same period of previous year
Categorized by industry						
Intelligent manufacturing equipment	727,303,592.98	440,751,076.55	39.40%	43.20%	58.81%	-5.96%
Environmental protection process and equipment	106,197,100.78	44,490,944.15	58.11%	-39.51%	-31.83%	-4.71%
Industrial service	282,054,413.57	201,601,447.67	28.52%	13.20%	13.84%	-0.41%
Categorized by product						
Post-processing intelligent manufacturing equipment for solid material	628,607,058.25	380,800,697.15	39.42%	107.13%	116.49%	-2.62%
Robots and complete system equipment	31,549,557.52	17,282,336.11	45.22%	-76.48%	-72.27%	-8.33%
Post-processing intelligent manufacturing equipment for rubber	62,722,198.45	39,545,276.90	36.95%	72.69%	92.68%	-6.54%
Intelligent logistics and warehousing systems	4,424,778.76	3,122,766.39	29.43%	-86.96%	-83.38%	-15.22%
Environmental process and complete equipment	106,197,100.78	44,490,944.15	58.11%	-39.51%	-31.83%	-4.71%
Operation and after-sales type industrial services	224,485,684.42	153,438,000.56	31.65%	20.39%	24.10%	-2.04%
Supplementary	57,568,729.15	48,163,447.11	16.34%	-8.19%	-9.89%	1.58%



industrial services and others						
Categorized by region						
Region of east China	335,550,526.31	196,957,580.27	41.30%	21.09%	15.34%	2.92%
Region of south China	46,834,576.23	28,280,407.92	39.62%	-14.66%	-0.93%	-8.37%
Region of central China	136,168,523.27	67,485,166.78	50.44%	841.22%	615.66%	15.62%
Region of north China	149,224,058.26	84,370,436.21	43.46%	20.74%	29.40%	-3.78%
Region of northwest China	225,170,155.78	175,593,303.65	22.02%	-14.92%	18.88%	-22.17%
Region of southwest China	50,480,350.28	39,796,672.82	21.16%	62.62%	88.22%	-10.73%
Region of northeast China	117,687,257.53	61,915,521.12	47.39%	-25.81%	-15.60%	-6.36%
Overseas	54,439,659.67	32,444,379.60	40.40%	558.77%	770.18%	-14.48%

During the reporting period, the reasons of gross profit margin change of different kinds are as follows:

Intelligent manufacturing equipment: the gross profit margin of this kind declined to 39.40% is caused by the following two reasons. One is the level of the major business gross profit margin of base period was higher than the historical average, which led to a high base. The other one is structural adjustments in high margin product, as well as higher purchase pressure. From the product perspective, there is a slight decrease in the gross profit margin of post-processing intelligent manufacturing equipment for solid material. That is because an increase in improvement costs driven by continuous improvements in the new product application. The gross profit margin is comparable to the same period last year exclude the impact mentioned above. The gross profit margin of robots and complete system equipment is reduced to 45.22% due to adjustments in terminal pricing. The overall gross profit margin of post-processing intelligent manufacturing equipment for rubber, which is mainly made up of projects overseas, is reduced to 36.95% due to high transportation fees overseas affected by the pandemic. The gross profit margin of intelligent logistics, warehousing system is easily affected by the gross profit margin of specific project, due to the share of this kind is relatively small.

The gross profit margin of environmental process and complete equipment, occurs a normal fluctuation in this reporting period, still maintains a higher level to 58.11%.

The gross profit margin of industrial service remains stable in the reporting period excluded the benefit from supportive policy of social insurance reduction for enterprises in stages for base period.

From the region perspective, based on the Company's business model, the operating revenue usually varies from period to period, which is mainly affected by demand fluctuations from region to region and structural changes of product demand, as well as Company response demands, completion of product delivery and acceptance progress, etc. It is not a typical fluctuation of gross profit margin divided by region, please refer to explanation of by industry and by product for details.

Where the Company's statistical criteria for core business data are adjusted during the reporting period, the core business data for the most recent year have been adjusted based on the statistical criteria effective as of the end of the reporting period.

Applicable Not applicable

Explanation for related changes greater than 30% as compared with those in the prior year period

Applicable Not applicable

Please refer to the explanations above for details.

#### 4. Analysis of Non-Core Businesses

Applicable Not applicable

#### 5. Analysis of Assets and Liabilities

##### (1) Significant Changes in Asset Composition

Unit: Yuan

	End of current reporting period		End of previous year		Increase/ Decrease in proportion	Major changes
	Amount	Proportion of total asset	Amount	Proportion of total asset		
Cash at bank and on hand	443,239,516.77	9.69%	114,882,208.58	2.51%	7.18%	Affected by cash management operations, the balance of cash is relatively larger.
Accounts receivable	700,589,434.77	15.31%	697,718,969.34	15.24%	0.07%	
Contract assets	50,760,412.89	1.11%		0.00%	1.11%	Product quality guarantee
Inventories	1,439,551,241.84	31.46%	1,510,919,027.41	33.01%	-1.55%	

Investment properties	6,962,586.34	0.15%	7,159,198.06	0.16%	-0.01%	The real estate holding by subsidiary Boao Environment
Long-term equity investments	350,697,138.40	7.66%	344,094,650.83	7.52%	0.14%	
Fixed assets	227,177,794.55	4.97%	235,572,771.55	5.15%	-0.18%	
Construction in progress	4,704,986.38	0.10%	4,099,390.68	0.09%	0.01%	
Right-of-use assets	608,854.80	0.01%		0.00%	0.01%	Recognized right-of-use asset based on <i>The New Lease Accounting Standard</i> , which was implemented on January 1 <sup>st</sup> , 2021.
Short-term borrowings	20,000,000.00	0.44%	20,000,000.00	0.44%	0.00%	
Contract liabilities	1,362,277,620.50	29.77%	1,414,586,745.15	30.91%	-1.14%	
Long-term borrowings		0.00%	15,000,000.00	0.33%	-0.33%	Due to reclassification of subsidiary Boao Environment, that is transfer current maturity of long-term bank loans to current liabilities.
Lease liabilities	89,146.78	0.00%		0.00%	0.00%	Recognized lease liabilities based on <i>The New Lease Accounting Standard</i> , which was implemented on January 1 <sup>st</sup> , 2021.

**(2) Major Assets Overseas**

√Applicable □Not applicable

Types of asset	Nature	Value	Location	Operating mode	Measures taken to protect asset safety	Earnings	In the Company's net assets (%)	Any major impairment risk or not
Equity assets	Equity acquisition	RMB: 302.6008 million	Graz, Austria	Design, manufacture and sales	Not applicable	RMB: 23.8055 million	10.78%	No

**(3) Assets and liabilities measured at fair value**

√Applicable □Not applicable

Unit: Yuan

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Amount provided for impairment in the period	Purchased in the period	Sold in the period	Other changes	Closing balance
Financial assets								
Financial asset held for trading (excluding derivative financial )	925,736,671.99	-2,778,859.32	1,815,859.28		1,632,250,000.00	1,994,610,000.00		560,597,812.67
Investments in other equity instruments	35,000,000.00	7,056,000.00	14,529,684.00					42,056,000.00
Sub-total of financial assets	960,736,671.99	4,277,140.68	16,345,543.28		1,632,250,000.00	1,994,610,000.00		602,653,812.67
Sub-total of the above	960,736,671.99	4,277,140.68	16,345,543.28		1,632,250,000.00	1,994,610,000.00		602,653,812.67
Financial liabilities								

Note: the financial asset held for trading above-mentioned are currency fund and guaranteed bank structural deposits for cash management of unused self-owned capital, based on the resolution of the Board of Directors and the Board of Shareholders.

Other changes

None

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

Yes  No

**(4)Restricted asset rights as of the end of this Reporting Period**

Item	Book value at the end of period (Yuan)	Limitation reason
Cash at bank and on hand	550,866.28	Bank 's letter of guarantee (holding subsidiary Boao Environment)
Buildings	13,345,950.75	Bank credit mortgage (holding subsidiary Boao Environment)
Buildings	15,468,332.63	Mortgage of bank loans (holding subsidiary Nanjing Green)
Land use rights	4,120,739.14	Mortgage of bank loans (holding subsidiary Nanjing Green)
Total	33,485,888.80	

**6. Investment Made****(1)Total investment amount**

Applicable Not applicable

Total investment amount of the Reporting Period (Yuan)	Total investment amount of the same period of last year (Yuan)	Change
350,697,138.40	305,683,631.57	14.73%

**(2)Significant equity investment made in the reporting period**

Applicable Not applicable

**(3)Significant non-equity investments ongoing in the reporting period**

Applicable Not applicable

**(4)Financial investments****①Securities investments**

Applicable Not applicable

No such cases in the reporting period.

**②Derivatives investments**

Applicable Not applicable

No such cases in the reporting period.

## (5)Related investment progress

### ①Investment in high-end medical diagnosis and treatment equipment

Celiac minimally invasive surgical robot: the celiac minimally invasive surgical robot project of Harbin Si Zhe Rui Smart Medical Equipment Co., Ltd., which is invested and participated by the Company, currently holds 14.06% of its equity. Electric endoscopic needle forceps (name of registration certificate) has been approved for medical device registration issued by the State Drug Administration and obtained production license, and the intended use is ureterolithotomy; the celiac minimally invasive (laparoscope) surgical robot system has completed clinical trials and entered the registration application stage

Image-guided radiotherapy precise positioning: the image-guided radiotherapy precise positioning project of Jiangsu Rayer Medical Technology Co., Ltd., invested and participated by the Company, currently holds its 16.21% equity. The project obtained the registration certificate of IGPS-O, IGPS-V image-guided radiotherapy positioning system (belongs to the Category III Medical device) issued by the State Food and Drug Administration in March 2016. In February 2020, the Optical Guidance Tracking System (OGTS) developed by Rayer Medical independently received a Category III medical device registration certificate issued by the State Drug Administration

Remote assisted minimally invasive pedicle implantation robot: the remote assisted minimally invasive pedicle implantation robot project of Suzhou Zoezen Robot Co., Ltd., invested and participated by Suzhou HIT-Boshi Medical Equipment Co., Ltd., a wholly-owned subsidiary of the Company, currently, the Company holds 7.83% of its equity. The main research and development products of the project have completed clinical trials and are in the registration review stage

**The field of high-end medical diagnosis and treatment equipment project is characterized by long research and development cycle, high barriers to enter, long product registration cycle, and large clinical risks. There are many risk factors that cannot be determined during type testing and clinical trials. For the registered projects, there is also a risk of whether the promotion and industrialization can meet the expectation. Hereby, investors are advised to carefully evaluate the relevant risk factors.**

### ②Progress of the robot equity investment fund

In 2015, the Company participated in the establishment of Dongguan Boshi Ruidexin Robot Equity Investment Fund, and established Dongguan Boshi Ruidexin Robot Equity Investment Center (limited partnership). The total investment of Boshi was RMB 60 million Yuan, accounting for 30% of the subscribed investment of the fund. By the end of the reporting period, Boshi had received RMB 38.15 million Yuan of project investment returns and profit distribution.

## ③Related situation of Bloom Technology

Shanghai Bloom Technology Inc., in which the company invests, currently has a registered capital of RMB 50 million Yuan. The Company is its single largest shareholder and non-controlling shareholder, holding 19.20% of its equity. At present, Bloom Technology's Initial Public Offering of A-shares and listing on the main board application materials, has been officially accepted by the China Securities Regulatory Commission. There is still uncertain whether the initial public offering of Bloom Technology shares will finally be approved by the China Securities Regulatory Commission. The Company will timely disclose the relevant important follow-up progress in accordance with the law and regulations.

**7. Sale of Major Assets and Equity Interests****(1)Sale of major assets**

Applicable Not applicable

No such cases in the reporting period.

**(2)Sale of major equity interests**

Applicable Not applicable

**8. Analysis of Major Subsidiaries**

Major subsidiaries and equity participation companies that affect the Company's net profit by more than 10%

Unit: Yuan

Company name	Company type	Primary business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Harbin Boao Environmental Technology Co.,Ltd	Subsidiary	Mainly engaged in R&D, manufacturing and selling of chemical and environmental process technology and equipment, as well as related technology development and service.	103,000,000	491,806,689.40	192,074,469.19	106,429,389.19	32,427,222.86	23,937,133.68

## 9. Structured Bodies Controlled by the Company

Applicable Not applicable

## 10. Risks Facing by the Company and Countermeasures

(1)The risk that the R&D of intelligent manufacturing equipment and industrialization process are not as good as expected.

The Company has the capability to provide users with overall solutions of intelligent manufacturing in the main equipment application field of complete large scale intelligent equipment. "Manufacturing is the main body of the national economy, the foundation of building the country, the instrument of rejuvenating the country and the foundation of strengthening the country." China is undergoing a "transformation from big manufacturing country to powerful manufacturing country", and the demand for digital and intelligent factories is on the rise. In the face of demand, if the Company cannot expand the application field of new technology in time, or the industrialization process is not expected, the Company may miss the best opportunity to enter the new industry, which will bring an adverse impact on the medium and long-term development of the Company and become one of the risk factors faced by the Company.

Firstly, in the technology R&D and project approval, the Company will select the field where the Company has the technical advantages, such as on the basis of granular material heavy film (FFS) technology, the Company conducts key research and development for powder materials to bring revolutionary powder heavy film (FFS) equipment to the industry, and then guide customer demand and promote the technological progress of the industry with advanced equipment. Secondly, The Company chooses the field with industry pain points and difficult technology. Through research and development, pilot test, verification and then after success, it will quickly establish and consolidate its technical advantages. After the key technology breakthrough, it will accelerate the breakthrough of the whole product line to establish a first-mover advantage for the company. Thirdly, in providing the overall solution of intelligent manufacturing, regarding the mature non-key supporting technologies in the market, the company effectively makes use of social resources and focuses on the research and development of core technologies, so as to accelerate the launch of product solutions. At the same time, the Company establishes standardized modules for product solution of intelligent manufacturing and digital factory, which will help to accelerate the replication and promotion of product technology in different customers and industries, and effectively cope with relevant risk factors.

(2)The risk that 5G-based industrial internet and artificial intelligence technology can not be deeply applied in the company's overall solution of intelligent manufacturing

2021 is the starting year of the 14th Five-Year Plan period, and Made in China 2025 will achieve phased goals during the 14th Five-Year Plan period. Although the Company has a prominent competitive advantage in the field of technology application, if the deep integration and application of 5G-based industrial Internet and Artificial Intelligence technology cannot be used in product technology solutions in the future, it will restrict the speed and quality of the Company's medium and long-term development and constitute one of the risk factors.



China manufacturing large-scale enterprises generally have automated production lines, but the proportion of digitalization is not high, factory data sharing is not much, and few intelligent technologies are used. There is still a big gap between China and the United States, Japan and Germany in respect of intelligent manufacturing development, and the overall level is low. After years of technical accumulation and the diversity of product lines, the Company can provide customers with overall intelligent manufacturing solutions in the main product application field. Intelligent manufacturing technology cannot be separated from industrial internet technology, the application of 5G in the industrial field provides technological convenience for the upgrading of intelligent manufacturing. From the perspective of the Company's resources, Lianchuang Future is the largest shareholder of the Company, and its actual controller, China United Network Communications Group Co., Ltd., has a profound industrial and technical background in 5G network. The industrial resources of the largest shareholder of the Company will help the Company to build the industrial upgrade of "5G + Industrial Internet" and to expand new fields and develop new markets. At the level of product research and development, the Company will also make full use of its own advantages and resources to accelerate the technical reserves in the digital and intelligent manufacturing industry, establish a dominant position in the face of competition and cope with risk factors.

(3)The risk of whether Boshi can effectively integrate its own and social resources and accelerate technological innovation

As a technology-oriented enterprise, the Company leads the differentiated competition strategy with the technology lead, in the field where Boshi is engaged, Boshi replaces the imported equipment or makes the first set of innovative applications to maintain the dominant competitive position for a long time. However, in the face of the rapid development of the industrial Internet, artificial intelligence, as well as the fierce resource competition, the development of enterprises can not only stay on the use of internal resources. If the Company fails to effectively integrate its own and social resources and accelerate technological innovation, it will constitute one of the risk factors restricting the medium-and long-term development of the company.

In terms of product and technology R&D, the Company actively cooperates with social resources with the principle of independent and controllable core technology and considering efficiency priority. For example, in the fields of intelligent manufacturing solutions and the like, units with non-core and sufficient market competition directly connect with social resources, select the best and integrate with the company's core technologies, which will help accelerate the research and development process of products and technology, and strive for market opportunities. These social resources include universities, research institutes, leading technology enterprises in the industry or superior enterprises in the industry, making effective use of social resources will help company to concentrate their own resources, accelerate key technological innovation and cope with relevant risk factors

(4)The risk of unexpected demand for intelligent equipment in the post-pandemic era

With the approval of COVID-19 vaccine and the consensus on international cooperation, each country around the world expects a rapid recovery of consumer demand in the post-pandemic period. However, as a common disaster for mankind, COVID-19 may have a far-reaching impact on the world's political and economic pattern for several years. As a world big manufacturing country, the demand of Made in China cannot be boosted by the lack of global demand and adverse policies of global economic and trade. In the

field of technology product application, as a supplier of intelligent equipment and a provider of intelligent manufacturing technology solutions, it will inevitably be restricted by this. Therefore, if the demand for intelligent equipment in the post-pandemic period is less than expected, it will constitute a short and medium-term risk restricting the company's future performance.

What corresponds to the risk is the opportunity. In the post-pandemic era, the structural supply of China's manufacturing labor force is insufficient, which brings rare development opportunities for the suppliers of the overall solution of intelligent manufacturing. On the one hand, the company promotes the replication and implementation of mature solutions of intelligent manufacturing among different enterprises, on the other hand, it helps customers to improve production efficiency and improve economic benefits with efficient equipment. From the perspective of customers, it not only solves the problem of production resources allocation, but also helps customers to concentrate resources, make efficient output and improve economic benefits. At the same time, in the field of intelligent manufacturing equipment, the Company's industrial service revenue scale has increased year by year, making a considerable contribution to the overall performance of the Company. Therefore, although with the recovery of the world's manufacturing capacity in the post-pandemic era, the world's demand for Made in China may have the risk of fluctuations, the Company strives to win the favor of users with vibrant products, traverse through demand fluctuations and cope with relevant risk factors.

#### (5) The risk of continuous performance growth

Since 2017, the Company's performance has continued to grow rapidly. In 2020, the Company's operating revenue was RMB 1.828 billion Yuan, 2.91 times of its revenue in 2016, and its net profit attributable to parent Company's shareholders was RMB 405 million Yuan, 3.69 times of it in 2016. The compound growth rate is 32.37% and 46.27% in the past three years respectively. The Company has confidence to continue to maintain steady growth in 2021. However, in the medium term, as a technology-oriented industrial enterprise, on the basis of rapid growth for many years of performance and greatly improved business scale, whether to maintain the sustained growth of performance is one of the medium-term risk factors that the company faces.

During the reporting period, the Company's operating revenue was RMB 1.116 billion Yuan, and the net profit attributable to the parent company was 287 million Yuan, increasing by 19.61% and 26.65% year on year respectively. The Company has confidence to achieve the established annual business target. Equipment industrial enterprises have their own growth curve, in the face of intelligent industry upgrading of Made in China, the company concentrates its own resources, at the same time, introducing external resources, expanding the capacity of research and development, production, manufacturing, service, organizing and implementing new production mode, meeting the market demand to accumulate growth momentum for future growth. At the same time, the Company increases the promotion and implementation of overall intelligent manufacturing solutions, guides customer needs and copes with relevant risks.

#### (6)The risk of technology confidentiality and unfair competition

Technology leading is one of the Company's important competitive strategies and competitive advantages. The technical advantages of the product directly affect the implementation of the company's differentiated competition strategy and the continuous profitability of the company's products. The Company attaches great

importance to technical confidentiality, prevents relevant risks through various measures, and protects them through legal rights protection and other means, but there may still be possibility that the company's intellectual property rights are illegally used, the proprietary technology mastered by Boshi are illegally stolen and the Company faces other unfair competition risks, which constitute the risk of potential economic loss to the Company.

The Company's technology is divided into patented technology and proprietary technology, from the perspective of technical confidentiality, each has its own advantages. The competitiveness of the enterprise depends on the absolute strength. Only by being far ahead in the same competition, can we continue to be in the leading competitive advantage position. In addition to the traditional technology confidentiality and anti-improper competition means, the Company, by means of technology R&D and innovation, continues to enhance technology reserve to keep one generation of R&D, one generation of reserve and one generation of sales, to maintain the absolute competitive advantage in the domestic main product application field. Therefore, the Company's priority strategy is to actively cope with the risk of technological confidentiality and improper competition through continuous technological innovation.

The above are the risk factors that the Company concerns, the Company actively takes measures in order to effectively avoid and control relevant risks.

**Board of Directors of HARBIN BOSHI AUTOMATION CO., LTD.**

**August 28<sup>th</sup>, 2021**