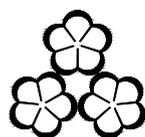


Zhejiang Sanhua Intelligent Controls Co., Ltd.

2023 Annual Report



April 2024

2023 Annual Report

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 undertake both individual and joint legal liabilities.

Zhang Yabo, the Company's legal representative, Yu Yingkui, the person in charge of the accounting work, and Li Zhimi, 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 forward-looking descriptions of future plans, development strategies, and other aspects involved in this report do not constitute a substantial commitment of the Company to investors. Investors are kindly advised to pay attention to investment risks.

The Company describes in detail concerning the possible risks and countermeasures in Section XI “Outlook for the Future Development of the Company” under Section III “Management’s Discussion and Analysis of Operations”. Please pay attention to relevant contents.

The profit distribution proposal approved by the board of directors is set out as follows: Based on the provisional share capital of 3,706,504,614 shares, cash dividend of RMB 2.50 (tax inclusive) will be distributed to all shareholders for every 10 shares. The Company will not distribute bonus shares or convert capital reserves to share capital.

Note: The share capital of the Company is 3,732,615,535 shares, of which the number of repurchased shares is 26,110,921. According to the provisions of the *Company Law*, the shares held by the listed Company through the repurchase account do not enjoy the right to participate in profit distribution or the conversion of capital reserve into share capital.

If the total share capital of the Company changes due to the conversion of convertible bonds,

share repurchase, exercise of equity incentive scheme, refinancing and listing of new shares before the implementation of the distribution plan, the total distribution amount shall be adjusted accordingly based on the principle of constant distribution proportion.

CONTENTS

Section I Important Notes, Contents and Definitions	2
Section II Corporate Profile and Key Financial Indicators.....	9
I. Corporate Information	9
II. Contacts and Contact Information	9
III. Information Disclosure and Place of the Report.....	10
IV. Company Registration and Alteration	10
V. Other Relevant Information	10
VI. Key Accounting Data and Financial Indicators	10
VII. Differences in Accounting Data between Domestic and Overseas Accounting Standards	11
VIII. Key Quarterly Financial Indicators.....	12
IX. Items and Amounts of Non-recurring Gains and Losses	12
Section III Management’s Discussion and Analysis of Operations.....	15
I. Industry situation of the Company during the reporting period.....	15
II. The Principal Business of the Company during the Reporting Period	16
III. Core Competitiveness Analysis	17
IV. Main Business Analysis.....	18
V. Non-core Business Analysis	29
VI. Analysis of Assets and Liabilities.....	30
VII. Analysis of Investment	33
VIII. Disposal of Significant Assets and Equity.....	38
IX. Analysis of Major Subsidiaries and Investees	38
X. Structural Entities Controlled by the Company	40
XI. Outlook for the Future Development of the Company	40
XII. Reception of activities including research, communication and interviews during the report period	41
XIII. Implementation status of action plan “Dual improvement in quality and return”	43
Section IV Corporate Governance.....	44
I. Basic situation of corporate governance	44
II. Company’s Independence in Businesses, Management, Assets, Institutions and Finance from Controlling Shareholders	45
III. Horizontal Competition	46
IV. Annual General Meeting and Extraordinary General Meetings convened during the Reporting Period	46
V. Information of directors, supervisors, senior management.....	47
VI. Performance of duties by directors during the reporting period	59
VII. Performance of duties by special committees under the board during the reporting period.....	60
VIII. Performance of duties by the Supervisory Committee	63
IX. Staff in the Company	63
X. Profit distribution of ordinary shares and capitalization of capital reserves	65
XI. The Implementation of an Equity Incentive Plan, Employee Stock Ownership Plan, or Other	

Incentive Plans.....	66
XII. Construction and implementation of internal control	68
XIII. Management and control of subsidiaries during the reporting period	69
XIV. Self-evaluation report on internal control or Internal control audit report.....	69
XV. Governance problem rectification of the Company	71
Section V Environmental and Social Responsibility	72
I. Material environmental issues	72
II. Social responsibility.....	77
III. Achievements of poverty alleviation and rural revitalization	77
Section VI Significant Events.....	78
I. Performance of commitments	78
II. The Company’s funds used by the controlling shareholder or its related parties for non-operating purposes. 84	
III. Illegal external guarantee.....	84
IV. Explanation Given by the Board of Directors Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Reporting Period	84
V. Explanation Given by the Board of Directors, Board of Supervisors and Independent Directors (if any) Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Reporting Period	84
VI. For changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year.....	84
VII. Explanation for changes in scope of the consolidated financial statements as compared to the financial report for the prior year.....	84
VIII. Engagement and disengagement of the CPA firm	85
IX. Listing suspension and termination after disclosure of this annual report.....	86
X. Bankruptcy and Restructuring	86
XI. Material Litigation and Arbitration.....	86
XII. Punishments and Rectifications	86
XIII. Integrity of the Company and Its Controlling Shareholders and Actual Controllers.....	86
XIV. Significant Related-party Transaction	86
XV. Significant Contracts and Execution.....	87
XVI. Other Significant Events.....	96
XVII. Significant Events of the Company’s Subsidiaries	97
Section VII Changes in Shares and Information about Shareholders	98
I. Changes in Shares.....	98
II. Issuance and Listing of Securities.....	102
III. Particulars about the shareholders and actual controller.....	103
IV. Information about the implementation of share repurchase during the reporting period.....	111
Section VIII Information of Preferred Shares.....	113
Section IX Bonds.....	114
I. Enterprise bond (hereinafter referred to as the bond issued by domestic state-owned entity).....	114
II. Corporate bond	114
III. Debt financing instruments of non-financial enterprises	114
IV. Convertible bond	114
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.....	116
VI. Overdue interest-bearing debts other than bonds by the end of this reporting period	116
VII. Whether there is any violation of rules or regulations during the reporting period	116
VIII. Main accounting data and financial indicators of the Company in recent two years by the end of the reporting period	116
Section X Financial Report.....	118
I. Audit report.....	118
II. Financial Statements	122
III. Company profile	146
IV. Preparation basis of the financial statements	147
V. Significant accounting policies and estimates	147
VI. Taxes.....	164
VII. Notes to Items in the Consolidated Financial Statements	166
VIII. Government grants.....	217
IX. Interest in other entities.....	218
X. Risks Related to Financial Instruments.....	220
XI. Disclosure of Fair Values	224
XII. Related party relationships and transactions.....	224
Items	228
XIII. Share-based payment	229
XIV. Commitments and contingencies	232
XV. Events after the balance sheet date	232
XVI. Other Significant Events.....	233
XVII. Notes to items of parent Company financial statements.....	234
XVIII. Supplementary information	244

Documents Available for Inspection

1. The 2023 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 audit report with the seal of the accounting firm, signature and seal of the registered accountant
4. *Articles of Association*
5. Original copy of all the Company's documents and announcements published on the newspapers designated by CSRC within the reporting period.
6. Other documents available for inspection.

Definitions

Items	Refers to	Definition
The Company, Company	Refers to	Zhejiang Sanhua Intelligent Controls Co., Ltd.
<i>The Articles of Association</i>	Refers to	<i>Articles of Association for Zhejiang Sanhua Intelligent Controls Co., Ltd.</i>
The CSRC	Refers to	China Securities Regulatory Commission
SZSE	Refers to	Shenzhen Stock Exchange
Zhejiang Securities Regulatory Bureau	Refers to	Zhejiang Securities Regulatory Bureau of China Securities Regulatory Commission
General Meeting of Shareholders	Refers to	General Meeting of Shareholders of Zhejiang Sanhua Intelligent Controls Co., Ltd.
Board of Directors	Refers to	The Board of Directors of Zhejiang Sanhua Intelligent Controls Co., Ltd.
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
Former stock abbreviation (if any)	Sanhua Co.,		
Stock Exchange	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	三花智控		
Name of the Company in English (if any)	ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.		
Abbr. of the Company name in English (if any)	SANHUA		
Legal representative	Zhang Yabo		
Registered Address	No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang		
Post Code of Registered Address	312530		
Historical changes of the Company's registered address	June 19, 2015, the registered address of the Company was changed from Xialiquan, Qixing Street, Xinchang, Zhejiang to No. 219 Woxi Avenue, Meizhu, Xinchang, Zhejiang; February 29, 2016, the registered address of the Company was changed from No. 219 Woxi Avenue, Meizhu, Xinchang, Zhejiang to Xialiquan, Qixing Street, Xinchang, Zhejiang. June 2, 2023, the registered address of the Company was changed from Xialiquan, Qixing Street, Xinchang, Zhejiang to No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang		
Office Address	Office Building in Sanhua Industrial Park No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang		
Post Code of Office Address	312530		
Website	http://www.zjshc.com		
E-mail	shc@zjshc.com		

II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Hu Kaicheng	Wang Yutong
Address	Office Building in Sanhua Industrial Park No. 12 Baiyang Street, Qiantang New District, Hangzhou, Zhejiang	Office Building in Sanhua Industrial Park No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang

Tel.	0571-28020008	0575-86255360
Fax	0571-28876605	0575-86563888-8288
E-mail	shc@zjshc.com	shc@zjshc.com

III. Information Disclosure and Place of the Report

The website of the stock exchange where the Company discloses the annual report	Shenzhen Stock Exchange: http://www.szse.cn
Media and website designated by the Company for disclosure of the Annual Report	<i>Securities Times, Shanghai Securities News</i> CNINFO: http://www.cninfo.com.cn
Place where the Annual Report is available for inspection	Office of the Board of Directors of the Company

IV. Company Registration and Alteration

Unified Social Credit Code	913300006096907427
Changes in principle business activities since the Company was listed (if any)	In 2017, the Company completed a major asset reorganization and changed main business to Refrigeration A/C Electrical Components business and Automotive Components business.
Changes of controlling shareholders of the Company (if any)	N/A

V. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Pan-China Certified Public Accountants LLP.
Business address of the accounting firm	Building B, China Resources Building, 1366 Qianjiang Road, Shangcheng District, Hangzhou, Zhejiang, China
Name of accountants for signature	Luo Xunchao, Zhang Xin

Sponsor institution engaged by the Company to perform the duties of continuous supervision during the reporting period

Applicable Not applicable

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

Applicable Not applicable

VI. Key Accounting Data and Financial Indicators

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

Yes No

	2023	2022	YoY Change	2021
Total Revenue (RMB)	24,557,802,066.59	21,347,549,741.00	15.04%	16,020,809,805.52
Net Profit Attributable to Shareholders of the Listed Company (RMB)	2,920,992,940.01	2,573,344,179.92	13.51%	1,684,044,407.47
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	2,917,029,188.01	2,291,450,453.44	27.30%	1,487,491,274.21
Net Cash Flow Generated from Operational Activities (RMB)	3,723,964,354.63	2,509,666,490.56	48.38%	1,555,819,103.29
Basic Earnings per Share (RMB/Share)	0.81	0.72	12.50%	0.47
Diluted Earnings per Share (RMB/Share)	0.81	0.72	12.50%	0.47
Weighted Average ROE	19.18%	21.38%	-2.20%	15.98%
	At the End of 2023	At the End of 2022	YoY Change (%)	At the End of 2021
Total Assets (RMB)	31,890,584,773.41	27,961,214,156.28	14.05%	23,619,966,759.91
Net Assets Attributable to Shareholders of the Listed Company (RMB)	17,894,403,984.79	12,941,310,409.42	38.27%	11,150,308,271.43

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

Yes No

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

Yes No

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

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

Applicable Not applicable

There is no difference.

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

Applicable Not applicable

There is no difference.

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total revenue	5,678,755,521.90	6,850,165,103.69	6,446,857,573.91	5,582,023,867.09
Net profit attributable to shareholders of the Company	601,262,668.34	793,498,180.51	764,870,374.92	761,361,716.24
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	556,696,354.35	910,693,912.34	755,386,134.37	694,252,786.95
Net cash flows from operating activities	735,871,707.43	982,801,886.18	644,966,480.16	1,360,324,280.86

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

Yes No

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

Applicable Not applicable

Unit: RMB

Item	2023	2022	2021	Note
Profits or losses from disposal of non-current assets (including the write-off for the impairment provision of assets)	-1,157,418.11	445,368,259.89	-7,164,158.61	
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard)	93,921,181.44	91,659,049.88	101,910,018.36	

quota or quantitative continuous application according to the state industrial policy.)				
Gains and losses from changes in fair value arising from the holding of financial assets and financial liabilities by non-financial enterprises, as well as gains and losses from the disposal of financial assets and financial liabilities, excluding effective hedging business related to normal business operations of the company	-89,874,825.04	-198,263,945.31	123,439,358.54	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 derivatives and exchange rate derivatives. In 2023, the futures income was 9.5091 million yuan, and the foreign exchange loss was 99.384 million yuan. In 2022, the futures loss was 6.4275 million yuan, and the foreign exchange loss was 191.8364 million yuan. Meanwhile, the exchange earnings in 2023 were 133.5151 million yuan, and the exchange earnings in 2022 were 228.8434 million yuan. According to the <i>Explanatory Announcement of Information Disclosure of Listed Companies No. 1 – Non-recurring Gains and Losses</i> , exchange gains and losses are recurring gains and losses, and futures and foreign exchange gains and losses are non-recurring gains and losses.
Other non-operating income and expenditures except the items mentioned above	10,206,261.89	-1,251,705.71	-3,359,134.55	
Other gains and losses items that fit the definition of non-recurring gains and losses		1,445,314.58	765,674.33	
Gains and losses		-7,000,000.00		

arising from contingencies unrelated to the normal operation of the Company's business				
Less: Impact of income tax	1,905,361.61	46,164,566.99	17,841,108.54	
Impact of the minority interests (after tax)	7,226,086.57	3,898,679.86	1,197,516.27	
Total	3,963,752.00	281,893,726.48	196,553,133.26	--

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

Applicable Not applicable

The Company did not have other gain/ loss items that meet the definition of non-recurring gains and losses.

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

Applicable Not applicable

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

Section III Management's Discussion and Analysis of Operations

I. Industry situation of the Company during the reporting period

The Company shall comply with the disclosure requirements of automobile manufacturing related industries listed in the *No.3 Guidelines for Self-discipline Supervision of Public Companies of Shenzhen Stock Exchange - Industry Information Disclosure*.

1. Industry development

In 2023, despite adverse effects such as overseas economic fluctuations and intensified geopolitical conflicts, the global economy still maintained significant resilience and achieved stable growth. According to the International Monetary Fund, the global economic growth rate in 2023 is 3.2%. The Chinese economy has withstood multiple pressures and overall rebounded, achieving a GDP of 126.1 trillion yuan for the whole year, a year-on-year growth of 5.2%.

(1) Refrigeration and air conditioning electrical components industry

With the recovery of demand after the epidemic, the stimulation of summer high temperatures, the promotion of guaranteed delivery of buildings, and the gradual relaxation of urban purchase restrictions, the air conditioning market continues to grow. According to Industry Online, the production of household air conditioners in China in 2023 was 168.69 million units, a year-on-year increase of 11.1%; The total annual sales revenue of the central air conditioning market was 142.9 billion yuan, a year-on-year increase of 11.1%.

With the global trend of environmental protection and carbon reduction, the proposal of China's "dual carbon" goals, and the improvement of intelligent refrigeration and air conditioning equipment and energy efficiency standards, there is a new demand for the refrigeration and air conditioning electrical components industry around the world, bringing new market space and value increment. As a leader in refrigeration and air conditioning control components, the Company, with years of manufacturing experience, leading market technology, and extensive and deep cooperation with customers, will adapt to market changes, seize opportunities, and develop steadily.

(2) Automotive components industry

According to EV Tank and the China Association of Automobile Manufacturers, global sales of NEVs reached 14.653 million units in 2023, a year-on-year increase of 35.4%, accounting for 16.1% of global vehicle sales in 2023; Among them, the sales of NEVs in China accounted for 64.8% of global sales, reaching 9.495 million units, a year-on-year increase of 37.9%, and accounting for 31.6% of national vehicle sales in 2023.

In recent years, the development of NEVs worldwide has continued to grow rapidly, becoming an unstoppable trend. Riding the global trend of NEVs, the Company's NEV thermal management product market is expanding rapidly. NEVs from different routes have put forward new requirements for automotive thermal management products, which are becoming more technology intensive and capital intensive. The Company has been in the field of automotive thermal management since its early years, with profound technical accumulation and widespread customer recognition. It has entered subsystems and components from automotive thermal management components, and has now become an important partner for customers such as BYD, Volvo, Geely, Valeo, Mahler, Volkswagen, Mercedes Benz, BMW, Toyota, General Motors, Li Auto, NIO, etc.

2. Industry status

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

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

The Company shall comply with the disclosure requirements of automobile manufacturing related industries listed in the *No.3 Guidelines for Self-discipline Supervision of Public Companies of Shenzhen Stock Exchange - Industry Information Disclosure*.

The Company adheres to the "Dedication and Leadership, Innovation and Surpassing" business path, concentrating on the research and application of heat pump technology and thermal management system products. It focuses on the development of environmental thermal management solutions for heat exchange and temperature intelligent control and is dedicated to specialized management in the fields of building HVAC, electrical equipment, and new energy vehicle thermal management. Based on the different stages and characteristics of strategic business and mature business, the Company's business is mainly divided into refrigeration and air conditioning electrical components business and automotive components business. Refrigeration and air conditioning electrical components business is committed to the professional operation of building HVAC and electrical equipment. Its main products 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 automotive components business focuses on in-depth research in the field of automotive thermal management. Its main products include Thermal Expansion Valve, Electric Expansion Valve, Electric Water Pump, and Thermal Management Integrated Module for new energy vehicle, etc., which are widely used in both NEVs and ICVs.

During the reporting period, there were no changes in the Company's main business or business model.

Manufacturing, production and operation of vehicles during the reporting period

Applicable Not applicable

Manufacturing, production and operation of vehicle components during the reporting period

Applicable Not applicable

	Production volume			Sales volume		
	2023	2022	YoY Change (%)	2023	2022	YoY Change (%)
Classified by Components (Unit: million PCs)						

NEVs thermal management products	62.7827	41.2295	52.28%	62.5181	38.3518	63.01%
ICVs thermal management products	169.5683	129.0791	31.37%	169.5093	129.1160	31.28%
Classified by Whole Vehicle Package (Unit: million PCs)						
Classified by After-sales market (Unit: million PCs)						
Other classifications (Unit: million PCs)						
Domestic	137.8682	107.4399	28.32%	138.0081	105.4194	30.91%
Overseas	94.4828	62.8687	50.29%	94.0193	62.0484	51.53%

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

Applicable Not applicable

This is mainly due to the continuous upsurge of the NEVs market, which drives the rapid growth of the production and sales of NEVs thermal management products.

Sale model of vehicle components

The Company's customers are mainly domestic and foreign vehicle manufacturers and tier 1 manufacturers. The mainly sale mode is direct sale.

Whether the Company carries out auto finance business

Applicable Not applicable

Whether the Company carries out business related to NEVs

Applicable Not applicable

Production and operation of NEVs parts

Unit: million PCs

Product category	Production capacity	Production volume	Sales volume	Revenue (RMB)
NEVs thermal management products	72.1960	62.7827	62.5181	8,929,632,402.32

III. Core Competitiveness Analysis

The Company shall comply with the disclosure requirements of automobile manufacturing related industries listed in the *No.3 Guidelines for Self-discipline Supervision of Public Companies of Shenzhen Stock Exchange - Industry Information Disclosure*.

1. Clear strategic layout

The Company adheres to the "Dedication and Leadership, Innovation and Surpassing" business path, takes the research and application of heat pump technology and thermal management system products as the core, firmly grasps the development theme of energy conservation, environmental protection and intelligent control, upgrades from "mechanical parts development" to "system control technology solution development of electronic control

integration". The Company's products series are expanded from household A/C and refrigerator components to the field of commercial A/C and commercial refrigeration, and extending to the direction of inverter control technology and system integration and upgrading. Meanwhile, after the injection of automotive components business, it gives full play to the synergy effect with the original business, continues to deepen the research and development of new energy vehicle thermal management system components, and actively explores the deeper application of thermal management components and subsystems in the automotive field, so as to provide global customers with competitive environmental intelligent control solutions.

2. Technology leading, customer oriented

As a national high-tech enterprise, the Company has always adhered to the technological route of independent development and innovation. For decades, it has focused on the field of intelligent control and vigorously cultivated core technologies with independent intellectual property rights. It has been authorized with 3,792 patents both domestic and abroad, including 1,879 invention patents. The Company has established a comprehensive multi-disciplinary R&D team for product development and technical research, and established a matrix R&D organizational structure. Utilizing the model of product development driven by technological research, we can promote innovation. Meanwhile, a technical expert committee has been established to guide and manage technological development. All products, services and quality of the Company take meeting the needs of customers as the first priority.

3. Quality assurance, scale economy effect

The Company's products cover refrigeration A/C electrical components and automotive components industry. The market share of the Company's Electronic Expansion Valve, Four-way Reversing Valve, Solenoid Valve, Microchannel Heat Exchanger, Automotive Electric Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Omega Pump ranks first globally. The market share of Service Valve, Automotive Thermal Expansion Valve and Receiver Drier is in the leading position in the world. The Company has established a complete and strict quality assurance system, achieved ISO9001, IATF16949, QC080000 quality system certification. The Company won the National Quality Award, Zhejiang Quality Award, National Technological Innovation Demonstration Enterprise and won the high comments from JCI, Daikin, Carrier, Midea, Gree, Haier, Toyota, Benz, Volkswagen, Valeo and other well-known enterprises at home and abroad.

4. Advantages of global marketing network and production base

Since the 1990s, the Company has focused on expanding the international market, and has established overseas subsidiaries in Japan, South Korea, Singapore, the United States, Mexico, Germany and other places to build a global marketing network. At the same time, it has established overseas production bases in the United States, Poland, Mexico, Vietnam, Thailand, India and other places. And in practice, we have trained a number of management talents who can meet the needs of business development in different countries and regions.

IV. Main Business Analysis

1. Overview

In 2023, although the world economy remains resilient in exchange rate fluctuations and geopolitical conflicts, China's socio-economic operation has normalized, the country has strengthened macroeconomic regulation, and the economy is moving towards recovery and high-quality development. With the global clean energy revolution and

the flourishing development of artificial intelligence, the "new economy" industries such as NEVs, AI, energy storage, as well as constantly iterating heat pumps and commercial refrigeration are flourishing. At the Company level, the refrigeration and air conditioning electrical components business has been stimulated by consumer recovery and summer high temperatures, resulting in a steady increase in domestic and international market share and steady growth in performance. With the continuous penetration and prosperity of NEVs, the automotive components business continues to upgrade its products. The customer distribution continues to expand, global orders continue to be released, achieving a rapid increase in revenue.

During the reporting period, the total revenue is RMB 24.558 billion, a year-on-year increase of 15.04%; the net profit is RMB 3.553 billion, a year-on-year increase of 15.85%; the net profit attributable to shareholders of the listed Company is RMB 2.921 billion, a year-on-year increase of 13.51%. The revenue of refrigeration and air conditioning electrical components business is RMB 14.644 billion, a year-on-year increase of 5.86%; the revenue of automotive components business is RMB 9.914 billion, a year-on-year increase of 31.94%.

1. Strive for excellence and continuously update and expand business layout

(1) Refrigeration and air conditioning electrical components business

In 2023, while maintaining its original dominant product market share, the Company is committed to increasing the market share of high margin products and new generation products, and exploring new areas of high potential product business opportunities. In terms of customer expansion, the Company promotes deepening cooperation with strategic customers and promotes mature products to new customers. In terms of technological research and development, the Company closely follows the market pulse and evolves synchronously, effectively reducing costs while improving performance. In terms of patent layout, in addition to patent application and authorization, patent protection is used to consolidate intellectual property barriers and provide support for product innovation. In terms of operational management, the Company promotes activities such as self-developed key manufacturing equipment, lean production, and digital transformation to improve production efficiency while reducing manufacturing costs. In addition, in the process of globalization, we will continue to increase the layout of global manufacturing and research and development in factories in Vietnam, Mexico, and Thailand, as well as the construction of talent teams.

(2) Automotive components business

The competition in the NEVs market has been intensifying year by year. In terms of customer expansion, the Company is based on the benchmark customer demonstration effect, guided by customer needs, and continuously rising to a new stage in new projects and business opportunities. In terms of technological research and development, significant achievements have been made in continuously improving product strength through technological innovation, especially in the design and promotion of intelligent, standardized, and modular integrated components, the development of a new generation of electronic expansion valves for vehicles, and the upgrading of pump products. In terms of operational management, improve and connect the entire process planning chain, create resilient supply chain management, and build a global operational database to enhance the level of informatization. In terms of global layout, we will continue to carry out the construction and new production capacity layout of factories in Mexico, Poland, Zhongshan, Shenyang, and Shaoxing Binhai in China, to implement a global supply map.

(3) Strategic emerging businesses

The development of artificial intelligence has just begun, and the biomimetic robots industry is changing rapidly, which is expected to become a revolutionary industry after computers, smartphones, and NEVs. It has great

development potential and broad application prospects, making it a new track for future industries. In the field of biomimetic robots, the Company focuses on electromechanical actuators and fully cooperates with customers for product research and development, trial production, and iteration.

The expectation for the growth of energy storage demand is clear. The Company closely tracks the development trend of energy storage system technology, synchronously promotes the expansion of market opportunities for application components in the energy storage field, as well as the development of energy storage thermal management units, forming a relatively complete series of unit products, which are listed as supporting products for top customers, laying the foundation for the subsequent development of products with technological advantages.

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

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

3. Value service, shareholder returns, and improve corporate governance system

During the reporting period, in order to safeguard the interests of shareholders and enhance the confidence of investors, the Company carried out share repurchase plan with its own funds to protect the long-term interests of the Company and small and medium-sized shareholders. Meanwhile, the Company strengthened and improved the construction of internal control system, standardized the operation of the three committees, improved the Company's information disclosure, investor relations management and other aspects. And ensured smooth communication between investors and listed company through various methods such as interactive platform, answering investor call, on-site reception.

4. Assist in carbon neutrality and strive to establish a clean and low-carbon energy system

In terms of carbon reduction and emission reduction, the Company has accelerated the application of photovoltaic and energy storage in the industry park. The energy utilization efficiency of the Company's smart microgrid project has achieved multi energy complementarity and has been included in the *Zhejiang Province 2023 New Power System Pilot Project Plan*. In July 2023, the Company published CDP report again, and in 2024, it disclosed the first Environmental, Social, and Governance (ESG) report.

2. Revenue and Costs

(1) Revenue structure

Unit: RMB

	2023		2022		YoY Change (%)
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Revenue	24,557,802,066.59	100.00%	21,347,549,741.00	100.00%	15.04%

Classified by Industry					
General Equipment Manufacturing Industry	24,557,802,066.59	100.00%	21,347,549,741.00	100.00%	15.04%
Classified by Products					
Refrigeration A/C Electrical Components	14,644,135,166.57	59.63%	13,833,786,079.86	64.80%	5.86%
Automotive Components	9,913,666,900.02	40.37%	7,513,763,661.14	35.20%	31.94%
Classified by Region					
Domestic	13,403,443,275.68	54.58%	11,415,857,116.85	53.48%	17.41%
Overseas	11,154,358,790.91	45.42%	9,931,692,624.15	46.52%	12.31%
Classified by Sales Model					
Direct Sale	24,557,802,066.59	100.00%	21,347,549,741.00	100.00%	15.04%

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

√ Applicable □ Not applicable

Unit: RMB

	Revenue	Operating cost	Gross margin	YoY Change (%) of revenue	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Classified by Industry						
General Equipment Manufacturing Industry	24,557,802,066.59	17,708,120,277.33	27.89%	15.04%	12.21%	1.81%
Classified by Products						
Refrigeration A/C Electrical Components Business	14,644,135,166.57	10,514,157,902.87	28.20%	5.86%	2.93%	2.04%
Automotive Components Business	9,913,666,900.02	7,193,962,374.46	27.43%	31.94%	29.24%	1.51%
Classified by Region						
Domestic	13,403,443,275.68	9,874,767,081.31	26.33%	17.41%	13.93%	2.26%

Overseas	11,154,358,790 .91	7,833,353,196. 02	29.77%	12.31%	10.12%	1.39%
Classified by Sales Model						
Direct Sale	24,557,802,066 .59	17,708,120,277 .33	27.89%	15.04%	12.21%	1.81%

When the statistical caliber of the Company's major business data is adjusted during the reporting period, the Company's major business data would be adjusted according to the end of the reporting period in the most recent period.

Applicable Not applicable

(3) Whether revenue from physical products sales greater than revenue from providing services

Yes No

Industry	Item	Unit	2023	2022	YoY Change (%)
General Equipment Manufacturing Industry	Sales	Yuan	24,557,802,066.59	21,347,549,741.00	15.04%
	Production	Yuan	24,661,487,925.77	21,887,981,655.33	12.67%
	Inventory	Yuan	4,715,009,128.74	4,462,520,693.06	5.66%

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

Applicable Not applicable

(4) Fulfillment of signed significant sales and procurement contracts by the end of reporting period

Applicable Not applicable

(5) Operating cost structure

Classification based on industry and products

Unit: RMB

Industry	Item	2023		2022		YoY Change (%)
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
General Equipment Manufacturing Industry	Material	13,115,131,671 .51	74.06%	11,758,388,129 .77	74.51%	11.54%
General Equipment Manufacturing Industry	Labor	2,523,256,970. 91	14.25%	2,219,139,967. 42	14.06%	13.70%
General Equipment Manufacturing	Depreciation	516,350,365.38	2.92%	397,865,980.52	2.52%	29.78%

Industry						
General Equipment Manufacturing Industry	Freight	573,973,563.84	3.24%	545,402,421.45	3.46%	5.24%
General Equipment Manufacturing Industry	Energy Source	522,992,506.07	2.95%	445,206,543.55	2.82%	17.47%
General Equipment Manufacturing Industry	Other	456,415,199.62	2.58%	415,096,138.59	2.63%	9.95%

Unit: RMB

Product	Item	2023		2022		YoY Change (%)
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Refrigeration A/C Electrical Components	Material	7,743,350,881.56	43.73%	7,547,972,672.72	47.83%	2.59%
Refrigeration A/C Electrical Components	Labor	1,625,493,308.75	9.18%	1,562,744,130.39	9.90%	4.02%
Refrigeration A/C Electrical Components	Depreciation	293,400,820.12	1.66%	256,801,359.03	1.63%	14.25%
Refrigeration A/C Electrical Components	Freight	372,451,870.84	2.10%	367,797,612.73	2.33%	1.27%
Refrigeration A/C Electrical Components	Energy Source	250,366,298.39	1.41%	242,566,647.87	1.54%	3.22%
Refrigeration A/C Electrical Components	Other	229,094,723.21	1.29%	236,686,252.75	1.50%	-3.21%
Automotive Components	Material	5,371,780,789.95	30.34%	4,210,415,457.05	26.68%	27.58%
Automotive Components	Labor	897,763,662.16	5.07%	656,395,837.03	4.16%	36.77%
Automotive Components	Depreciation	222,949,545.26	1.26%	141,064,621.49	0.89%	58.05%
Automotive Components	Freight	201,521,693.00	1.14%	177,604,808.72	1.13%	13.47%
Automotive Components	Energy Source	272,626,207.68	1.54%	202,639,895.68	1.28%	34.54%
Automotive Components	Other	227,320,476.41	1.28%	178,409,885.84	1.13%	27.41%

(6) Changes in consolidation scope during the reporting period√Yes No

1. Increase in consolidation scope

Name	Equity acquisition method	Date of equity acquisition	Capital contribution	Proportion of capital contribution
Guangdong Sanhua New Energy Vehicle Parts Co., Ltd.	Investment and establishment	2023-02-17	183,712,500.00	100%
Shenyang Sanhua New Energy Vehicle Parts Co., Ltd.	Investment and establishment	2023-03-08	17,000,000.00	100%
Hangzhou Sanhua Intelligent Equipment Co., Ltd.	Investment and establishment	2023-01-03	24,000,000.00	100%
SANHUA SINGAPORE AUTOMOTIVE INVESTMENT PTE LTD.	Investment and establishment	2023-11-20	0.00	100%
Minth Sanhua Auto Parts Poland Sp. Zoo.	Investment and establishment	2023-01-24	5000 PLN	100%
LEADERWAY COAHUILA, S.DE R.L.DE C.V.	Investment and establishment	2023-10-01	10,000 MXN	100%
SANHUA INDUSTRY (THAILAND) CO., LTD.	Investment and establishment	2023-01-31	100 million THB	100%

2. Reduction in consolidation scope

Name	Equity disposal method	Date of equity disposal	Net assets on disposal date	Net profit from the beginning of the period to the date of disposal
Suzhou Xinzhi Automotive Parts Co., Ltd	Liquidation and cancellation	2023-01-13	0.00	1,631.39

(7) Significant change or adjustment of the Company's business, products or services during the reporting period: Applicable Not applicable**(8) Major customers and suppliers:****Major customers of the Company**

Total sales to top five customers (RMB)	8,719,088,090.35
Total sales to top five customers as a percentage of the total sales for the year (%)	35.51%
Total sales to the related parties in top five customers as a percentage of the total sales of the year (%)	0.00%

Information on top five customers

No.	Name of Customer	Sales Amount (RMB)	Percentage of total sales for the year
-----	------------------	--------------------	--

1	First	3,582,715,408.45	14.59%
2	Second	2,134,361,702.41	8.69%
3	Third	1,128,597,176.25	4.60%
4	Fourth	1,071,372,376.82	4.36%
5	Fifth	802,041,426.42	3.27%
Total	--	8,719,088,090.35	35.51%

Other information of major customers

Applicable Not applicable

Major suppliers of the Company

Total purchases from top five suppliers (RMB)	1,962,058,942.79
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	14.32%
Total purchases from the related parties in the top five suppliers as a percentage of the total purchases for the year (%)	0.00%

Information on top five suppliers of the Company

No.	Name of Supplier	Purchase Amount (RMB)	Percentage of total purchase for the year
1	First	533,687,665.53	3.90%
2	Second	377,102,189.23	2.75%
3	Third	367,116,178.07	2.68%
4	Fourth	353,794,929.29	2.58%
5	Fifth	330,357,980.67	2.41%
Total	--	1,962,058,942.79	14.32%

Other information of major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2023	2022	YoY Change (%)	Note of significant change
Sales expenses	663,304,325.04	512,599,257.66	29.40%	Mainly due to an increase in employee salaries, market maintenance expenses,

				travel expenses, etc.
Administrative expenses	1,476,334,172.35	1,266,974,971.99	16.52%	Mainly due to the increase in employee salaries, office expenses, intermediary service fees, business reception expense, etc.
Financial expenses	-72,751,380.29	-177,540,645.27	59.02%	Mainly due to a decrease in exchange earnings
R&D expenses	1,096,834,224.41	988,954,495.90	10.91%	Mainly due to an increase in personnel, direct investment, etc.

4. R&D Investment

√Applicable □Not applicable

Name of main R&D projects	Project purpose	Progress of the project	Objectives to be achieved	Expected impact on the future development of the Company
Fourth Generation Electronic Expansion Valve Development	Develop a new generation product with low cost, low noise and high performance	Done	To enhance product competitiveness in cost and performance	To improve product competitiveness, meet customer needs and gain greater market share
Electric Refrigerant Column Valve Development	Develop lightweight and miniaturized refrigerant valve products with plug-in type	On going	To improve the competitiveness of the refrigerant valve product by the plug-in structure design, support the heat pump modules strategy	To gain greater market share and support the product platform strategy
M Platform Standard Electric Water Pump Development	Develop low-cost, lightweight and miniaturized medium-power EWP	On going	To enhance competitiveness of medium-power EWPs, and support the product platform strategy	To gain greater market share and support the product platform strategy
Third Generation Chiller Development	Develop a new generation product with low cost or high performance	On going	To improve product competitiveness in cost and performance; Form standardized products and support the heat pump modules strategy	To improve product competitiveness and gain greater market share
L Platform Electric Water Pump Development	Develop low-cost, lightweight and miniaturized high-power EWP	On going	To enhance competitiveness of high-power EWPs, build solid foundation and technical reserve, and support the product platform strategy	To gain greater market share and support the product platform strategy
Development of SPB (A) type shielded water pump	Developing new products for the field of heat pump heating	On going	Realize the characteristics of product efficiency,	Developing the market for heat pump heating, Realizing

			energy conservation, silence, high stability, and high cost-effectiveness	new business growth points
Development of C-type globe valve	Developing a new generation of low-cost, high-performance products	On going	Realize product iteration and upgrading, Enhancing the competitiveness of refrigeration and air conditioning products	Enhance product competitiveness, Expand market share
Omega-mini integrated heating pump development	Developing miniaturized integrated heating pump products	Done	Meeting customer needs for miniaturization and high quality	Enhance product competitiveness and expand market share
Development of N series thermal expansion valve	Iterative updating of RFGF series	Done	Continuously increasing the market competitiveness of thermal expansion valve products	Increasing the market competitiveness of thermal expansion valves, lays a solid foundation for achieving market share exceeding 50% in the future.
Development of PT transmitter	Developing new generation vehicle-used sensor	On going	Developing brand-new composite sensor integrating temperature and pressure,expanding the application field of commercial products,assisting the rapid development of commercial business.	Leading sensor products moving forwards to automotive field.
Development of industrial shut-off valve	Developing products in industrial freezing field	On going	Assisting the business expanding in industrial freezing field.	Expanding company products lines, lays a solid foundation for entering the industrial refrigeration field.
Inserted fin MCHE Development	Expand the application of MCHE exchangers in heat pumps	Ongoing	Expand the application range of products,enhanced the power of product	For the fast-growing heat pump market, must have a solution for microchannel heat pumps, creating a new market growth
Research and development of direct-expansion (DX) cooled system	Developing a direct-expansion (DX) cooled system for thermal management of energy storage systems	On going	Improving energy efficiency and reducing costs	Creating popular products to enhance product strength
Development of Actuator	Developing actuators for humanoid robot joints	On going	Realize the Linear and rotary functions of humanoid robot joints.	To Explore the most valuable component in the AI Robot market and provide new high value-added growth points for the company in the next 5-10 years.

R&D personnel of the Company

	2023	2022	Change proportion
Number of R&D personnel (person)	3,241	2,243	44.49%
Proportion of R&D personnel	18.28%	15.09%	3.19%
Academic structure of R&D personnel			
Master degree and above	510	332	53.61%
Bachelor degree	1,929	1,358	42.05%
Junior college and below	802	553	45.03%
Age composition of R&D personnel			
Under the age of 30	1,582	981	61.26%
Age between 30 and 40	1,191	895	33.07%
Over the age of 40	468	367	27.52%

R&D investment of the Company

	2023	2022	YoY Change (%)
Amount of R&D expenses (RMB)	1,096,834,224.41	988,954,495.90	10.91%
R&D investment as a percentage of revenue	4.47%	4.63%	-0.16%
Capitalized R&D expenses (RMB)	0.00	0.00	0.00%
Capitalized R&D expenses as a percentage of R&D expenses	0.00%	0.00%	0.00%

Reasons and effects of major changes in the composition of R&D personnel

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash flow

Unit: RMB

Items	2023	2022	YoY Change (%)
Subtotal of cash inflows from operating activities	25,391,076,341.93	21,770,343,585.78	16.63%

Subtotal of cash outflows from operating activities	21,667,111,987.30	19,260,677,095.22	12.49%
Net cash flows from operating activities	3,723,964,354.63	2,509,666,490.56	48.38%
Subtotal of cash inflows from investing activities	1,695,486,300.46	383,808,450.48	341.75%
Subtotal of cash outflows from investing activities	2,904,766,053.95	3,055,122,290.58	-4.92%
Net cash flows from investing activities	-1,209,279,753.49	-2,671,313,840.10	54.73%
Subtotal of cash inflows from financing activities	1,606,752,389.73	3,274,929,447.10	-50.94%
Subtotal of cash outflows from financing activities	2,698,602,678.24	3,871,803,752.46	-30.30%
Net cash flows from financing activities	-1,091,850,288.51	-596,874,305.36	-82.93%
Net increase in cash and cash equivalents	1,574,626,897.07	-639,673,623.32	346.16%

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

Applicable Not applicable

1. Net cash flow from operating activities increased: mainly due to an increase in cash received from selling goods and providing services.
2. Net cash flow from investment activities increased: mainly due to the increase in the redemption of large certificates of deposit in the current period.
3. Net cash flow from financing activities decreased: mainly due to granting restricted stocks to employees in the previous period, resulting in a decrease in cash received from investment absorption in the current period.

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

Applicable Not applicable

V. Non-core Business Analysis

Applicable Not applicable

Unit: RMB

	Amount	Proportion to net profit	Note of Change	Sustainability
Investment Income	-131,453,928.62	-3.70%	Settlement gains and losses of exchange rate derivatives, settlement gains and losses of futures derivative, discounted bill, etc.	No
Gains and Losses from Change of Fair Value	48,123,522.34	1.35%	Settlement gains and losses of exchange rate derivatives, settlement gains and losses of futures derivatives, floating gains and	No

			losses of bank wealth management products, etc.	
Non-operating Revenue	14,932,933.39	0.42%	Payment cancellation, compensation and penalty gains, gains from retirement of fixed assets, etc.	No
Non-operating Expenditures	14,625,298.02	0.41%	Loss from retirement of fixed assets, compensation and breach of contract expenses, donation expenses, etc.	No
Credit Impairment Loss	-51,477,741.58	-1.45%	Bad debt losses	No
Assets Impairment Loss	-55,376,891.25	-1.56%	Inventory impairment loss, fixed asset impairment loss, goodwill impairment loss, etc.	No
Gains on Disposal of Properties	8,741,208.41	0.25%	Income from disposal of fixed assets	No
Other Gains	188,255,263.06	5.30%	Government subsidies, value-added tax refunds for civil welfare enterprises, refunds for software product value-added tax overpayment, value-added tax deductions, etc.	The value-added tax refund for civil welfare enterprises, tax refund for software product value-added overpayment, and value-added tax deduction are sustainable, while the rest are not sustainable

VI. Analysis of Assets and Liabilities

1. Material changes of assets

Unit: RMB

	December 31st 2023		January 1st 2023		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and Bank Balances	6,584,684,683.93	20.65%	5,878,243,652.55	21.02%	-0.37%	
Account Receivable	5,773,991,481.22	18.11%	5,228,117,225.57	18.70%	-0.59%	
Contract assets		0.00%		0.00%	0.00%	
Inventories	4,600,729,378.19	14.43%	4,334,875,287.86	15.50%	-1.07%	
Investment property	8,165,805.31	0.03%	8,204,266.97	0.03%	0.00%	

Long-term Equity Investment	37,924,431.29	0.12%	32,438,204.13	0.12%	0.00%	
Fixed Assets	7,730,363,778.82	24.24%	6,374,896,070.41	22.80%	1.44%	
Construction in Progress	2,036,326,757.72	6.39%	1,032,505,633.51	3.69%	2.70%	
Assets with right of use	313,254,745.53	0.98%	284,277,365.32	1.02%	-0.04%	
Short-term borrowings	1,212,150,378.85	3.80%	1,294,083,319.58	4.63%	-0.83%	
Contractual liabilities	51,788,802.03	0.16%	57,955,080.60	0.21%	-0.05%	
Long-term borrowings	1,030,801,111.13	3.23%	1,801,574,166.67	6.44%	-3.21%	
Lease liabilities	221,295,481.86	0.69%	202,028,482.09	0.72%	-0.03%	
Note receivable	2,476,839,413.89	7.77%	2,203,948,983.83	7.88%	-0.11%	
Note payable	3,416,711,594.64	10.71%	2,580,274,767.64	9.23%	1.48%	
Account payable	4,449,940,359.81	13.95%	3,884,603,370.16	13.89%	0.06%	
Non-current liabilities due within one year	1,440,093,253.93	4.52%	568,126,341.67	2.03%	2.49%	Mainly the portion of non-current liabilities due within one year
Bonds payable		0.00%	2,776,763,361.83	9.93%	-9.93%	Mainly due to early conversion and redemption of convertible bonds in current period

Whether the proportion of overseas assets is relatively high

√Applicable □Not applicable

Content of assets	Cause of formation	Asset scale	Location	Operation mode	Control measures to ensure asset security	Earnings	The proportion of overseas assets to the company's net assets	Whether there is significant impairment risk
SANHUA INTERNATIONAL, INC. (Consolidated)	Equity investment	3,664,462,710.84	United States	Research and development, manufacturing, sales, and investment	Financial supervision, commissioned external audit	760,912,442.45		No

				managem ent				
Sanhua International Singapore PTE. Ltd. (Consolidated)	Equity investment	5,932,183,266.09	Singapore	Manufacturing, sales, and investment management	Financial supervision, commissioned external audit	57,990,422.65		No

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Items	Opening balance	Profit and loss of fair value change in the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	Current purchase amount	Current sale amount	Other changes	Closing balance
Financial Assets								
1.Held-for-trading financial assets (Excluding derivative financial assets)	100,025,980.08	-25,980.08				100,000,000.00		
2.Derivative financial assets	8,938,874.05	13,697,238.63						22,636,112.68
Subtotal of financial assets	108,964,854.13	13,671,258.55				100,000,000.00		22,636,112.68
Total	108,964,854.13	13,671,258.55				100,000,000.00		22,636,112.68
Financial liabilities	48,671,373.81	-34,452,263.79						14,219,110.02

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

Yes No

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

Items	Closing book balance	Closing Book value	Types of restrictions	Restriction reason
Cash and Bank Balances	76,476,700.95	76,476,700.95	pledge	Margin deposited

Items	Closing book balance	Closing Book value	Types of restrictions	Restriction reason
Cash and Bank Balances	281,570,379.73	281,570,379.73	pledge	Pledge for financing
Note Receivable	2,214,363,880.38	2,208,446,869.75	pledge	Pledge for financing
Accounts receivable	66,621,446.85	63,290,374.51	pledge	Electronic debt vouchers that have been transferred for payment or factoring financing but have not yet matured
Total	2,639,032,407.91	2,629,784,324.94	--	--

VII. Analysis of Investment

1. Overview

Applicable Not applicable

Investment during the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year (RMB)	YoY Change (%)
1,297,612,083.54	1,068,188,900.00	21.48%

2. Significant equity investment during the reporting period

Applicable Not applicable

3. Significant non-equity investment during the reporting period

Applicable Not applicable

4. Financial asset investment

(1) Securities Investments

Applicable Not applicable

No such case in the reporting period.

(2) Derivatives Investments

Applicable Not applicable

1) Derivative investments for hedging purposes during the reporting period

Applicable Not applicable

Unit: RMB in 10 thousand

Types of derivative investments	Initial investment amount	Beginning balance	Gains and losses from changes in fair value in the current period	Accumulated fair value changes recognized in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Closing balance	Ratio of ending investment amount to the company's net assets at the end of the reporting period
Futures instruments, foreign exchange instruments, etc.								
Source of funding for derivative investment	Own funds							
Risk analysis and control measures (including but not limited to, market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) of holding derivatives during the reporting period	In order to avoid the price risk of raw materials and exchange rate risk, the Company and its subsidiaries have carried out derivative business, including futures contracts and foreign exchange forward contracts. The Company and its subsidiaries strictly comply with the relevant provisions listed in the <i>Management Measures for Future Hedging Business</i> and <i>Management Measures for Foreign Exchange Hedging Business</i> .							
Litigation (if applicable)	N/A							
Special opinions of independent directors on derivatives investment and risk control of the Company	N/A							

2) Derivative investments for speculative purposes during the reporting period

Applicable Not applicable

No such case in the reporting period.

5. Usage of raised funds

Applicable Not applicable

(1). Overall usage of raised fund

Applicable Not applicable

Unit: RMB in 10 thousand

Year	Method	Total amount of raised funds	Net amount of raised funds	Total amount of raised funds invested in the report period	Accumulated amount of raised funds invested	Total amount of raised funds with use alteration during the reporting period	Accumulated amount of raised funds with use alteration	Proportion of accumulated amount of raised funds with use alteration to the total amount of raised funds	Total amount of unused raised funds	Raised funds has not been used	Raised funds has not been used for two years
2021	Public offering	300,000	298,753.1	45,894.38	218,675.73				85,200.45	Deposited in the special account for raised funds and the subscription of large amount certificates of deposit.	
Total	--	300,000	298,753.1	45,894.38	218,675.73				85,200.45	--	0

Description of Overall Usage of Raised Funds

1. The actual amount of raised fund and date of transfer in
 In June 2021, with the approval of China Securities Regulatory Commission (CSRC) [2021] No. 168, the Company publicly issued 30 million pieces of convertible corporate bonds (Sanhua convertible bond) with a par value of RMB 100, issued at face

value, raising RMB 3 billion in total. The net amount of raised funds after deducting the issuance expenses of 12,468,991.59 yuan is 2,987,531,008.41 yuan. The above-mentioned receipt of raised funds has been verified by Tianjian accounting firm, who issued the *Capital Verification Report (TJY [2021] No. 277)*.

Since Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (affiliated wholly-owned subsidiary, hereinafter referred to as "Sanhua Commercial Refrigeration") is one of the implementation subjects, the Company has allocated 1.487 billion yuan of the raised funds to Sanhua Commercial Refrigeration in the form of capital increase.

2. Usage and balance of raised funds

(Unit: RMB in 10 thousand)

Items	Index	Amount
Net amount of funds raised in the current period	A	298,753.10
Accumulated amount as of the beginning of the period	Project investment	172,781.35
	Net income from raised funds	2,979.99
Amount incurred in this reporting period	Project investment	45,894.38
	Net income from raised funds	2,143.09
Accumulated amount by the end of the period	Project investment	218,675.73
	Net income from raised funds	5,123.08
Calculated balance of raised funds	E=A-D1+D2	85,200.45
Actual balance of raised funds	F	85,200.45
Difference	G=E-F	0.00

(2). Statement of Committed Investment Projects of Raised Funds

√Applicable □Not applicable

Unit: RMB in 10 thousand

Committed investment projects and allocation of over-raised funds	Whether project has been (or partially) altered	Total committed investment of raised funds	Total investment after alteration (1)	Investment in the current year	Accumulative investment at the end of the period (2)	Investment progress at the end of the period (%) (3) = (2)/(1)	Date of asset ready for intended use	Benefits achieved in the current year	Whether expected benefits have been achieved	Whether feasibility of project has changed significantly
Committed investment projects										
Construction project of commercial refrigeration and air conditioning intelligent control components with an annual output of 65 million sets	No	148,700	148,700	30,974.36	109,328.15	73.52%	May 31, 2025		N/A	No
Technical transformation project of high-efficiency and energy-saving refrigeration and air	No	69,800	69,800	14,919.55	28,074.18	40.22%	August 31, 2024		N/A	No

conditioning control components with an annual output of 50.5 million sets										
Supplementary of working capital	No	81,500	81,500	0.47	81,273.40	99.72%			N/A	No
Subtotal of committed investment projects	--	300,000	300,000	45,894.38	218,675.73	--	--		--	--
Investment of over raised funds										
N/A										
Total	--	300,000	300,000	45,894.38	218,675.73	--	--		--	--
Circumstances and reasons for not reaching the planned progress or expected income (by specific project)	<p>Funds raised in 2021: The funds raised in 2021 are planned to be used for 3 projects, namely, "Construction project of commercial refrigeration and air conditioning intelligent control components with an annual output of 65 million sets", "Technical transformation project of high-efficiency and energy-saving refrigeration and air conditioning control components with an annual output of 50.5 million sets" and "Supplementary of working capital".</p> <p>"Technical transformation project of high-efficiency and energy-saving refrigeration and air conditioning control components with an annual output of 50.5 million sets" is a technical transformation and upgrading project, directly implemented by the Company and included in integrated management and centralized accounting. The actual benefits of this fundraising project are not expected to be accounted separately. This project adopts independently developed production processes and technologies, introduces international advanced equipment, such as valve seat processing machines and core iron processing machines, and purchases domestically advanced production and testing equipment, such as fully automatic assembly machines, comprehensive testing benches, automatic helium testing equipment, insulation and voltage testers, forming an annual production capacity of 50.5 million sets of efficient and energy-saving refrigeration and air conditioning control components. It is expected to have a positive impact on the Company's future performance improvement in efficient and energy-saving refrigeration control components business.</p> <p>"Supplementary of working capital" does not directly generate economic benefits and cannot be used as an independent economic analysis object. The expected benefits have not been measured, and the actual benefits cannot be accounted separately.</p>									
Significant changes in the feasibility of projects	N/A									
Amount, usage and use progress of over-raised Funds	N/A									
Change in implementation location of investment projects of Raised Funds	N/A									
Adjustment to implementation method of investment projects of Raised Funds	N/A									
Advance investment and replacement with raised funds	Applicable									
	In 2021, the Company replaced the initial investment amount of 179.3857 million yuan with raised funds.									
Temporary supplement of working capital with idle raised funds	N/A									

The amount and reasons of the balance of raised funds in the project implementation	N/A
Applications of unused raised funds	Deposited in the special account for raised funds and the subscription of large amount certificates of deposit.
Problems or other situations in the use and disclosure of raised funds	N/A

(3). Statement of Altered Investment Projects of Raised Funds

Applicable Not applicable

There were no changes in raised funds during the reporting period.

VIII. 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. Disposal of significant equity

Applicable Not applicable

IX. 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	Revenue	Operating profit	Net profit
Zhejiang Sanhua Automotive Component Co., Ltd. (Consolidated)	Subsidiary	Automotive components manufacturing and marketing	2.16 billion	11,905,085,104.97	6,270,801,368.70	9,913,666,900.02	1,758,553,634.66	1,543,523,571.49
Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	1,655.29 million	3,623,528,707.46	2,099,228,855.93	2,207,861,626.88	470,803,389.54	413,684,061.57

Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	360 million	2,233,616,449.51	1,284,299,602.17	1,982,577,021.15	200,553,785.67	163,632,919.11
Zhejiang Sanhua Trading Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components marketing	50 million	6,390,990,069.82	171,329,040.90	5,422,333,009.14	24,819,305.75	16,013,738.24
Sanhua International Ltd. (United States) (Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	37.55 million USD	3,664,462,710.84	1,151,297,049.64	5,764,789,496.95	866,817,731.61	760,912,442.45
Sanhua International Singapore PTE. Ltd. (Consolidated)	Subsidiary	Refrigeration and A/C electrical components manufacturing marketing and investment management	151.513249 million USD	5,932,183,266.09	1,195,686,297.14	6,576,602,247.05	94,757,870.68	57,990,422.65

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall operation and performance
Guangdong Sanhua New Energy Vehicle Parts Co., Ltd	Investment and establishment	No significant impact
Shenyang Sanhua New Energy Vehicle Parts Co., Ltd	Investment and establishment	No significant impact
Hangzhou Sanhua Intelligent Equipment Co., Ltd	Investment and establishment	No significant impact
SANHUA SINGAPORE AUTOMOTIVE INVESTMENT PTE LTD	Investment and establishment	No significant impact
Minth Sanhua Auto Parts Poland Sp. Zoo	Investment and establishment	No significant impact
LEADERWAY COAHUILA, S.DE R.L.DE C.V.	Investment and establishment	No significant impact

SANHUA INDUSTRY (THAILAND) CO., LTD.	Investment and establishment	No significant impact
Suzhou Xinzhi Automotive Parts Co., Ltd.	Liquidation and cancellation	No significant impact

X. Structural Entities Controlled by the Company

Applicable Not applicable

XI. Outlook for the Future Development of the Company

1. Development strategy

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

2. Business plan for 2024

(1) Refrigeration air conditioning electrical components business

Against the backdrop of global clean carbon reduction and China's "dual carbon" strategy, we will seize the trend of energy efficiency upgrading and refrigerant switching, continue to promote performance optimization, component integration, cost lean, and diversified product distribution, continuously expand our existing business scale and seek new areas of business growth. Under the national policy of exchanging old for new consumer goods in 2024, the Company aims to enhance its advantageous product production capacity, increase customer development and new product research and development efforts, and strive to achieve high-quality performance in 2024. The company has normalized its efforts to reduce costs and increase efficiency through technological upgrades, process improvements, equipment automation, and other means, while deepening the implementation of quality improvement goals. The Company is promoting the reform of Aweco Europe, improving its business philosophy and process system, and achieving a turnaround from losses to profits. In terms of production base progress, we have completed the construction of the second phase of the Vietnam factory and achieved the landing of production lines, expanded production lines in Mexico and Thailand, and expanded and optimized global production layout.

(2) Automotive components business

The competition in the NEV market is becoming increasingly fierce, and price competition has become the norm. The Company focuses on core projects of global key customers and strengthens the construction of customer localization service capabilities; fully utilize technological innovation and scale advantages to expand and strengthen valve and pump products, prioritize the promotion of intelligent standardized integrated component products, optimize product design, shorten project cycles, and bring value to customers while improving efficiency internally; secondly, actively promote methods such as self-made key equipment and large-scale procurement to control costs and reduce comprehensive costs. In the process of globalization, we actively promote the construction of production bases in Mexico, Poland, and domestic Shaoxing Binhai, Zhongshan, Shenyang, etc., increase

production capacity layout and talent team construction, so as to achieve high-speed growth in the global wave of automotive electrification and intelligence.

(3) Strategic emerging businesses

In the field of biomimetic robots, the Company focuses on electromechanical actuators, fully cooperating with customer product research and development, trial production, iteration, and ultimately achieving mass production and implementation. At the same time, we will synchronize and cooperate with customer production targets, actively plan the overseas production layout of electromechanical actuators, and welcome the arrival of the era of "Robot replacement".

Electrochemical energy storage relies on the "dual carbon" policy, coupled with the start-up and growth of industrial and commercial energy storage applications, establishing long-term market demand. The Company will leverage its experience in the development and manufacturing of thermal management components and system solutions, further leverage its collaborative advantages, actively expand its component business development in the energy storage field, and strive to become a leading supplier of key components and system solutions for global energy storage thermal management in the design iteration and development of energy storage thermal management units.

3. Main risks for future development

(1) Risk of price fluctuation of raw materials

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

(2) The risk of rising labor cost

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

(3) Trade and exchange rate risk

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

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

√ Applicable □ Not applicable

Date of reception	Location of reception	Method of reception	Type of reception object	Reception object	Main contents of discussion and materials provided	Index of basic situation of the research

February 6, 2023	Hangzhou	On-site research	Institution	Zhongrong Fund Fan Pengcheng etc. 15 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
February 14, 2023	Hangzhou	On-site research	Institution	Morgan Stanley Crystal Chan etc. 17 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
May 3, 2023	Conference Room	Teleconference	Institution	Xingyin Fund Xu Fuyi etc. 287 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
June 2, 2023	Shenzhen Stock Exchange	Other	Institution	Investors participating in the performance briefing on the theme of "New opportunities for the development of private enterprises" organized by SZSE	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
July 6, 2023	Hangzhou	On-site research	Institution	Supor Investment Li Yulu etc. 13 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
August 22, 2023	Conference Room	Teleconference	Institution	Pingan Bank Liu Yingfei etc. 758 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
September 8, 2023	Hangzhou	On-site research	Institution	Caitong Securities Jin Min etc. 17 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
October 30, 2023	Conference Room	Teleconference	Institution	Minsheng Royal Fund Management Sun Wei etc. 398 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
November 8, 2023	Singapore	Other	Institution	GIC June Long etc. 39 investors	Introduction of the company's	http://irm.cninfo.com.cn/ssessgs/S002050

				in total	operation and reply to investors' questions	s/S002050
November 30,2023	Hangzhou	On-site research	Institution	Feiluo Assets Zhang Wenli etc. 29 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
December 15,2023	Hangzhou	On-site research	Institution	Zhongtai Securities He Junyi etc. 8 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050

XIII. Implementation status of action plan “Dual improvement in quality and return”

Has the company disclosed an action plan of "dual improvement of quality and return".

Applicable Not applicable

Section IV Corporate Governance

I. Basic situation of corporate governance

During the reporting period, the Company strictly abided by the *Company Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies*, *Self-regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Main Board Listed Companies* and other applicable laws and regulations of China Securities Regulatory Commission and Shenzhen Stock Exchange. We continue to improve the corporate governance structure, establish and improve the internal control system, strengthen the management of information disclosure, actively carry out the activities of investor relations, standardize the operation of the Company, and improve the level of corporate governance. During the reporting period, the Company revised the *Articles of Association*, *Rule of Procedure for Shareholders Meeting*, *Rules of Procedure for Board Meetings*, *Independent Director System*, *Audit Committee System of the Board of Directors*, *Nomination Committee System of the Board of Directors*, *Compensation and Assessment Committee System of the Board of Directors*, and formulated *Special Meeting System for Independent Directors* and further designed the corporate governance system. As of the end of the report period, the actual situation of corporate governance conforms to the regulatory documents of CSRC on the governance of listed companies.

1. Shareholders and general meeting of shareholders

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

2. Directors and the board of directors

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

3. Supervisors and board of supervisors

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

4. Relationship between controlling shareholders and listed companies

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

5. Information disclosure and investor relationship management

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

6. Performance evaluation and incentive mechanism

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

7. Stakeholders

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

Whether the actual status of corporate governance significantly deviates from the regulatory documents issued by the China Securities Regulatory Commission regarding the governance of listed companies

Yes No

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

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

1. Business independence

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

interfere in the operation beyond the provision of general meeting.

2. Personnel independence

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

3. Asset completeness

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

4. Institution independence

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

5. Finance independence

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

III. Horizontal Competition

Applicable Not applicable

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

1. Annual general meeting of shareholders convened during the reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
Annual general meeting of shareholders of 2022	Annual general meeting of shareholders	66.89%	May 19, 2023	May 20, 2023	Announcement of the Annual General Meeting of Shareholders of 2022(2023-036) was published in the <i>Securities</i>

					<i>Times, Shanghai Securities Journal</i> and CNINFO.
The 1st extraordinary general meeting of shareholders in 2023	Interim general meeting of shareholders	63.66%	July 6, 2023	July 7, 2023	Announcement of the 1st Extraordinary General Meeting of Shareholders in 2023 (2023-063) was published in the <i>Securities Times, Shanghai Securities Journal</i> and CNINFO.
The 2nd extraordinary general meeting of shareholders in 2023	Interim general meeting of shareholders	61.53%	September 7, 2023	September 8, 2023	Announcement of the 2nd Extraordinary General Meeting of Shareholders in 2023 (2023-107) was published in the <i>Securities Times, Shanghai Securities Journal</i> and CNINFO.
The 3rd extraordinary general meeting of shareholders in 2023	Interim general meeting of shareholders	60.88%	October 11, 2023	October 12, 2023	Announcement of the 3rd Extraordinary General Meeting of Shareholders in 2023 (2023-117) was published in the <i>Securities Times, Shanghai Securities News</i> and CNINFO.

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

Applicable Not applicable

V. Information of directors, supervisors, senior management

1. Basic information

Name	Gender	Age	Title	Tenure status	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Share s)	Shares increased during the Period (Share s)	Shares decreased during the Period (Share s)	Other changes (Share s)	Shares held at the end of the Period (Share s)	Reasons for increase or decrease of shares

							s)					
Zhang Yabo	Male	50	Chairman of the board, CEO	Incumbent	December 13, 2012	January 26, 2025	39,024,200				39,024,200	
Wang Dayong	Male	55	Director, President	Incumbent	December 13, 2012	January 26, 2025	336,750		84,188		252,562	Shares reduction
Ren Jintu	Male	62	Director	Incumbent	January 26, 2022	January 26, 2025						
Ni Xiaoming	Male	56	Director	Incumbent	May 6, 2011	January 26, 2025	326,750		81,688		245,062	Shares reduction
Chen Yuzhong	Male	58	Director, chief engineer	Incumbent	November 29, 2011	January 26, 2025	336,750				336,750	
Zhang Shaobo	Male	45	Director	Incumbent	May 18, 2015	January 26, 2025						
Bao Ensi	Male	56	Independent director	Incumbent	August 3, 2021	January 26, 2025						
Shi Jianhui	Male	52	Independent director	Incumbent	May 19, 2020	January 26, 2025						
Pan Yalan	Female	59	Independent director	Incumbent	February 26, 2021	January 26, 2025						
Zhao Yajun	Male	53	Convener of the board of supervisors	Incumbent	November 29, 2011	January 26, 2025						
Mo Yang	Male	48	Supervisor	Incumbent	August 3, 2021	January 26, 2025	14,568				14,568	
Chen Xiaoming	Male	55	Employee representative supervisor	Incumbent	March 26, 2011	January 26, 2025	11,100				11,100	
Hu Kaicheng	Male	49	Vice president, Secretary of the	Incumbent	January 26, 2015	January 26, 2025	336,750		84,188		252,562	Shares reduction

			board of directo rs									
Yu Yingk ui	Male	50	Vice preside nt, CFO	Incum bent	Septe mber 30, 2011	Januar y 26, 2025	368,05 7		84,188		283,86 9	Shares reducti on
Total	--	--	--	--	--	--	40,754 ,925	0	334,25 2		40,420 ,673	--

During the reporting period, whether there was any resignation of directors and supervisors and dismissal of senior managers during their term of office

Applicable Not applicable

Changes of Directors, Supervisors and Senior Management

Applicable Not applicable

2. Positions and Incumbency

The professional background, main work experience and main responsibilities of the current directors, supervisors and senior managers of the company

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

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

Mr. Ren Jintu: Born in 1962, college degree, associate senior accountant. From 1980 to 1994, he successively served as deputy factory director, financial director and deputy general manager of Xinchang Refrigeration Parts General Factory and Zhejiang Sanhua Group Co., Ltd; From 2001 to 2006, he served as the director and general manager of the Company; From 2005 to 2015, he served as vice president of Sanhua Holding Group Co., Ltd. and general manager of Shanghai Jingyi Real Estate Co., Ltd; He is currently a director of Sanhua Holding Group Co., Ltd and a director of Ningbo Fuerda Intelligent Technology Co., Ltd; He served as a director of the Company since January 2022.

Mr. Ni Xiaoming: Born in 1968, master's degree, senior economist. From January 2009 to July 2009, he served as the deputy general manager of sales of the Company; August 2009, he served as the deputy general manager of

Sanhua Danfoss (Hangzhou) Microchannel Heat Exchanger Co., Ltd; since May 2010, he has served as the general manager of Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd, as well as the director of Sanhua Holding Group Co., Ltd; He has been a director of the Company since May, 2011.

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

Mr. Zhang Shaobo: Born 1979, master's degree, graduated from the China Europe Institute of Business School. Since November 2012, he served as general manager of Sanhua Real Estate Group and Zhejiang Sanhua Real Estate Co., Ltd; since July 2013, he has served as general manager of Hangzhou Sanhua International Building Co., Ltd; From October 2023 to present, served as the Chairman of Zhejiang Sanhua Zhiyuan Real Estate Co., Ltd. From May 2017 to December 2023, he has served as executive director and general manager of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd; he currently serves as a director and assistant president of Sanhua Holding Group Co., Ltd. And the chairman of Zhejiang Sanhua Lvneng Industrial Group Co., Ltd; from May 2015 up to present, he has served as the director of the Company.

Mr. Bao Ensi: Born in 1968, doctor's degree, associate senior accountant. He has successively served as director of China Securities Regulatory Commission and full-time member of Stock Issuance Audit Committee; Head of Finance Department of China Financial Futures Exchange, expert of investor education center, vice chairman of Beijing Houji Capital Management Company. He is currently the assistant to the chairman of Beijing Houji Capital Management Company; He has been an independent director of the Company since August 2021.

Mr. Shi Jianhui: Born in 1972, he achieved a master's degree in EMBA from Changjiang Business School and Shanghai Advanced Finance College. He used to be the chairman / CEO of Minth Group Co., Ltd. and he currently serves as the CEO of Xiaozhi Investment Management Partnership in Meishan Bonded Port Area, Ningbo, Zhejiang Province, managing partner of Ningbo Lingdong Venture Capital Partnership, managing partner of Hangzhou Chishi Enterprise Management Consulting Partnership; he currently serves as a director of Bomei Intelligent Technology (Shanghai) Co., Ltd, Chairman of Hangzhou Good Face Technology Co., Ltd, Director of Shanghai Time Driving Technology Co., Ltd, and Chairman of Shanxi Sishan Ninrui Construction Engineering Co., Ltd. He has been appointed as an independent director of the Company since May 2020.

Ms. Pan Yalan: Born in 1965, master's degree, a member of the League of Civil Society. She started working in August 1987. She is a professor of Accounting College of Hangzhou University of Electronic Technology, tutor of graduate students. She is a non-practicing Certified Public Accountant. She has been appointed as an independent director of the Company since February 2021.

Mr. Zhao Yajun: Born in 1971, master's degree, graduated from College of Business Administration of Zhejiang University, associate senior accountant. From 1996 to 2003, he worked in Zhejiang Tianjian accounting firm; from January 2004 to February 2011, he served as deputy minister of Finance Department of Sanhua Holding Group Co., Ltd.; from February 2011 to February 2014, he served as minister of Finance Department of Sanhua Holding Group Co., Ltd.; from March 2014 up to present, he has served as deputy director of finance of Sanhua Holding Group

Co., Ltd. He has been a supervisor of the Company since November 2011.

Mr. Mo Yang: Born in 1976, master's degree, majoring in political economics of Zhejiang University. He was a teacher of the Economic Branch of the City College of Zhejiang University from April 2002 to June 2004; From July 2004 to April 2006, he served as assistant to the executive deputy general manager of Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd.; From August 2005 to December 2019, he successively served as the secretary of the president, the secretary of the chairman of the board of directors, the vice minister of human resources department and the minister of the president's office of Sanhua Holding Group Co., Ltd; From December 2019 to now, he has served as the minister of the board of directors office in Sanhua Holding Group Co., Ltd. From January 2020 to present, he has served as the Secretary General of the Board of Directors of Sanhua Holdings Group Co., Ltd. and also a Supervisor of Sanhua Holdings Group Co., Ltd. He has been a supervisor of the Company since August 2021.

Mr. Chen Xiaoming: Born in 1969, college degree. In August 2013, he served as minister of quality department and vice minister of four-way valve business department of Wuhu Sanhua Automatic Control Components Co., Ltd.; in January 2016, he served as minister of Quality Department of Wuhu Sanhua Automatic Control Components Co., Ltd; in December 2016, he served as minister of four-way valve department and service valve department of Wuhu Sanhua Automatic Control Components Co., Ltd.; from August 2017 up to present, he has served as Manufacturing Director, minister of four-way valve department and service valve department of Wuhu Sanhua Automatic Control Components Co., Ltd. From April 2022 to present, he has served as the Deputy General Manager as well as minister of Manufacturing Department and Product Business Department of Sanhua (Vietnam) Co., Ltd. Since March 2011, he has been appointed as employee representative supervisor of the Company.

Mr. Hu Kaicheng: Born in 1975, master's degree, bachelor's degree of Tongji University, SAIF EMBA of Shanghai Jiao Tong University. From August 2006 to August 2009, he served as the director of supplier management, procurement director of Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd. and procurement director of the Company; from September 2009 to December 2010, he served in Sanhua Holding Group Co., Ltd.; from January 2011 to October 2014, he served as the procurement director of the Company; from October 2014 up to present, he has served as the vice president of the Company; from January 2015 up to present, he has served as the Secretary of the board of directors of the Company. Since October 2023, he has been appointed as the chairman of Hangzhou Xiantu Electronics Co., Ltd.

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

Position held in shareholders' entities

Applicable Not applicable

Name	Shareholder's entity	Position in shareholders'	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders'

		entities			entity
Zhang Yabo	Sanhua Holding Group Co., Ltd	Vice chairman (director)	July 11, 2000		No
Wang Dayong	Sanhua Holding Group Co., Ltd	Director	July 11, 2000		No
Ren Jintu	Sanhua Holding Group Co., Ltd	Director	July 11, 2000		Yes
Ren Jintu	Zhejiang Sanhua Ivneng Industrial Group Co., Ltd	Director	March 15, 2011		No
Ni Xiaoming	Sanhua Holding Group Co., Ltd	Director	July 11, 2000		No
Chen Yuzhong	Sanhua Holding Group Co., Ltd	Director	November 26, 2014		No
Zhang Shaobo	Sanhua Holding Group Co., Ltd	Director	August 7, 2003		No
Zhang Shaobo	Zhejiang Sanhua Ivneng Industrial Group Co., Ltd	Director	August 14, 2023		Yes
Zhao Yajun	Sanhua Holding Group Co., Ltd	Deputy chief financial officer	March 1, 2014		Yes
Zhao Yajun	Zhejiang Sanhua Ivneng Industrial Group Co., Ltd	Supervisor	July 1, 2019		No
Mo Yang	Sanhua Holding Group Co., Ltd	Supervisor	November 26, 2014		Yes

Positions held in other entities

√Applicable □ Not applicable

Name	Other entities	Positions in other entities	Commencement of the term	Termination of the term	Compensation and allowance from other entities
Zhang Yabo	Xinchang Huaxin Industrial Co., Ltd	Chairman of the Board	March 16, 2016		No
Zhang Yabo	Hangzhou Zhishen Investment Management Co., Ltd	Executive Director	July 23, 2007		No
Zhang Yabo	Hangzhou Zhishen Investment Management Co., Ltd	Supervisor	July 23, 2007		No
Zhang Yabo	Hangzhou Sanhua Research Institute Co., Ltd	Chairman of the Board	February 10, 2017		No
Zhang Yabo	Sanhua Trading Singapore Private Limited	Director	October 13, 2017		No
Zhang Yabo	Zhejiang Haoyuan Technology Co., Ltd	Director	May 4, 2018		No
Zhang Yabo	Wuhu ALDOC Technology Co., Ltd	Director	February 3, 2016		No
Zhang Yabo	Hangzhou Fumo New Material Technology Co.,	Director	July 1, 2016	October 20, 2023	No

	Ltd				
Wang Dayong	Hangzhou Fufan Investment Management Co., Ltd	Director	April 28, 2016		No
Wang Dayong	Xinchang Huayong Enterprise Management Co., Ltd	Executive Director	November 11, 2021		No
Wang Dayong	Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd	Director	August 20, 2019		No
Wang Dayong	Zhejiang Sanhua Industrial Automation Co., Ltd	Executive Director	August 1, 2023		No
Wang Dayong	Ningbo Jiaerling Pneumatic Machinery Co., Ltd	Director	October 9, 2023		No
Ren Jintu	Hangzhou Fufan Investment Management Co., Ltd	Director	July 9, 2010		No
Ren Jintu	Hangzhou Xinji Industrial Co., Ltd	Executive Director and General Manager	January 9, 2007	July 26, 2023	No
Ren Jintu	Ningbo Fuerda Intelligent Technology Co., Ltd	Director	April 8, 2021		No
Ren Jintu	Hangzhou Sanhua International Building Co., Ltd	Supervisor	July 31, 2013		No
Ren Jintu	Shenyang Sanhua Daika Wheel Hub Co., Ltd. (Bankruptcy)	Director	December 1, 2006		No
Ren Jintu	Xinchang Private Financing Service Center Co., Ltd	Chairman of Supervisory Board	April 8, 2018		No
Ren Jintu	Xinchang County United Investment Management Co., Ltd	Supervisor	April 29, 2015		No
Ren Jintu	Zhejiang Sanhua Zhiyuan Real Estate Co., Ltd.	Director	October 30, 2023		No
Zhang Shaobo	Hangzhou Fufan Investment Management Co., Ltd	Chairman of the Board, General Manager	July 9, 2010		No
Zhang Shaobo	Zhejiang Huateng	Chairman of the	December 22,		No

	Industrial Co., Ltd	Board	2021		
Zhang Shaobo	Ningbo Fuerda Intelligent Technology Co., Ltd	Director	December 26, 2019		No
Zhang Shaobo	Hangzhou Zhishen Investment Management Co., Ltd	Executive Director and General Manager	July 23, 2007		No
Zhang Shaobo	Hangzhou Zhicheng Investment Management Co., Ltd	Manager	November 4, 2020		No
Zhang Shaobo	Inner Mongolia Xiqi Mining Co., Ltd	Supervisor	September 11, 2012		No
Zhang Shaobo	Zhejiang Sanhua Ecological Agriculture Co., Ltd	Executive Director, Manager	September 11, 2018		No
Zhang Shaobo	Hangzhou Kaisida Technology Co., Ltd	Executive Director	December 1, 2018		No
Zhang Shaobo	Hangzhou Sanhua International Building Co., Ltd	Executive Director and General Manager	July 31, 2013		No
Zhang Shaobo	Tianjin Sanhua Industrial Park Management Co., Ltd	Executive Director, Manager	October 1, 2018		No
Zhang Shaobo	Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd	Executive Director and General Manager	May 31, 2017	December 29, 2023	No
Zhang Shaobo	Xinchang Private Financing Service Center Co., Ltd	Director	April 8, 2018		No
Zhang Shaobo	Hangzhou Fuxiang Property Management Co., Ltd	Chairman of the Board	January 3, 2016		No
Zhang Shaobo	Shaoxing Sanhua Zhiyue Real Estate Development Co., Ltd	Executive Director, Manager	September 1, 2022		No
Zhang Shaobo	Shanghai Sanhua Electric Co., Ltd	Executive Director, Manager	April 10, 2017		No
Zhang Shaobo	Xinchang County United Investment Management Co., Ltd	Director	April 29, 2015		No
Zhang Shaobo	Shanghai Tihu Catering Co., Ltd	Director	September 26, 2017		No
Zhang Shaobo	Tianjin Minghao Management	Executive Director, Manager	May 25, 2017	November 14, 2023	No

	Consulting Co., Ltd				
Zhang Shaobo	Hangzhou Zhiwo Investment Management Co., Ltd	General Manager	June 16, 2014		No
Zhang Shaobo	Xinchang County Sanhua Property Management Co., Ltd	Chairman of the Board	March 29, 2011		No
Zhang Shaobo	Xinchang Sanhua Hongdao Venture Capital Partnership (limited partnership)	Executive Partner			No
Zhang Shaobo	Xinchang Zhushi Venture Capital Partnership (limited partnership)	Executive Partner			No
Zhang Shaobo	Hangzhou Sanhua Hongdao Venture Capital Partnership Enterprise (Limited Partnership)	Executive Partner			No
Zhang Shaobo	Zhejiang Sanhua Zhiyuan Real Estate Co., Ltd.	General Manager	October 30, 2023		No
Bao Ensi	Aerospace Era Electronic Technology Co., Ltd	Independent Director	June 22, 2020	June 21, 2023	Yes
Bao Ensi	China Railway Trust Co., Ltd.	Independent Director	May 25, 2022		Yes
Shi Jianhui	Baimei Smart Technology (Shanghai) Co., Ltd.	Director	January 1, 2020		Yes
Shi Jianhui	Hangzhou Haomian Technology Co., Ltd	General Manager	August 19, 2021		No
Shi Jianhui	Shanghai Shijia Technology Co., Ltd	Director	January 26, 2022		No
Shi Jianhui	Ningbo Meishan Bonded Port Zone Xiaozhi Entrepreneurship Investment Partnership Enterprise (Limited Partnership)	Executive Partner	September 22, 2017		No
Shi Jianhui	Ningbo Lingdong Entrepreneurship	Executive Partner	July 28, 2020		No

	Investment Partnership Enterprise (Limited Partnership)				
Shi Jianhui	Hangzhou Chishi Enterprise Management Consulting Partnership (Limited Partnership)	Executive Partner	August 3, 2022		No
Shi Jianhui	Shaanxi Sishan Ningrui Construction Engineering Co., Ltd	General Manager	February 16, 2023		No
Shi Jianhui	Ningbo Fangzheng Automotive Mold Co., Ltd	Independent Director	December 11, 2023	December 10, 2026	Yes
Shi Jianhui	AAPICO Hitech Public Company Limited	Independent Director	June 29, 2022		Yes
Pan Yalan	Lin'an Rural Commercial Bank Co., Ltd	Independent Director	October 15, 2019		Yes
Pan Yalan	Zhejiang Daily Digital Culture Group Co., Ltd	Independent Director	December 22, 2021	October 16, 2026	Yes
Pan Yalan	Xianheng International Technology Co., Ltd	Independent Director	September 25, 2023	September 24, 2026	Yes
Zhao Yajun	Xinchang Huaxin Industrial Co., Ltd	Director	March 21, 2017		No
Zhao Yajun	Ningbo Fuerda Intelligent Technology Co., Ltd	Supervisor	April 8, 2021		No
Zhao Yajun	Zhejiang Xiezhong Automobile New Energy Technology Development Co., Ltd	Supervisor	May 25, 2018		No
Zhao Yajun	Shanghai Fuyulong Automotive Technology Co., Ltd	Supervisor	December 26, 2019		No
Zhao Yajun	Xinchang Private Financing Service Center Co., Ltd	Supervisor	March 26, 2014		No
Zhao Yajun	Fuerda (Tianjin) Intelligent Technology Co., Ltd	Supervisor	November 2, 2018		No

Zhao Yajun	Zhejiang Haoyuan Technology Co., Ltd	Supervisor	May 4, 2018		No
Zhao Yajun	Hangzhou Tongchan Machinery Co., Ltd	Supervisor	May 31, 2011		No
Zhao Yajun	Shanghai Sanhua Electric Co., Ltd	Supervisor	April 12, 2011		No
Zhao Yajun	Wuhu ALDOC Technology Co., Ltd	Supervisor	July 31, 2018		No
Zhao Yajun	Xinchang County United Investment Management Co., Ltd	Supervisor	January 1, 2012		No
Zhao Yajun	Xiezhong International Thermal Management System (Jiangsu) Co., Ltd	Chairman of the Board of Supervisors	February 28, 2019		No
Zhao Yajun	Ningbo Jiaerling Pneumatic Machinery Co., Ltd	Supervisor	October 9, 2023		No
Yu Yingkui	Zhejiang Huateng Industrial Co., Ltd	Director	April 19, 2010		No
Yu Yingkui	Xinchang Private Financing Service Center Co., Ltd	Director	October 23, 2015		No
Yu Yingkui	Chongqing Tainuo Machinery Co., Ltd	Director	December 8, 2016		No
Yu Yingkui	Ningbo Jinlifeng Machinery Co., Ltd	Director	July 2, 2020		No
Yu Yingkui	Sanhua Trading Singapore Private Limited	Director	October 13, 2017		No
Description of employment in other organizations	The above employment in other entities does not include the employment of directors, supervisors and senior management in subsidiaries within the scope of the Company's consolidated financial statements.				

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

Applicable Not applicable

3. Remuneration of directors, supervisors and senior management personnel

Decision-making Process

The salaries of directors, supervisors, and senior management personnel shall be determined in accordance with the standards stipulated in the Company's unified salary management system. According to the Company's performance evaluation mechanism, regular evaluations are conducted on the directors, supervisors, and senior

management personnel, and compensation is determined based on the evaluation results. The allowance standards for independent directors shall be reviewed and decided in the shareholders' meeting.

Basis for determination

The remuneration of directors, supervisors, and senior management personnel is determined based on the company's operating performance and performance evaluation indicators.

Remuneration of directors, supervisors and senior management personnel

Unit: RMB in 10 thousand

Name	Gender	Age	Title	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Zhang Yabo	Male	50	Director, Chairman, CEO	Incumbent	309.91	No
Wang Dayong	Male	55	Director, President	Incumbent	423.65	No
Ren Jintu	Male	62	Director	Incumbent	0	Yes
Ni Xiaoming	Male	56	Director	Incumbent	275.43	No
Chen Yuzhong	Male	58	Director, chief engineer	Incumbent	420.22	No
Zhang Shaobo	Male	45	Director	Incumbent	0	Yes
Bao Ensi	Male	56	Independent director	Incumbent	10.8	No
Shi Jianhui	Male	52	Independent director	Incumbent	10.8	No
Pan Yalan	Female	59	Independent director	Incumbent	10.8	No
Zhao Yajun	Male	53	Convener of the board of supervisors	Incumbent	0	Yes
Mo Yang	Male	48	Supervisor	Incumbent	0	Yes
Chen Xiaoming	Male	55	Supervisor	Incumbent	55.16	No
Hu Kaicheng	Male	49	Vice president, Secretary of the board of directors	Incumbent	90.05	No
Yu Yingkui	Male	50	Vice president, CFO	Incumbent	134.75	No
Total	--	--	--	--	1,741.57	--

Explanation of other situations

Applicable Not applicable

VI. Performance of duties by directors during the reporting period

1. Board of directors in the reporting period

Meeting	Convened Date	Disclosure Date	Disclosure Index
The 10th interim meeting of the 7th board of directors	March 15, 2023	March 16, 2023	http://www.cninfo.com.cn
The 11th meeting of the 7th board of directors	April 27, 2023	April 29, 2023	http://www.cninfo.com.cn
The 12th interim meeting of the 7th board of directors	June 20, 2023	June 21, 2023	http://www.cninfo.com.cn
The 13th interim meeting of the 7th board of directors	July 7, 2023	July 8, 2023	http://www.cninfo.com.cn
The 14th interim meeting of the 7th board of directors	August 22, 2023	August 23, 2023	http://www.cninfo.com.cn
The 15th interim meeting of the 7th board of directors	September 1, 2023	September 5, 2023	http://www.cninfo.com.cn
The 16th interim meeting of the 7th board of directors	September 25, 2023	September 26, 2023	http://www.cninfo.com.cn
The 17th meeting of the 7th board of directors	October 30, 2023	October 31, 2023	http://www.cninfo.com.cn
The 18th interim meeting of the 7th board of directors	November 6, 2023	November 7, 2023	http://www.cninfo.com.cn
The 19th interim meeting of the 7th board of directors	December 28, 2023	December 29, 2023	http://www.cninfo.com.cn

2. Attendance of directors in board meetings and general meetings

Attendance of directors in board meetings and general meetings							
Name of Director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence on site (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence of directors in general meetings (times)
Zhang Yabo	10	1	9	0	0	N/A	2
Wang Dayong	10	1	9	0	0	N/A	3
Ren Jintu	10	1	9	0	0	N/A	3

Ni Xiaoming	10	1	9	0	0	N/A	1
Chen Yuzhong	10	1	9	0	0	N/A	3
Zhang Shaobo	10	0	10	0	0	N/A	1
Bao Ensi	10	1	9	0	0	N/A	0
Shi Jianhui	10	0	10	0	0	N/A	1
Pan Yalan	10	1	9	0	0	N/A	4

Explanation of not attending the board of directors in person for two consecutive times

Not applicable

3. Objections raised by directors to relevant matters of the Company

Whether there is any objection on related issues of the Company from directors?

Yes No

4. Other details about the performance of duties by directors

Whether there is any suggestion from directors adopted by the Company?

Yes No

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

VII. Performance of duties by special committees under the board during the reporting period

Committee	Member	Number of meetings	Date of meetings	Meeting content	Important opinions and suggestions	Other performance of duties	Details of objections (if any)
Audit Committee	Independent director Pan Yalan; Independent director Shi Jianhui; Director Ren Jintu	5	April 17, 2023	1.Deliberation of the 2022 annual report and its abstract; 2.Specific report on annual deposit and actual use of			

				<p>raised funds; 3. Proposal on the prediction of the Company's daily related party transactions in 2023; 4. Proposal on engagement of the audit institution in 2023; 5. First quarter report in 2023</p>			
			June 7, 2023	<p>1. Proposal on the report on the use of the Company's previous raised funds; 2. Proposal on the Plan for the Use of Funds Raised from the Issuance of GDR by the Company; 3. Proposal on the Feasibility Analysis Report of the Company's Overseas Issuance of GDR Raised Funds and the Increase of Domestic Shares</p>			
			August 16, 2023	<p>1. Semi-annual report in 2023; 2. Specific report on the annual deposit and actual use of the raised funds in the half year of 2023.</p>			

			August 25, 2023	Proposal on the report on the use of the Company's previous raised funds			
			October 16, 2023	Third quarter report in 2023			
Remuneration and Assessment Committee	Independent director Shi Jianhui; Independent director Bao Ensi; Director Ren Jintu	2	April 18, 2023	Proposal on the achievement of the unlocking conditions for the third vesting period of the Restricted stock incentive plan in 2020			
			June 15, 2023	1. Proposal on the Achievement of Exercise Conditions during the First Vesting Period of the 2022 Stock Appreciation Rights Incentive Plan 2. Proposal on the Achievement of Unlocking Conditions of the First Vesting Period of the Restricted Stock Incentive Plan in 2022			
Strategic Committee	Chairman of the Board Zhang Yabo; Director Wang Dayong; Director Ni Xiaoming; Director Chen Yuzhong;	1	April 17, 2023	Deliberation of the 2022 annual report and its abstract			

	Director Zhang Shaobo; Independent director Shi Jianhui;						
--	---	--	--	--	--	--	--

VIII. Performance of duties by the Supervisory Committee

Whether there is any risk to the Company identified by Supervisory Committee when performing its duties during the Reporting Period?

Yes No

IX. Staff in the Company

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

Number of incumbent employees in the parent company	3,386
Number of incumbent employees in major subsidiaries	14,346
Number of incumbent employees	17,732
Number of employees receiving salaries in current period	17,732
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	0
Professional structure	
Professional Category	Number of employees
Production staff	11,447
Sales staff	645
Technical staff	3,241
Financial staff	376
Administrative Staff	2,023
Total	17,732
Educational background	
Educational background	Number of employees
Master and above	959

Bachelor	4,852
College	4,120
Others	7,801
Total	17,732

2. Staff remuneration policy

The Company has established a salary incentive system according to the business development strategy and human resources strategy. Based on the market salary level and the value, employees' ability and performance results, the Company has established a comprehensive salary system with the structure of basic salary, bonus and long-term incentive, and has formed relevant salary incentive systems to ensure the rationality of employees' value contribution and their return of income. This motivates employees to continuously create value and drives the Company's sustained high-quality development.

Every year, the Company carries out the estimation of college students and professional talents, which has played an important role in motivating employees at all levels. And regular review market compensation to ensure competitiveness of the Company's overall salary system. In addition, the Company carries out R&D Achievement Award, Quality Award, Management Achievement Award, Patent Award, Cost Reduction Award, Lean Improvement Award and other awards every year, which effectively encourage talents' innovation. The Company launched phase I equity incentive plan in 2018, phase II restricted stock incentive plan in 2020 and Phase III equity incentive plan in 2022, which played an incentive and retention role for the key talents and laid a foundation for sustainable development.

3. Staff training plans

Based on the development plan from 2021 to 2025, the Company implements the talents strategy of "Internal training first, moderate external introduction", which will be dedicated to optimizing the talent management mechanism. In order to identify talents, the Company established talent standards at all levels and gradually improve the evaluation system. Some talents development projects are launched, such as Leadership Project, Overseas Factory Manager Training Program, International Talent Training Program, Technology Manufacturing Talent Training Project, Management Trainee Program, etc.

At the same time, we will strengthen our infrastructure, continuously introduce learning technologies, continue to improve our internal lecturer team and develop internal course resources, and create a learning platform. Through the five force mechanisms of traction (cultural traction), internal drive (growth drive), external drive (lecturer drive), supportive force (resource construction support), and organizational learning (learning organization construction), we promote all employees' independent learning and talent transformation and upgrading, and help organizations and talents achieve global competitiveness.

4. Labor outsourcing

Applicable Not applicable

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

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

Applicable Not applicable

During the reporting period, the Company was profitable and the parent company had a positive profit available for shareholder distribution, but no cash dividend distribution plan was proposed.

Applicable Not applicable

Profit distribution and conversion of capital reserve to share capital during this reporting period

Applicable Not applicable

Bonus share issued per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	2.50
Additional shares converted from capital surplus for every 10 shares (share)	0
Total capital share basis for the distribution proposal (share)	3,706,504,614
Total cash dividend (RMB) (tax inclusive)	926,626,153.50
Cash dividend amount in other ways (such as share repurchase) (RMB)	0.00
Total cash dividends (including other ways) (RMB)	926,626,153.50
Distributable profits (RMB)	1,768,214,110.04
Percentage of cash dividends in the total distributed profit (%)	100%

Cash dividends

If the Company is in growth stage and there are major capital expenditure arrangements, the proportion of cash dividends in this profit distribution shall be at least 20%.

Detailed description of profit distribution or capital reserves conversion plan

Based on the provisional share capital of 3,706,504,614 shares, cash dividend of RMB 2.50 (tax inclusive) will be distributed to all shareholders for every 10 shares. The Company will not distribute bonus shares or convert capital reserves to share capital.

Note: The share capital of the Company is 3,732,615,535 shares, of which the number of repurchased shares is 26,110,921. According to the provisions of the Company Law, the shares held by the listed company through the repurchase account do not enjoy the right to participate in profit distribution or the conversion of capital reserve into share capital.

If the total share capital of the Company changes due to the conversion of convertible bonds, share repurchase, exercise of equity incentive scheme, refinancing and listing of new shares before the implementation of the distribution plan, the total distribution amount shall be adjusted accordingly based on the principle of constant distribution proportion.

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

√ Applicable □ Not applicable

1. Equity Incentive Plan

1. In 2020, the Company launched the 2020 restricted stock incentive plan, granting 12.045 million restricted shares to 914 incentive objects. The grant date of this equity incentive plan was February 24, 2020. The grant price of restricted shares was RMB 9.85 per share, and the listing date was March 20, 2020.

- (1) On April 27, 2023, the Company held the 11th meeting of the 7th Board of Directors and the 9th meeting of the 7th Board of Supervisors, respectively, in which, *Proposal on the achievement of unlocking conditions of the third vesting period of the 2020 restricted stock incentive plan* was approved. The listing date for circulation of the restricted shares was May 15, 2023. The number of shareholders meeting the unlocking condition was 825. A total of 5.85 million shares were released, accounting for 0.1629% of the Company's current total share capital.
- (2) On June 20, 2023, the Company held the 12th interim meeting of the 7th board of directors and the 10th interim meeting of the 7th board of supervisors respectively, in which *Proposal on adjusting the repurchase price of 2020 restricted stock incentive plan* and *Proposal on repurchase and cancellation of some restricted stocks* were approved. The Company repurchased and cancelled 62,400 restricted shares held by 19 unqualified incentive objects in the 2020 restricted stock incentive plan at a price of RMB 6.6615 per share.
- (3) On July 6, 2023, the first extraordinary general meeting of shareholders in 2023 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 62,400 restricted shares held by 19 unqualified incentive objects in the 2020 restricted stock incentive plan at a price of RMB 6.6615 per share.

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

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

accounting for 0.1459% of the Company's current total share capital. The Company repurchased and cancelled 118,000 restricted shares held by 21 unqualified incentive objects in the 2022 restricted stock incentive plan at a price of RMB 9.70 per share. The total number of incentive objects eligible for the exercise of stock appreciation rights was 39, and the number of exercisable shares was 139,500. The Company cancelled all or part of the stock appreciation rights held by 2 incentive objects who do not meet the conditions in the 2022 stock appreciation rights incentive plan, totaling 20,000 shares.

- (2) On July 6, 2023, the first extraordinary general meeting of shareholders in 2023 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 118,000 restricted shares held by 21 unqualified incentive objects in the 2022 restricted stock incentive plan at a price of RMB 9.70 per share.

Share incentives for directors and senior executives in the reporting period

√ Applicable □ Not applicable

Unit: share

Name	Title	Number of stock options held at the beginning of the year	Number of newly granted stock options in the reporting period	Number of exercisable shares in the reporting period	Number of exercised shares in the reporting period	Exercise price of exercised shares during the reporting period (yuan / share)	Number of stock options held at the end of the period	Market price at the end of the report period (yuan / share)	Restricted Shares held at the beginning of the period	Shares vested in the current period	Shares newly granted in the current period	Price for restricted shares granted (RMB per share)	Restricted Shares held at period-end
Wang Dayong	Director, President							29.40	132,000	76,000			56,000
Ni Xiaoming	Director							29.40	122,000	73,000			49,000
Chen Yuzhong	Director, chief engineer							29.40	132,000	76,000			56,000
Hu Kaicheng	Vice president, Secretary of the board of directors							29.40	132,000	76,000			56,000

Yu Yingkui	Vice president, CFO							29.40	132,000	76,000			56,000
Total	--	0	0	0	0	--	0	--	650,000	377,000	0	--	273,000
Note (if any)		<p>1. At the beginning of each year, the number of locked shares should be re-calculated according to 75% of the total number of shares held by the senior management. The number of unlocked shares in this period is 25% of the total number of shares at the beginning of the year.</p> <p>2. May 15, 2023, the third vesting period of the 2020 Restricted stock incentive plan matured, and the restricted shares of the above-mentioned directors and senior management have been unlocked by 52,000 shares each, totaling 260,000 shares.</p> <p>3. June 30, 2023, the first vesting period of the 2022 Restricted stock incentive plan matured, and the restricted shares of director Wang Dayong, Chen Yuzhong, senior management Hu Kaicheng, and Yu Yingkui have been unlocked by 24,000 shares each; restricted shares of director Ni Xiaoming have been unlocked by 21,000 shares, totaling 117,000 shares.</p>											

Assessment and incentive mechanism for the senior management

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

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

2. Employee Stock Ownership Plan

Applicable Not applicable

3. Other incentive plan

Applicable Not applicable

XII. Construction and implementation of internal control

1. Construction and implementation of internal control

In accordance with the requirements of the *Company Law* and other relevant regulations and normative documents, the Company has set up an internal control system in combination with its own business characteristics, which is composed of the general meeting, the board of directors, the board of supervisors, the management, each controlling subsidiary and its functional departments. Thus, it formed a relatively effective division of responsibilities and balances.

The Company continues to strengthen the control of high-risk areas such as sales business, procurement

business, major investments, acquisition and merger, asset security and information system management, and has established corresponding control policies and procedures.

During the reporting period, the Company timely organized directors, supervisors and senior managers to participate in relevant training organized by regulatory authorities, which improves the management's awareness of standardized operation, ensures the effective implementation of internal control system, effectively improves the standard operation level and promotes the healthy and sustainable development of the Company.

The Company's internal audit department shall regularly inspect and supervise the establishment and implementation of this internal control system as well as the authenticity and completeness of its financial information. During the reporting period, the Company established effective internal control over the businesses included in the evaluation scope. It has achieved its internal control target in terms of the authenticity of operating results, business compliance and the effectiveness of internal control.

2. Any significant internal control deficiencies during the reporting period

Yes No

XIII. Management and control of subsidiaries during the reporting period

Not applicable

XIV. Self-evaluation report on internal control or Internal control audit report

1. Self-evaluation report on internal control

Disclosure date of the internal control self-evaluation report	April 30, 2024	
Disclosure index of full text of self-evaluation report on internal control	<i>Self-evaluation Report on Internal Control of the Company in 2023</i> http://www.cninfo.com.cn	
Proportion of assets evaluated in total assets		100.00%
Proportion of revenue evaluated in total revenue per consolidated financial statement		100.00%
Recognition standard of deficiencies		
Nature	Financial report level	Non-financial report level
Qualitative criteria	Significant deficiency: 1. Fraud of directors, supervisors and senior managers; 2. Major misstatement in the current financial report found by the CPA but not identified by the internal control of the Company; 3. The Company has major violations of laws and regulations in financial accounting, asset management, capital operation, information disclosure, product quality,	Significant deficiency: The possibility of defects is high, which will significantly reduce the work efficiency or effect, or significantly increase the uncertainty of the effect, or make it significantly deviate from the expected goal. Important defects : Defects are more likely to occur, which

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

2. Audit report or assurance report on internal control

√ Applicable □ Not applicable

Deliberation Opinion Paragraph in Internal Control Audit Report	
We believe that the Company maintained effective internal control over financial reporting in all material aspects as of December 31st 2023 in accordance with the <i>Basic Standard for Enterprise Internal Control</i> and other related regulations.	
Disclosure of internal control audit report	Disclose
Disclosure date of the full text of the auditor's report on internal control	April 30, 2024
Disclosure index of full text of internal control audit report	2023 Internal Control Audit Report (www.cninfo.com.cn)
Internal control audit opinion	Standard unqualified audit opinion
Whether there is material weakness of non-financial report	No

Whether the accounting firm issued an internal control audit report with a non-standard opinion

Yes No

Whether the internal control audit report issued by the accounting firm is consistent with the self-evaluation report of the board of directors

Yes No

XV. Governance problem rectification of the Company

According to self-examination, the Company has no material violations affecting the level of corporate governance. The Company has established a relatively complete and reasonable corporate governance structure and internal control system in accordance with the *Company Law*, *Securities Law*, *Guidelines for Governance of Listed Companies* and other relevant laws and regulations. However, with the continuous development of the Company's business scale and the changes of external macroeconomic and market environment, the Company needs to further improve its internal control system, continue to strengthen its own construction, effectively improve the Company's standardized operation level and the effectiveness of corporate governance. The Company will continuously improve the governance quality by improving the abilities of scientific decisions making, stable operation, and standardize development.

Section V Environmental and Social Responsibility

I. Material environmental issues

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

Yes No

Environmental protection related policies and industry standards

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

Administrative permits for environmental protection

1. Since 2010, the Company has invested in the construction of Meizhu Sanhua Industrial Estate in Xinchang County, and has obtained 25 EIA permits. All the projects have passed. In October 2023, the Company completed the reapplication of the national version of the pollution discharge permit

2. Zhejiang Sanhua Commercial Refrigeration Co., Ltd. obtained the environmental impact assessment approval in 2018, obtained the pollution discharge permit in January 2022, officially started production in September 2022, and completed the environmental protection "three simultaneities" check and accept in October 2022. At present, the Company is operating normally, and all three waste emissions have met the national emission standards.

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

Name of Company or subsidiary	Main pollutants and types of characteristic pollutants	Name of main pollutants and characteristic pollutants	Emission mode	Number of outlets	Distribution of emission outlets	Emission concentration	Emission standards	Total emissions	Approved total emission	Over standard emission
Zhejiang Sanhua Intelligence	Waste water	COD	Sewer system	1	North	≤ 500mg/L	The limitation of	43.27T	62.386 T/year	Not exceeding the

nt Controls Co., Ltd.							COD in GB8978 -1996 <i>Integrate d Wastewa ter Emissio n Standar d</i> is 500mg / L			standard
Zhejiang Sanhua Intellige nt Controls Co., Ltd	Waste water	Ammoni a Nitrogen	Sewer system	1	North	\leq 35mg/L	The limitatio n listed in DB33/8 87-2013 <i>Indirect Emissio n Limits of Nitrogen and Phospho rus Pollutan ts from Industri al Wastewa ter</i> is 35mg / L	4.33T	6.262 T /year	Not exceedin g the standard
Zhejiang Sanhua Intellige nt Controls Co., Ltd	Waste gas	SO ₂	Direct emission	1	North	\leq 50mg/m 3	The limitatio n listed in GB1327 1-2014 Emissio n Standard of Air Pollutan ts for Boilers is 50mg/m 3	0.137T based on the test report	2.15 T /year	Not exceedin g the standard
Zhejiang Sanhua Intellige nt Controls Co., Ltd	Waste gas	Nitrogen Oxide	Direct emission	1	North	\leq 50mg/m 3	Accordi ng to the low Nitrogen emission requirem ents of local	0.92T based on the test report	10.06 T /year	Not exceedin g the standard

							government, the limit value of gas-fired boiler is 50mg / m ³			
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	Waste water	COD	Sewer system	1	South	≦ 500mg/l	The limitation from GB8979-1996 is 500mg / L	17.83T	20.73 T /year	Not exceeding the standard
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	Waste water	Total Copper	Sewer system	1	South	≦ 2.0mg/l	The limitation from GB8979-1996 is 2.0mg/l	0.178T	/	Not exceeding the standard

Treatment of pollutants

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.

- 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.
- Waste gas treatment: The Company has acid pickling, electroplating waste gas, welding dust and other waste gas. All kinds of waste gas discharge cylinders are equipped with corresponding waste gas treatment devices. The acid pickling and electroplating waste gas absorption and treatment tower is installed with automatic dosing system, and the waste gas is discharged to air after treatment. At the same time, in order to win the blue-sky defense activity, the Company carried out low Nitrogen emission transformation of the Company's gas boilers in accordance with the requirements of relevant official departments in 2019. In 2021, the transformation and upgrading of VOCs treatment facilities in industrial enterprises have been implemented. At the same time, the process has been improved, and the water cleaning is used to replace the organic solvent cleaning, so as to reduce the generation of VOCs. In 2022, the Company carried out an upgrade and

transformation of diesel-powered mobile source emissions, upgrading from the original National II emission standard to National IV, greatly reducing particulate matter emissions. In 2023, the Company passed the B-level acceptance check of air pollution prevention and control performance for key industry enterprises in Zhejiang Province.

3. Solid waste and soil treatment (groundwater): all kinds of hazardous waste of the Company are entrusted to the third qualified party for disposal, the general solid waste with utilization value is recycled, the domestic waste is cleared and transported by the environmental sanitation station, and the construction waste is cleaned and transported by the construction unit. In July 2020, the Company became one of the first "waste free factories" in Shaoxing. The Company commissioned a third-party testing agency to conduct soil and groundwater testing in 2022, and no contamination was found. In 2023, the Company is no longer listed as a key regulatory unit for soil pollution. Zhejiang Sanhua Commercial Refrigeration Co., Ltd passed the "Zero Waste Factory" examination in Shaoxing City in 2023
4. Noise control: The Company's existing main noise is workshop production noise, air compressor room, waste gas and waste water treatment equipment noise. Equipment layout is reasonable, and trees are planted around the workshop. Noise at factory meets the standard.
5. The "three wastes" pollution control facilities of the Company are in normal and stable operation. The pollutants are discharged based on the standard, and there is no environmental pollution event.

Emergency Response Plan

1. The Company re-prepared the Emergency Response Plan in August 2023, and filed with Xinchang Environmental Protection Bureau on August 30, 2023 (Record No. 330624-2023-40-M).

2. In order to manage environmental emergencies and reduce the environmental hazards caused by sudden environmental pollution accidents, Zhejiang Sanhua Commercial Refrigeration Co., Ltd compiled *Emergency Response Plan for Environmental Pollution Accidents of Zhejiang Sanhua Commercial Refrigeration Co., Ltd (simplified version)* in July 2022, which was filed with Xinchang Branch of Shaoxing Ecological Environment Bureau on September 27, 2022 (Record No. 3306242022-51-L).

Environmental self-monitoring program

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

Zhejiang Sanhua Commercial Refrigeration Co., Ltd 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.

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

During the reporting period, the Company's environmental governance, investment, and payment of environmental protection tax amounted to 28.8332 million yuan.

Measures and effects in reducing carbon emissions during the reporting period

Applicable Not applicable

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

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

2. Optimize the energy structure: In order to achieve the goals of clean energy and higher resource utilization efficiency, distributed photovoltaics are widely used in industrial areas to replace the original purchased electricity and adopt waste heat recovery technology. Simultaneously increasing the purchasing methods of green electricity. On the other hand, the energy storage system in the production park can comprehensively take advantage of peak and valley electricity, which improves the efficiency of distributed photovoltaic utilization.

3. Accurate control of energy efficiency: The Company continues to promote the application of smart energy IOT platform, and effectively controls the use efficiency of all energy within the scope through real-time display of digital information, traceability, technical transformation and energy conservation and consumption reduction analysis.

4. Promote green technology: The Company reduces energy consumption and improves energy efficiency through the improvement of manufacturing and technological process. Reduce energy consumption and carbon emission by troubleshooting of air leakage point of compressed air pipeline of equipment, upgrading and transformation of air compressor, emission reduction of triple supply and nitrogen recycling.

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

6. Complete green products: In order to significantly reduce carbon emissions during the use of terminal products and promote green and low-carbon development in the industry, the Company has developed a series of low-carbon key core components, such as electronic expansion valves, inverter controllers, and microchannel products.

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

At the same time, as the world's largest refrigeration control component manufacturer and a leading global manufacturer of thermal management system control components for new energy vehicles, the Company fully grasps the business opportunities brought by the global intelligent energy-saving and environmentally friendly home appliances and development of the global new energy vehicle industry, actively explores green and efficient refrigeration technology, and continues to bring professional and green product solutions to the industry.

Administrative penalties due to environmental issues during the reporting period

Not applicable

Other environmental information that should be disclosed

Not applicable

Other environmental information

Not applicable

II. Social responsibility

Please refer to the *2023 Environmental, Social, and Governance (ESG) Report* on CNINFO (<http://www.cninfo.com.cn>) for details.

III. Achievements of poverty alleviation and rural revitalization

Not applicable

Section VI Significant Events

I. Performance of commitments

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

√ Applicable □ Not applicable

Commitments	Commitment party	Nature	Details of commitments	Date of commitments	Term of commitments	Performance
Commitment from reformation of shareholding	Zhang Yabo, controlling shareholder Sanhua Holding Group Co., Ltd.	Other commitment	When the number of shares sold through listing and trading in Shenzhen Stock Exchange reaches 1% of the total number of shares of the Company, it shall make an announcement within two working days from the date of the occurrence of the fact.	November 21, 2005	Until the commitment is fulfilled	Strict performance
Commitments from assets reorganization	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	Zhang Daocai and Sanhua holding group, the controlling shareholder of the Company, promise that there will not be any competition with Sanhua intelligent controls in the business scope being or already carried out in the future.	January 5, 2009	Long term	Strict performance
	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	Sanhua Holding Group promises: after the completion of this transaction, Sanhua Holding Group and Sanhua intelligent controls will sign an agreement according to law, perform legal procedures, fulfill the obligation of information disclosure and handle significant matters for approval in accordance with relevant laws, regulations, and articles of association of Sanhua intelligent controls. In the process of implementation of related party transactions, we will follow the principle of legality and reasonableness, ensure the fairness of prices and procedures, and make certain that the legitimate interests of Sanhua intelligent controls and other shareholders will not be damaged through related party transactions.	January 5, 2009	Long term	Strict performance

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

			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.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	<p>In order to standardize the related party transactions with Sanhua Intelligent Controls, Zhang Daocai, Zhang Yabo, Zhang Shaobo, Sanhua Holding Group the controlling shareholder of the Company and Sanhua Lvneng Industrial the trading partner made the following commitments:</p> <p>1. I (or the Company) and the controlled enterprises will reduce the related party transactions with Sanhua intelligent controls as far as possible, and will not use their own status as shareholders of Sanhua intelligent controls to seek for superior rights in terms of business cooperation and other aspects compared with other third parties;</p> <p>2. I (or the Company) will not take advantage of the right to enter into a transaction with Sanhua intellectual controls using the position as a shareholder.</p> <p>3. If there are necessary and unavoidable related party transactions, I (or the Company) and the controlled enterprises will sign agreements with Sanhua intelligent controls in accordance with the principles of fairness, follow legal procedures, and perform the information disclosure obligations in accordance with the requirements of relevant laws, regulatory documents and the articles of association. It shall also perform relevant internal decision-making and approval procedures to ensure that it will not conduct transactions with Sanhua intelligent controls on terms that are obviously unfair compared with the market price, and will not use such transactions to engage in any behavior that damages the legitimate rights</p>	July 24, 2015	Long term	Strict performance

			and interests of Sanhua intelligent controls and other shareholders.			
Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd.	Other Commitment	Zhang Daocai, Zhang Yabo, Zhang Shaobo and Sanhua holding Group, the controlling shareholder of the Company, made the following commitments: after the completion of the transaction, Sanhua intelligent controls will continue to improve the corporate governance structure and independent operation of the Company management system in accordance with the requirements of relevant laws and regulations and the articles of Association, and continue to maintain the independence of Sanhua intelligent controls in business, assets, finance, institutions, personnel, etc. to protect the interests of all shareholders.	July 24, 2015	Long term	Strict performance	
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 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</p>	September 18, 2017	Long term	Strict performance	

			approval procedures to ensure that it will not conduct transactions with Sanhua intelligent controls on terms that are obviously unfair compared with the market price, and will not use such transactions to engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other shareholders.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	<p>1. I (or the Company) will not directly or indirectly engage in or participate in any business that may constitute potential direct or indirect competition with Sanhua intelligent controls and its subordinate enterprises; guaranteed that legal and effective measures will be taken to urge other enterprises controlled by me (or the Company) not to engage in or participate in any business that is competitive with Sanhua intelligent controls and its subordinate enterprises Business.</p> <p>2. If Sanhua intelligent controls further expands its business scope, I (or the Company) and other enterprises controlled by me (or the Company) will not compete with Sanhua intelligent controls' expanded business; if it is possible to compete with Sanhua intelligent controls' business after expansion, I (or the Company) and other enterprises controlled by 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</p>	September 18, 2017	Long term	Strict perform ance

			<p>makes an affirmative reply to take advantage of the business opportunity within a reasonable period specified in the notice, it shall do its best to give the business opportunity to Sanhua intelligent controls.</p> <p>4. In case of breach of the above commitment, I (or the Company) is willing to bear all responsibilities arising therefrom and fully compensate all direct or indirect losses caused to Sanhua intelligent controls.</p>			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	Other commitment	After the completion of the transaction, the listed Company will continue to improve the corporate governance structure and independent operation of the Company management system in accordance with the requirements of relevant laws and regulations and the articles of association, continue to maintain the independence of the listed Company in business, assets, finance, institutions, personnel and other aspects, and effectively protect the interests of all shareholders.	September 18, 2017	Long term	Strict performance
Commitment made during initial public offering or refinancing	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	The commitment made at the time of IPO, it shall not engage in the same production, operation or business as the Company in the future. In order to avoid business competition with the Company and clarify the non-competition obligations, Sanhua Holding Group, on behalf of itself and its subsidiaries with more than 50% equity, makes a commitment to Sanhua intelligent controls to avoid possible horizontal competition.	June 7 2005	Long term	Strict performance
Other commitments made to minority shareholders of the Company	The controlling shareholders of the listed Company Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd., and Mr. Zhang Yabo	Other commitment	Will not actively reduce holdings of the Company's shares within eighteen months from August 18, 2022.	August 18, 2022	18 months	Strict performance
Are the	Yes					

commitments fulfilled on time	
----------------------------------	--

2. If there is a profit forecast for the Company's assets or projects, and the reporting period is still in the profit forecast period, the Company shall explain the reasons for the assets or projects reaching the original profit forecast

Applicable Not applicable

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 external guarantee

Applicable Not applicable

No illegal external guarantees during the reporting period.

IV. Explanation Given by the Board of Directors Regarding the "Non-standard Auditor's Report" Issued by the CPA Firm for the Reporting Period

Applicable Not applicable

V. Explanation Given by the Board of Directors, Board of Supervisors and Independent Directors (if any) Regarding the "Non-standard Auditor's Report" Issued by the CPA Firm for the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

Accounting policy changes caused by changes in corporate accounting standards

Starting from January 1, 2023, the Company implemented the *Accounting Standards for Enterprises Interpretation No. 16* issued by the Ministry of Finance, which stipulates that deferred income tax related to assets and liabilities arising from individual transactions is not subject to the accounting treatment of initial recognition exemption. This change in accounting policy has no impact on the Company's financial statements.

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

Applicable Not applicable

1. Increase in consolidation scope

Name	Equity acquisition method	Date of equity acquisition	Capital contribution	Proportion of capital contribution
Guangdong Sanhua New Energy Vehicle Parts Co., Ltd.	Investment and establishment	2023-02-17	183,712,500.00	100%
Shenyang Sanhua New Energy Vehicle Parts Co., Ltd.	Investment and establishment	2023-03-08	17,000,000.00	100%
Hangzhou Sanhua Intelligent Equipment Co., Ltd.	Investment and establishment	2023-01-03	24,000,000.00	100%
SANHUA SINGAPORE AUTOMOTIVE INVESTMENT PTE LTD.	Investment and establishment	2023-11-20	0.00	100%
Minth Sanhua Auto Parts Poland Sp. Zoo.	Investment and establishment	2023-01-24	5000 PLN	100%
LEADERWAY COAHUILA, S.DE R.L.DE C.V.	Investment and establishment	2023-10-01	10,000 MXN	100%
SANHUA INDUSTRY (THAILAND) CO., LTD.	Investment and establishment	2023-01-31	100 million THB	100%

2. Reduction in consolidation scope

Name	Equity disposal method	Date of equity disposal	Net assets on disposal date	Net profit from the beginning of the period to the date of disposal
Suzhou Xinzhi Automotive Parts Co., Ltd	Liquidation and cancellation	2023-01-13	0.00	1,631.39

VIII. Engagement and disengagement of the CPA firm

CPA firm engaged at present

Name of the domestic CPA firm	Pan-China Certified Public Accountants LLP.
Remuneration of domestic accounting firms (in 10,000 yuan)	318
Consecutive years of the audit service provided by the domestic CPA firm	23
Name of the certified public accountants from the domestic CPA firm	Luo Xunchao, Zhang Xin
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	Luo Xunchao has been in service for 5 consecutive years Zhang Xin has been in service for 3 consecutive years

Whether the CPA firm was changed in the current period

Yes No

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

Applicable Not applicable

During the reporting period, the Company engaged Pan-China Certified Public Accountants LLP. as its internal control audit accounting firm, with an internal control audit fee of 212,000 yuan.

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

Applicable Not applicable

X. Bankruptcy and Restructuring

Applicable Not applicable

No such case during the reporting period.

XI. Material Litigation and Arbitration

Applicable Not applicable

No such case during the reporting period.

XII. Punishments and Rectifications

Applicable Not applicable

No such case during the reporting period.

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

Applicable Not applicable

XIV. Significant Related-party Transaction

1. Related-party transactions arising from routine operation

Applicable Not applicable

No such case in the reporting period.

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

Applicable Not applicable

No such case in the reporting period.

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

Applicable Not applicable

No such case in the reporting period.

4. Related credit and debt transactions

Applicable Not applicable

No such case in the reporting period.

5. Transactions with related financial companies

Applicable Not applicable

No such case in the reporting period.

6. Transactions between financial companies controlled by the Company and related parties

Applicable Not applicable

No such case in the reporting period.

7. Other significant related party transactions

Applicable Not applicable

No such case in the reporting period.

XV. Significant Contracts and Execution

1. Matters on trusteeship, contracting, and leasing

(1) Trusteeship

Applicable Not applicable

No such case in the reporting period.

(2) Contracting

Applicable Not applicable

No such case in the reporting period.

(3) Leasing

Applicable Not applicable

Illustration of lease

For details of related information about leasing, please refer to “Section X financial report”.

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

Applicable Not applicable

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

2. Significant guarantees

Applicable Not applicable

Unit: RMB in 10 thousand

External Guarantees from the Company and its Subsidiaries (Excluding Guarantees to the Subsidiaries)										
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	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	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter guarantee (if any)	Term of Guarantee	Due or not	Guarantee for Related Parties or Not
Sanhua AWECO Electrical Equipment (Wuhu) Co., Ltd.	March 25, 2022	5,000	April 1, 2022	3,816.17	Joint liability guarantee			2022.04.01-2023.04.01	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	March 25, 2022	230,000	May 10, 2022	3,929.6	Joint liability guarantee			2022.05.10-2023.05.10	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	November 11, 2022	7,859.2	Joint liability guarantee			2022.11.11-2023.5.10	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	March 25, 2022	230,000	May 23, 2022	5,666.16	Joint liability guarantee			2022.05.23-2023.05.23	Yes	Yes

SANHUA INTERNATIONAL, INC.	March 25, 2022	50,000	June 17, 2022	10,624.05	Joint liability guarantee			2022.06.17-2023.06.09	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	September 5, 2022	7,859.2	Joint liability guarantee			2022.9.5-2023.9.4	Yes	Yes
SANHUA INTERNATIONAL, INC.	August 13, 2022	95,000	September 9, 2022	4,249.62	Joint liability guarantee			2022.9.9-2023.9.8	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	October 19, 2022	10,216.96	Joint liability guarantee			2022.10.19-2023.10.18	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	October 21, 2022	5,501.44	Joint liability guarantee			2022.10.21-2023.10.20	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	October 21, 2022	5,501.44	Joint liability guarantee			2022.10.21-2023.10.20	Yes	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	October 26, 2022	4,715.52	Joint liability guarantee			2022.10.26-2023.10.25	Yes	Yes

SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	Novemb er 21, 2022	7,859.2	Joint liability guarante e			2022.11. 21- 2023.11. 20	Yes	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	Novemb er 21, 2022	7,082.7	Joint liability guarante e			2022.11. 21- 2023.11. 20	Yes	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	Novemb er 25, 2022	14,165.4	Joint liability guarante e			2022.11. 25- 2023.11. 24	Yes	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	Decemb er 20, 2022	7,082.7	Joint liability guarante e			2022.12. 20- 2023.12. 19	Yes	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 23, 2023	5,666.16	Joint liability guarante e			2023.5.2 3- 2024.5.2 2	Yes	Yes
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2023	340,000	May 22, 2023	7,082.7	Joint liability guarante e			2023.5.2 2- 2024.5.2 1	Yes	Yes
SANHU A INTER	April 29, 2023	340,000	May 19, 2023	14,165.4	Joint liability guarante e			2023.5.1 9- 2024.5.1	Yes	Yes

NATIONAL SINGAPORE PTE. LTD.					e			8		
SANHUA INTERNATIONAL, INC.	April 29, 2023	95,000	September 8, 2023	2,833.08	Joint liability guarantee			2023.9.8 - 2024.9.6	No	Yes
SANHUA INTERNATIONAL, INC.	April 29, 2023	95,000	September 1, 2023	1,416.54	Joint liability guarantee			2023.9.1 - 2024.9.30	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	340,000	May 11, 2023	2,124.81	Joint liability guarantee			2023.5.11 - 2024.7.8	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	March 24, 2023	5,501.44	Joint liability guarantee			2023.3.24 - 2024.3.23	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	340,000	May 4, 2023	3,143.68	Joint liability guarantee			2023.5.4 - 2024.5.3	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	340,000	May 4, 2023	4,715.52	Joint liability guarantee			2023.5.4 - 2024.5.3	No	Yes
SANHUA INTERNATIONAL	April 29, 2023	340,000	May 11, 2023	3,929.6	Joint liability guarantee			2023.5.11 - 2024.5.1	No	Yes

NATIONAL SINGAPORE PTE. LTD.					e			0		
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	340,000	May 22, 2023	14,932.48	Joint liability guarantee			2023.5.2-2024.5.21	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	340,000	May 31, 2023	7,859.2	Joint liability guarantee			2023.5.31-2024.5.30	No	Yes
SANHUA INTERNATIONAL, INC.	April 29, 2023	95,000	June 9, 2023	10,624.05	Joint liability guarantee			2023.6.9-2024.6.5	No	Yes
SANHUA INTERNATIONAL, INC.	April 29, 2023	240,000	August 21, 2023	14,165.4	Joint liability guarantee			2023.8.21-2024.8.20	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	240,000	October 20, 2023	5,501.44	Joint liability guarantee			2023.10.20-2024.10.19	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	240,000	October 25, 2023	4,715.52	Joint liability guarantee			2023.10.25-2024.10.24	No	Yes
SANHUA INTER	April 29, 2023	240,000	November 20, 2023	7,859.2	Joint liability guarantee			2023.11.20-2024.11.	No	Yes

NATIONAL SINGAPORE PTE. LTD.					e			19		
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	240,000	November 20, 2023	7,082.7	Joint liability guarantee			2023.11.20-2024.11.19	No	Yes
Guangdong Sanhua New Energy Automotive Components Co., Ltd	November 7, 2023	500	November 29, 2023	500	Joint liability guarantee			2023.11.29-2024.4.2	No	Yes
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	April 29, 2023	240,000	December 7, 2023	10,216.96	Joint liability guarantee			2023.12.7-2024.12.6	No	Yes
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)			550,500	Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2)						134,035.88
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)			550,500	Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (B4)						107,121.62
Subsidiaries' Guarantees to Subsidiaries										
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter guarantee (if any)	Term of Guarantee	Due or not	Guarantee for Related Parties or Not

The total amount of the Company's guarantees (the total of the above three items)			
Total Amount of Guarantees Approved during the Reporting Period (A1+B1+C1)	550,500	Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)	134,035.88
Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)	550,500	Total Balance of Guarantees Actually Paid at the End of the Reporting Period (A4+B4+C4)	107,121.62
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets		5.99%	
Of which:			
Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)		0	
Total Amount of the Above Three Guarantees (D+E+F)		0	

3. Entrusting others to manage cash assets

(1) Entrusted financing

Applicable Not applicable

Entrusted financing during the reporting period

Unit: RMB in 10 thousand

Specific type	Capital source	Amount	Balance before maturity	Overdue uncollected amount	Accrued impairment amount of overdue unrecovered financial management
Bank financial products	Own funds	13,000			
Total		13,000			

Details of high-risk entrusted financial management with large single amount, low security or poor liquidity

Applicable Not applicable

Unit: RMB in 10 thousand

Name of trustee	Type of trustee	Product type	Amount	Capital source	Start date	End date	Capital investment	Determination of return	Reference annualized rate of return	Expected return (if any)	Actual profit and loss in the reporting	Actual recovery of profit and loss in	Amount of provision for impairment (if	Through legal procedures or not	Future entrusted financial management	Event overview and relevant index (if any)
-----------------	-----------------	--------------	--------	----------------	------------	----------	--------------------	-------------------------	-------------------------------------	--------------------------	---	---------------------------------------	--	---------------------------------	---------------------------------------	--

											peri od	the repor ting peri od	any)		t plan or not		
BNP Paribas (China) Limited Shanghai Branch	Bank	12-month maturity RMB structured deposit linked to a basket of customized indices	5,000	Own funds	June 16, 2022	June 13, 2023						17.74	17.74		Yes		
JP Morgan Chase Bank (China) Limited Shanghai Branch	Bank	JP Morgan XRP Index 100% Capital Protected Structured Deposit	5,000	Own funds	June 27, 2022	June 27, 2023						41.45	41.45		Yes		
China Galaxy Securities Co. Ltd.	Security	"Galaxy Jinshan" Certificates of Income No. 13459 (Principal Protected Fixed	3,000	Own funds	March 21, 2023	April 17, 2023			4.00%			3.62	3.62		Yes		

		Inco me Certi ficates)															
Total			1 3, 0 0 0	--	--	--	--	--	--		62.8 1	--		--	--	--	--

The principal of entrusted financial management is expected uncollectible or there are other situations that may lead to impairment

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

No such case in the reporting period.

4. Significant contracts in operation

Applicable Not applicable

No such case in the reporting period.

XVI. Other Significant Events

Applicable Not applicable

1. Repurchase of company shares

The 18th extraordinary meeting of the 7th Board of Directors, held on November 6, 2023, reviewed and approved the *Proposal on Repurchase of Company Shares*, agreeing that the Company will use its own funds to repurchase some of the company's shares through the secondary market by centralized bidding for subsequent implementation of equity incentives or employee shareholding plans. The total amount of funds for this repurchase shall not be less than RMB 200 million and shall not exceed RMB 400 million. The repurchase price shall not exceed RMB 36.00 per share, and the repurchase period shall be within 12 months from the date of approval of the repurchase plan by the Company's board of directors. For details, please refer to the relevant announcements disclosed by the company on the CNINFO.

As of the end of the reporting period, the Company repurchased 702,900 shares through a dedicated stock repurchase securities account by centralized bidding trading, accounting for 0.0188% of the Company's current total share capital. The highest transaction price was 29.09 yuan/share, and the lowest transaction price was 28.01 yuan/share, with a total transaction amount of 19,990,058.81 yuan (excluding transaction fees).

2. Early redemption of "Sanhua Convertible Bonds"

The 13th extraordinary meeting of the 7th Board of Directors held on July 7, 2023 reviewed and approved the proposal on early redemption of "Sanhua Convertible Bonds". Since conditional redemption clauses have been triggered, it agreed to the Company's early redemption of convertible corporate bonds that have not been converted

into shares as of the redemption registration date (July 31, 2023). As of the close of market on July 31, 2023, a total of 37,663 unconverted bonds of "Sanhua Convertible Bonds" have been fully redeemed by the Company at a redemption price of 100.10 yuan per bond (including current accrued interest), with a total redemption payment of 3,770,066.30 yuan. Starting from August 9, 2023, "Sanhua Convertible Bonds" was delisted from the Shenzhen Stock Exchange. For details, please refer to the relevant announcements disclosed on the CNINFO.

XVII. 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)	63,266,341	1.76%				- 20,744,150	- 20,744,150	42,522,191	1.14%
1) Shares held by states									
2) Shares held by state-owned corporations									
3) Shares held by other domestic investors	63,043,341	1.75%				- 20,577,150	- 20,577,150	42,466,191	1.14%
Of which: Shares held by domestic corporations									
Shares held by domestic individuals	63,043,341	1.75%				- 20,577,150	- 20,577,150	42,466,191	1.14%
4) Shares held by overseas investors	223,000	0.01%				-167,000	-167,000	56,000	0.00%
Of which: Shares held by overseas corporations									

Shares held by overseas individuals	223,000	0.01%				-167,000	-167,000	56,000	0.00%
2. Shares without restriction	3,527,603,124	98.24%				162,490,220	162,490,220	3,690,093,344	98.86%
1) RMB common shares	3,527,603,124	98.24%				162,490,220	162,490,220	3,690,093,344	98.86%
2) Domestically listed foreign shares									
3) Foreign shares listed overseas									
4) Others									
3. Total	3,590,869,465	100.00%				141,746,070	141,746,070	3,732,615,535	100.00%

Reason for the changes in share capital

√ Applicable □ Not applicable

- At the beginning of each year, the number of locked shares should be re-calculated according to 75% of the total number of shares held by the senior management.
- May 15, 2023, the third vesting period of the 2020 Restricted stock incentive plan matured, and 5.85 million restricted stocks of 825 incentive objects who meet the conditions were listed for circulation.
- June 30, 2023, the first vesting period of the 2022 Restricted stock incentive plan matured, and 5.238 million restricted stocks of 1,345 incentive objects who meet the conditions were listed for circulation.
- The Company repurchased and cancelled a total of 180,400 restricted shares held by incentive recipients who do not meet the conditions.
- From January 1, 2023 to July 31, 2023, the "Sanhua Convertible Bonds" decreased by RMB 2,994,679,400 (29,946,794 pieces) due to share conversion, with a total of 141,926,470 shares converted. On August 1, 2023, all remaining unconverted convertible bonds were redeemed by the Company.

Approval for changes in share capital

√ Applicable □ Not applicable

1. 2020 restricted stock incentive plan

(1) April 27, 2023, the Company held the 11th meeting of the 7th Board of Directors and the 9th meeting of the 7th Board of Supervisors, respectively, in which, *Proposal on the achievement of unlocking conditions of the third vesting period of the 2020 restricted stock incentive plan* was approved. The listing date for circulation of the restricted shares was May 15, 2023. A total of 5.85 million shares were released.

(2) June 20, 2023, the Company held the 12th interim meeting of the 7th board of directors and the 10th interim meeting of the 7th board of supervisors respectively, in which *Proposal on adjusting the repurchase price of 2020 restricted stock incentive plan* and *Proposal on repurchase and cancellation of some restricted stocks* were approved. The Company repurchased and cancelled 62,400 restricted shares held by unqualified incentive objects in the 2020 restricted stock incentive plan.

(3) July 6, 2023, the first extraordinary general meeting of shareholders in 2023 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 62,400 restricted shares held by unqualified incentive objects in the 2020 restricted stock incentive plan.

2. 2022 restricted stock incentive plan

(1) June 20, 2023, the Company held the 12th interim meeting of the 7th board of directors and the 10th interim meeting of the 7th board of supervisors, in which following proposals were approved: *Proposal on Adjusting the Repurchase Price of 2022 Restricted Stock Incentive Plan*, *Proposal on Repurchase and Cancellation of some Restricted Stocks* and *Proposal on the Achievement of Unlocking Conditions of the First Vesting Period of the Restricted Stock Incentive Plan in 2022*. The listing date of the restricted shares was June 30, 2023. A total of 5.238 million shares were released. The Company repurchased and cancelled 118,000 restricted shares held by unqualified incentive objects in the 2022 restricted stock incentive plan.

(2) July 6, 2023, the first extraordinary general meeting of shareholders in 2023 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 118,000 restricted shares held by unqualified incentive objects in the 2022 restricted stock incentive plan.

3. Convertible bonds

May 27, 2021, the 17th extraordinary meeting of the 6th Board of Directors and the 15th extraordinary meeting of the 6th Board of Supervisors deliberated and approved the *Proposal on Further Clarifying the Specific Plan for the Public Issuance of Convertible Corporate Bonds by the Company* and *Proposal on Public Issuance of Convertible Corporate Bonds*. The convertible bond conversion period of the Company is from the first trading date (December 7, 2021), which is six months later from June 7, 2021 (end of issuance), to the maturity date of the convertible bond (May 31, 2027).

Transfer of shares

Applicable Not applicable

In 2023, the Company repurchased 180,400 shares that were not qualified for unlocking.

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

Applicable Not applicable

Please refer to the financial report for details.

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

□ Applicable √ Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: Share

Name of shareholder	Opening balance of restricted shares	Vested in current period	Unlock shares in current period	Closing balance of restricted shares	Note for restricted shares	Date of unlocking
Zhang Yabo	39,023,400	0	9,755,250	29,268,150	Comply with the relevant provisions of executives shares management	Comply with the relevant provisions of executives shares management
Wang Dayong	272,562	0	20,000	252,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Ni Xiaoming	262,562	0	17,500	245,062	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Chen Yuzhong	272,562	0	20,000	252,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Hu Kaicheng	272,562	0	20,000	252,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Yu Yingkui	296,042	0	20,000	276,042	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.

Mo Yang	10,926	0	0	10,926	Comply with relevant provisions of executive shares management.	Comply with relevant provisions of executive shares management.
Chen Xiaoming	8,325	0	0	8,325	Comply with relevant provisions of executive shares management.	Comply with relevant provisions of executive shares management.
Other incentive objects	22,847,400	0	10,891,400	11,956,000	Comply with relevant provisions of equity incentive	Comply with relevant provisions of equity incentive
Total	63,266,341	0	20,744,150	42,522,191	--	--

II. Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

1. July 6, 2023, the first extraordinary general meeting of shareholders in 2023 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 180,400 restricted shares held by unqualified incentive objects in the 2022 restricted stock incentive plan.

2. May 27, 2021, the 17th extraordinary meeting of the 6th Board of Directors and the 15th extraordinary meeting of the 6th Board of Supervisors deliberated and approved the *Proposal on Further Clarifying the Specific Plan for the Public Issuance of Convertible Corporate Bonds by the Company* and *Proposal on Public Issuance of Convertible Corporate Bonds*. The convertible bond conversion period of the Company is from the first trading date (December 7, 2021), which is six months later from June 7, 2021 (end of issuance), to the maturity date of the convertible bond (May 31, 2027). From January 1, 2023 to July 31, 2023, the "Sanhua Convertible Bonds" decreased by RMB 2,994,679,400 (29,946,794 pieces) due to share conversion, with a total of 141,926,470 shares converted. On August 1, 2023, all remaining unconverted convertible bonds were redeemed by the Company.

3. Existent shares held by internal staff of the Company

Applicable Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total Number of Common Shareholders at the End of the Reporting Period	52,273	Total number of common shareholders at the end of previous month before the disclosure date of the annual report	84,746	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	Total number of preferred shareholders (if any) (refer to Note 8) with resumed voting rights at the end of previous month before the disclosure date of the annual report	0	
Particulars about Shares Held by Shareholders with a Shareholding Percentage over 5% or the Top 10 of Them (excluding Securities Lending and Borrowing)								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of shares held with trading restrictions	The number of shares held without trading restrictions	Pledged, marked or frozen	
							Status	Amount
Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	25.41%	948,487,077	-30,378,708		948,487,077		
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Domestic non-state-owned corporation	19.90%	742,747,954	4,160,000		742,747,954	Pledged	150,000,000
Hong Kong Central Clearing Limited	Overseas corporation	15.52%	579,152,015	31,513,126		579,152,015		
Zhang Yabo	Domestic Individual	1.05%	39,024,200	0	29,268,150	9,756,050		
National Social Security Fund (NSSF) 104th Portfolio	Others	0.59%	22,074,567	22,074,567		22,074,567		
China Merchants Bank	Others	0.57%	21,419,354	121,312		21,419,354		

Corporation - Quanguo Xuyuan Three Year Holding Period Hybrid Securities Investment Fund								
Industrial and Commercial Bank of China Limited - GF Multi Factor Flexible Allocation Hybrid Securities Investment Fund	Others	0.57%	21,226,564	-10,180,010		21,226,564		
Kuwait Investment Authority	Overseas corporation	0.47%	17,546,539	-1,472,965		17,546,539		
Industrial and Commercial Bank of China Limited - Huatai-Perry CSI 300 Traded Open-End Index Fund	Others	0.45%	16,653,597	8,106,107		16,653,597		
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-CT-001 Shanghai	Others	0.45%	16,624,990	16,624,990		16,624,990		
Information about Strategic Investors' or General Legal Persons' Becoming Top Ten Common Shareholders for Placement of New Shares (If Any) (Refer to Note 3)	No							

Explanation on Associated Relationship or Concerted Actions among the Above-Mentioned Shareholders	Among the above shareholders, Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd. and Zhang Yabo are the persons acting in concert. The Company does not know whether there is any related relationship between other shareholders, or whether they belong to the persons acting in concert stipulated in the <i>Administrative Measures for the Acquisition of Listed Companies</i> .		
Particulars about Shares Held by Top 10 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.	948,487,077	RMB common stock	948,487,077
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	742,747,954	RMB common stock	742,747,954
Hong Kong Central Clearing Limited	579,152,015	RMB common stock	579,152,015
National Social Security Fund (NSSF) 104th Portfolio	22,074,567	RMB common stock	22,074,567
China Merchants Bank Corporation - Quanguo Xuyuan Three Year Holding Period Hybrid Securities Investment Fund	21,419,354	RMB common stock	21,419,354
Industrial and Commercial Bank of China Limited - GF Multi Factor Flexible Allocation Hybrid Securities Investment Fund	21,226,564	RMB common stock	21,226,564
Kuwait Investment Authority	17,546,539	RMB common stock	17,546,539
Industrial and Commercial Bank of China Limited - Huatai-Perry CSI 300 Traded Open-End Index Fund	16,653,597	RMB common stock	16,653,597
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-CT-001 Shanghai	16,624,990	RMB common stock	16,624,990
Industrial and Commercial Bank of China Limited - ETF CSI New Energy Vehicle Industry Index Initiated Securities Investment Fund (LOF)	15,986,434	RMB common stock	15,986,434

Explanation of Associated Relationship or Concerted Actions among Top Ten Common Shareholders without Trading Restrictions, and among Top Ten Common Shareholders without Trading Restrictions and Top Ten Common Shareholders	Among the above shareholders, Sanhua Holding Group Co., Ltd. and Zhejiang Sanhua Lvneng Industrial Group Co., Ltd. are the persons acting in concert. The Company does not know whether there is any related relationship between other shareholders, or whether they belong to the persons acting in concert stipulated in the <i>Administrative Measures for the Acquisition of Listed Companies</i> .
Explanation of Top Ten Common Shareholders' Participation in Securities Margin Trading (If Any) (Refer to Note 4)	N/A

The top ten shareholders participating in the Securities Lending and Borrowing

Applicable Not applicable

Unit: share

The top ten shareholders participating in Securities Lending and Borrowing								
Full name of shareholder	Shares in the common account and credit account at the period-begin		Shares lent and not yet returned at the period-begin		Shares in the common account and credit account at the period-end		Shares lent and not yet returned at the period-end	
	Total shares	As % of total share capital	Total shares	As % of total share capital	Total shares	As % of total share capital	Total shares	As % of total share capital
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	738,587,954	20.57%	4,160,000	0.12%	742,747,954	19.90%	0	0.00%
Industrial and Commercial Bank of China Limited - Huatai-Perry CSI 300 Traded Open-End Index Fund	8,547,490	0.24%	243,000	0.01%	16,653,597	0.45%	20,600	0.00%

Changes in the top ten shareholders compared to the previous period

Applicable Not applicable

Unit: share

Changes in top 10 shareholders compared to last period
--

Full name of shareholders	New/Exiting shareholder in current period	At the end of the period, the number of shares lent and not yet returned		The number of shares held in the ordinary account and credit account of shareholders at the end of the period, as well as the shares lent and not yet returned	
		Total quantity	Ratio in total shares	Total quantity	Ratio in total shares
Hangzhou Zhichun Investment Management Co. Ltd - Zhichun Select Phase I Private Securities Investment Fund	Exiting shareholder	0	0.00%	0	0.00%
#Fang deji	Exiting shareholder	0	0.00%	0	0.00%
National Social Security Fund (NSSF) 104th Portfolio	New shareholder	0	0.00%	22,074,567	0.59%
Kuwait Government Investment Authority	New shareholder	0	0.00%	17,546,539	0.47%
Industrial and Commercial Bank of China Limited - Huatai-Perry CSI 300 Traded Open-End Index Fund	New shareholder	20,600	0.00%	16,674,197	0.45%
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-CT-001 Shanghai	New shareholder	0	0.00%	16,624,990	0.45%
Abu Dhabi Investment Authority	Exiting shareholder	0	0.00%	8,587,782	0.23%
Fang Wenjun	Exiting shareholder	0	0.00%	0	0.00%

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

Applicable Not applicable

No such cases during the current reporting period.

2. Particulars about controlling shareholder of the Company

Nature of the controlling shareholder: Natural person

Type of the actual controller: Corporation

Name of controlling shareholder	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
---------------------------------	--	-----------------------	-------------------	----------------

Sanhua Holding Group Co., Ltd	Zhang Daocai	July 11, 2000	91330624720002522J	Industrial investment; Manufacturing and sales: General parts, electronic products; sales: metal materials (excluding precious and rare metals), chemical raw materials (except dangerous chemicals and precursor chemicals), rubber; export of products and related technologies produced by the enterprise and its member enterprises. It is engaged in the export business of raw and auxiliary materials, machinery and equipment, instruments and meters, spare parts and related technologies needed by the enterprise and its member enterprises for production and scientific research; it is engaged in the processing of imported materials and the business of "three supplies and one supplement". Technical consultation, technical service, financial consultation and investment consultation. (In terms of projects subject to approval according to law, business activities can be carried out only after approval by relevant departments.)
Shares held by the controlling shareholder in other foreign listed companies through controlling or holding during the reporting period	N/A			

Change of the controlling shareholder during the reporting period

Applicable Not applicable

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

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

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

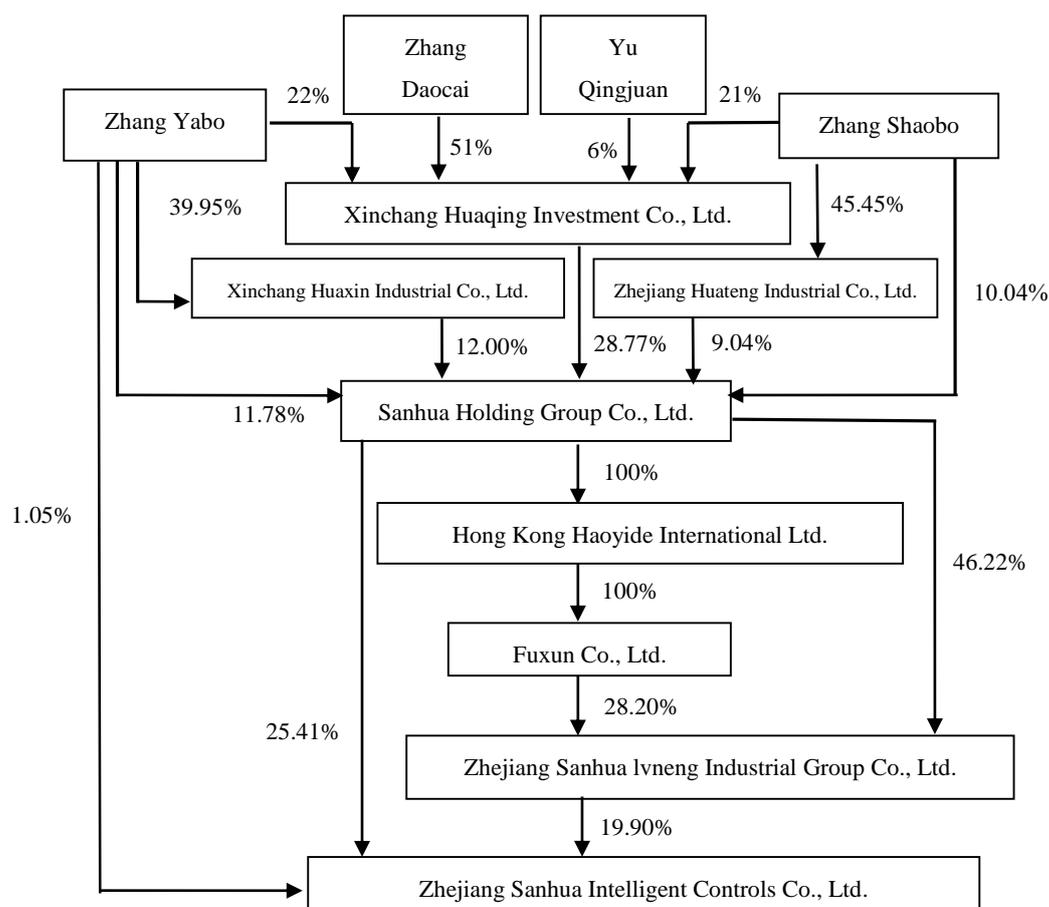
Name of the actual controller	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Zhang Daocai	Himself	China	No
Zhang Yabo	Himself	China	No
Zhang Shaobo	Himself	China	No
Main occupation and position	<p>Mr. Zhang Daocai: Chinese nationality, born in 1950, senior economist, and special supervisor of MBA graduate student of Zhejiang University. He is honorary chairman of the Company and chairman of the board of directors of Sanhua Holding Group Co., Ltd. He was elected as the representative of the 8th, 9th, 10th, 11th and 12th National People's Congress of Zhejiang Province and vice president of the China Enterprise Federation and the Chinese Entrepreneurs Association. Vice president of Zhejiang small and medium sized Enterprises Association, vice president of Zhejiang Business Management Research Association and vice president of Asia Pacific Chinese Leaders Association, and won the National Labor Medal of May 1st, national excellent entrepreneur, master of Chinese management, most creative Chinese business leader in Asia Pacific, Model worker of Zhejiang Province, meritorious entrepreneur of implementing the "eight eight strategy" in Zhejiang Province, lifelong leader entrepreneur of Zhejiang Province, leading figures of Zhejiang Manufacturing and other honors.</p> <p>Mr. Zhang Yabo: Chinese nationality, CPC member, born in 1974, senior economist, graduated from Shanghai Jiaotong University, received a master's degree in Business Administration from CEIBS. At present, he is the chairman of the board of the Company, Secretary of the Party committee of Sanhua holding group, vice chairman and director of the board of Sanhua Holding Group Co., Ltd. He has successively won Zhejiang outstanding young private entrepreneurs, Zhejiang operation and management masters, Shaoxing labor model, Shaoxing top ten outstanding young people, Shaoxing mayor award, Changjiang River Delta top ten outstanding young businessmen, Fengyun Zhejiang businessmen, Zhejiang outstanding entrepreneurs, Zhejiang excellent entrepreneurs, glorious Zhejiang businessman, etc. Now he serves as a representative to the 14th National People's Congress, the 13th Executive Committee Member of the China Federation of Industry and Party Representative of the 15th Zhejiang Provincial Party Congress, Vice President of Zhejiang Chamber of Commerce and Chairman Supervisor of the Zhejiang Chamber of Commerce.</p> <p>Mr. Zhang Shaobo: Chinese nationality, born in 1979, master's degree, graduated from CEIBS. He serves as a director of the Company, director of Sanhua Holding Group Co., Ltd., chairman of the board of Zhejiang Sanhua Lvneng Industrial Group Co., Ltd., General Manager of Hangzhou Sanhua International Building Co., Ltd., and chairman of the board of Zhejiang Sanhua Zhiyuan Real Estate Co., Ltd.</p>		
Domestic and foreign listed companies controlled in the past 10 years	N/A		

Change of the actual controller during the reporting period

Applicable Not applicable

No such change during the reporting period.

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



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

Applicable Not applicable

4. The cumulative number of Pledged Shares of the Company's controlling shareholder or the largest shareholder and its concerted actors accounts for 80% of the Company's shares

Applicable Not applicable

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

Applicable Not applicable

Name of corporate shareholder	Legal representative	Date of incorporation	Registered capital	Main business
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Zhang Shaobo	September 30, 2001	649 million yuan	Manufacturing and sales: air suspension assembly, general equipment, electromechanical equipment, technology development, technical service, technical consultation, achievement transfer: electromechanical technology,

				environmental protection technology, biotechnology (except for human stem cells, gene diagnosis and treatment technology development and application); electronic and electrical products, metal materials (excluding precious metals), chemical raw materials (except chemical dangerous goods and precursor chemicals) Wholesale, retail and import and export business of gold and silver jewelry, rubber, mineral products, machinery and equipment, instruments and accessories; services: enterprise management consulting, property management (operating by qualification certificate), self-owned house leasing, industrial investment management, consulting management (except for securities and goods, without approval of financial supervision departments, shall not engage in deposit, financing guarantee, agency for public financing Financial services such as customer finance), power supply, development and construction of distributed solar energy projects, and contract energy management. (Except for those involving the implementation of special management measures for access stipulated by the state). (In terms of projects subject to approval according to law, business activities can be carried out only after approval by relevant departments.)
--	--	--	--	---

6. Particulars on shareholding decrease restrictions for the controlling shareholders, actual controller, restructurer or other committing parties

Applicable Not applicable

August 2022, the Company disclosed *Announcement on Sanhua Holdings, Sanhua Lvneng, and Mr. Zhang Yabo's Commitment not to Actively Reduce Their Holdings of the Company Stocks*. The controlling shareholder Sanhua Holdings, the shareholder Sanhua Lvneng, and the actual controller Mr. Zhang Yabo will not actively reduce their holdings of the Company's shares within 18 months from August 18, 2022.

IV. Information about the implementation of share repurchase during the reporting period

Information about the implementation of share repurchase

Applicable Not applicable

Scheme disclosure date	Number of shares to be repurchased	Proportion in total share capital	Proposed repurchase amount Unit: (RMB in 10 thousand)	Period to be repurchased	Repurchase purpose	Quantity repurchased (shares)	Proportion of repurchased shares in equity incentive plan shares (if any)
October 27, 2022	5,555,555-11,111,110	0.15% - 0.30%	20,000-40,000	October 27, 2022 - October 26, 2023	For equity incentive plan or employee stock ownership plan	7,535,067	100.00%
November 7, 2023	5,555,555-11,111,110,	0.15% - 0.30%	20,000-40,000	November 7, 2023 - November 6, 2024	For equity incentive plan or employee stock ownership plan	702,900	100.00%

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

Applicable Not applicable

Section VIII Information of Preferred Shares

Applicable Not applicable

No existing 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

1. The Company implemented the 2021 profit distribution plan. According to the relevant provisions of the price adjustment of convertible corporate bonds, the conversion price of Sanhua convertible bonds should be adjusted accordingly. The conversion price of Sanhua convertible bonds before the adjustment is 21.55 yuan/share, and the adjusted conversion price is 21.40 yuan/share. The adjusted conversion price took effect from May 11, 2022.

2. The Company implemented a profit distribution plan for the half year of 2022. According to the relevant provisions on the price adjustment of convertible corporate bonds, the conversion price of Sanhua convertible bonds should be adjusted accordingly. Before the adjustment, the conversion price of Sanhua convertible bonds is 21.40 yuan/share, and after the adjustment, the conversion price is 21.30 yuan/share. The adjusted conversion price took effect from September 22, 2022.

3. The Company implemented the 2022 profit distribution plan. According to the relevant provisions of the price adjustment of convertible corporate bonds, the conversion price of Sanhua convertible bonds was adjusted from 21.30 yuan/share to 21.10 yuan/share. The adjusted conversion price took effect from June 9, 2023.

2. Share Conversions (Accumulative)

Applicable Not applicable

Abbreviation of convertible	Period of conversion	Total issued amount	Total issued amount	Cumulative amount of converted	Cumulative number of converted	Proportion of the number of	Amount of shares not yet	Proportion of the amount of

bonds		(piece)	(yuan)	shares (yuan)	shares (shares)	converted shares to the total issued shares of the Company before the date of conversion	converted (yuan)	non- converted shares in the total amount of issuance
Sanhua Convertible Bond	December 7, 2021 - July 31, 2023	30,000,000	3,000,000.0 00.00	2,996,233.7 00.00	141,998,77 7	3.95%	3,766,300.0 0	0.00%

3. Top 10 Holders of the Convertible Bond

August 9, 2023, "Sanhua Convertible Bonds" were delisted from the Shenzhen Stock Exchange.

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

Applicable Not applicable

5. By the end of the reporting period, the Company's liabilities, credit changes and cash arrangements for debt repayment in future

Regarding the relevant financial indicators of the Company at the end of the reporting period, please refer to "8. Main accounting data and financial indicators of the company for the past two years as of the end of the reporting period".

CSCI Pengyuan issued the *2023 Tracking Rating Report on the 2021 Public Issuance of Convertible Corporate Bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd.* on June 27, 2023, according to which the credit rating of Sanhua convertible bonds remains AA+, the Company's credit rating remains AA+, and the rating outlook remains stable. The result of this rating has not changed compared with the last one.

The convertible corporate bonds have triggered the conditional redemption clause stipulated in the Zhejiang Sanhua Intelligent Controls Co., Ltd. Public Issuance of Convertible Corporate Bonds Prospectus. On July 7, 2023, the Company held the 13th extraordinary meeting of the 7th Board of Directors and the 11th extraordinary meeting of the 7th Board of Supervisors, which reviewed and passed the *Proposal on Early Redemption of Sanhua Convertible Bonds* and agreed to the Company's exercise of the conditional redemption right and redemption of all unconverted Sanhua Convertible Bonds registered with China Securities Depository and Clearing Corporation Shenzhen Branch after the close of the market on the redemption registration date at the price of the face value plus accrued interest. Redemption registration date: July 31, 2023, redemption date: August 1, 2023, redemption price: 100.10 yuan/piece (including accrued interest, annual interest rate is 0.60%, and tax inclusive). A total of 3,770,066.30 yuan was paid for redemption. On August 9, 2023, "Sanhua Convertible Bonds" were delisted from the Shenzhen Stock Exchange.

Due to the fact that the unconverted portion of the "Sanhua Convertible Bond" has been fully redeemed by the Company and delisted from the Shenzhen Stock Exchange, China Securities CSCI Pengyuan decided to terminate the tracking rating of Sanhua Intelligent Controls and Sanhua Convertible Bond. The original rating is valid until August 11, 2023, and will no longer be updated.

The cumulative conversion of "Sanhua Convertible Bonds" into shares is 141,998,777, and the total share capital of the Company has increased by 141,998,777 shares result from conversion, which has increased the Company's capital strength. Meanwhile, due to an increase in total share capital, the Company's EPS would be diluted in the short term.

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. Overdue interest-bearing debts other than bonds by the end of this reporting period

Applicable Not applicable

VII. Whether there is any violation of rules or regulations during the reporting period

Applicable Not applicable

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

Unit: RMB in 10 thousand

Item	At the end of the reporting period	At the end of last year	YoY Change (%)
Current ratio	1.7	1.98	-14.14%
Asset liability ratio	43.36%	53.08%	-9.72%
Quick ratio	1.31	1.53	-14.38%
	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Net profit after deducting non-recurring profit and loss	291,702.92	229,145.05	27.30%
EBITDA total debt ratio	64.58%	43.52%	21.06%
Times interest earned ratio	17.75	14.08	26.07%
Cash interest guarantee times	26.12	23.46	11.34%

EBITDA Time interest earned ratio	21.65	16.84	28.56%
Repayment of debt (%)	100.00%	100.00%	
Payment of interest (%)	100.00%	100.00%	

Section X Financial Report

I. Audit report

Type of audit opinion	Standard Unqualified opinion
Date of signing of audit report	April 28, 2024
Name of audit firm	Pan-China Certified Public Accountants LLP
Document number of audit report	PCCPAAR [2024] No. 4888
Name of the certified accountants	Luo Xunchao 、 Zhang Xin

Auditor's Report

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

1. Audit Opinion

We have audited the accompanying financial statements of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the “Company”), which comprise the consolidated and parent company balance sheets as at December 31, 2023, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

2. Basis for Audit Opinion

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

3. Key Audit Matters

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

(I) Revenue recognition

1. Matters description

Please refer to section III (25), V (2) 1 and XV of the notes to the financial statements for details.

The majority of the Company's revenue comes from controlling components and components for home appliances and automobiles. In 2023, the amount of operating income of the Company is RMB 24.5578 billion. As operating revenue is one of the key performance indicators of the Company, there might be inherent risks that the Company's management (the “Management”) adopts inappropriate revenue recognition to achieve specific goals or expectations, we have identified revenue recognition as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

- (1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We checked sale contracts, obtained understandings of main contractual terms or conditions, and assessed whether the revenue recognition method was appropriate;
- (3) We performed analysis procedure on operating revenue, so as to identify whether there are significant or abnormal fluctuations and implemented the rationality of such fluctuations;
- (4) We implemented detail test and checked supporting documents related to revenue recognition by sampling method, including sales contracts, sales invoices, sales collection, delivery lists, shipping documents, client acceptance receipts, export declaration, lading bill, we obtained information from E-port and compared with accounting records of export revenue;
- (5) We performed confirmation procedures on current sales amount by sampling method in combination with confirmation procedure of accounts receivable;
- (6) We inquired the industrial and commercial registration information or public information of major customers to evaluate whether the business logic related to sales transactions is tenable;
- (7) We implemented cut-off tests on the operating revenue recognized before and after the balance sheet date to evaluate whether the operating revenue is recognized in an appropriate period;

(II) Inventories valuation

1. Matters description

Please refer to section III (12) and V (1) 8 of the notes to the financial statements for details.

As of December 31, 2023, the book balance of the Company's inventories amounted to RMB 4.60073 billion, the major components are metal materials such as copper and aluminum. The metal materials have high value and good liquidity, they are important controlled assets. Therefore, we have identified the existence, valuation, and transfer of inventory as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for inventories valuation are as follows:

- (1) We implemented analysis procedures to identify significant or abnormal changes in inventory size and structure, and verify the authenticity or reasonableness of such changes;
- (2) We implemented detail test and checked supporting documents related to material purchase by sampling method, including purchases contracts, input invoices, warehouse receipts, purchase payments, etc;
- (3) We performed confirmation procedures on current purchases amount by sampling method in combination with confirmation procedure of accounts payable;
- (4) We searched the market price trends of the main raw materials and compared them with the actual purchase prices to check for any abnormal situations;
- (5) We gained an understanding of the production process and cost accounting methods, and conducted sampling reviews to verify the consistency and rationality of production cost collection and allocation;
- (6) We conducted sampling tests on the inventories valuation to check the pricing accuracy of the inventories issuance amount and the balance amount;
- (7) We implemented inventory monitoring to check if there is a significant deviation between the account and the actual situation;

4. Other Information

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

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

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

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

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

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

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

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

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

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

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

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

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

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

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

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

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

Pan-China Certified Public Accountants LLP

Hangzhou ·China

Chinese Certified Public Accountant: Luo Xun chao
(Engagement Partner)

Chinese Certified Public Accountant: Zhang Xin

Date of Report: April 28, 2024

II. Financial Statements

Units of financial reports in the notes: RMB

1.Consolidated balance sheet

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

December 31, 2023

Unit: RMB

Items	December 31,2023	January 1, 2023
Current asset:		
Cash and Bank Balances	6,584,684,683.93	5,878,243,652.55
Settlement funds		
Loans to other banks		
Held-for-trading financial assets		100,025,980.08
Derivative financial assets	22,636,112.68	8,938,874.05
Notes receivable	2,476,839,413.89	2,203,948,983.83
Accounts receivable	5,773,991,481.22	5,228,117,225.57
Receivable financing		
Advances paid	133,792,623.54	117,887,007.07
Premium receivable		
Reinsurance accounts receivable		
Reinsurance reserves receivable		
Other receivables	227,792,892.12	726,641,478.35
Including: Interest receivable		
Dividends receivable		
Repurchasing of financial assets		
Inventories	4,600,729,378.19	4,334,875,287.86
Contract assets		
Assets held for sales		
Non-current assets due within one year		
Other current assets	251,073,584.56	157,025,076.05
Total current assets	20,071,540,170.13	18,755,703,565.41
Non-current assets:		
Loans and advances paid		
Debt investments		
Other debt investments		
Long-term receivable	3,805,833.60	3,712,290.00
Long-term equity investments	37,924,431.29	32,438,204.13
Other equity instrument investments		
Other non-current financial assets		
Investment property	8,165,805.31	8,204,266.97
Fixed assets	7,730,363,778.82	6,374,896,070.41

Construction in progress	2,036,326,757.72	1,032,505,633.51
Productive biological assets		
Oil & gas assets		
Right-of-use assets	313,254,745.53	284,277,365.32
Intangible assets	843,866,292.82	727,263,351.69
Development expenditures		
Goodwill	6,785,228.04	7,591,830.61
Long-term prepayments	118,096,436.09	56,157,277.16
Deferred tax assets	156,432,157.23	221,158,674.48
Other non-current assets	564,023,136.83	457,305,626.59
Total non-current assets	11,819,044,603.28	9,205,510,590.87
Total assets	31,890,584,773.41	27,961,214,156.28
Current liabilities:		
Short-term borrowings	1,212,150,378.85	1,294,083,319.58
Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities	3,500,000.00	3,500,000.00
Derivative financial liabilities	10,719,110.02	45,171,373.81
Notes payable	3,416,711,594.64	2,580,274,767.64
Accounts payable	4,449,940,359.81	3,884,603,370.16
Advances received		
Contract liabilities	51,788,802.03	57,955,080.60
Selling of repurchased financial assets		
Absorbing deposit and interbank deposit		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee benefits payable	598,801,246.34	475,157,429.15
Taxes and rates payable	382,396,791.19	190,789,559.16
Other payables	250,642,662.86	354,255,114.06
Including: Interest Payable		
Dividends Payable		
Handling fee and commission payable		
Reinsurance accounts payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	1,440,093,253.93	568,126,341.67
Other current liabilities	2,099,986.27	2,007,578.03
Total current liabilities	11,818,844,185.94	9,455,923,933.86
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	1,030,801,111.13	1,801,574,166.67
Bonds payable		2,776,763,361.83
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	221,295,481.86	202,028,482.09

Long-term payables	11,290,788.32	4,831,202.13
Long-term employee benefits payable	39,840,362.77	
Provisions		
Deferred income	379,140,042.48	254,044,715.64
Deferred tax liabilities	307,511,069.3	288,757,921.37
Other non-current liabilities	18,154,107.25	57,990,181.87
Total non-current liabilities	2,008,032,963.11	5,385,990,031.60
Total liabilities	13,826,877,149.05	14,841,913,965.46
Equity:		
Share capital	3,732,615,535.00	3,590,869,465.00
Other equity instruments		409,544,970.41
Including: Preferred shares		
Perpetual bonds		
Capital reserve	3,455,643,565.98	282,602,695.98
Less: Treasury shares	423,468,591.57	330,022,975.53
Other comprehensive income	114,757,064.28	-8,543,048.33
Special reserve		
Surplus reserve	1,011,914,243.67	863,523,059.01
General risk reserve		
Undistributed profit	10,002,942,167.43	8,133,336,242.88
Total equity attributable to the parent Company	17,894,403,984.79	12,941,310,409.42
Non-controlling interest	169,303,639.57	177,989,781.40
Total equity	18,063,707,624.36	13,119,300,190.82
Total liabilities & equity	31,890,584,773.41	27,961,214,156.28

Legal representative: Zhang Yabo Officer in charge of accounting: Yu Yingkui Head of accounting department: Li Zhimi

2. Parent Company Balance Sheet

Unit: RMB

Items	December 31, 2023	January 1, 2023
Current assets:		
Cash and bank balances	3,755,111,885.56	3,453,268,955.31
Held-for-trading financial assets		100,025,980.08
Derivative financial assets	1,463,100.00	3,754,234.25
Notes receivable	1,293,651,597.02	1,108,678,741.44
Accounts receivable	703,445,875.41	804,258,235.12
Receivables financing		
Advances paid	7,501,313.44	9,470,841.56
Other receivables	2,269,591,236.02	650,791,643.96
Including: Interest Receivable		
Dividends Receivable	550,000,000.00	
Inventories	772,429,361.79	719,679,218.08
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		

Other current assets		
Total current assets	8,803,194,369.24	6,849,927,849.80
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivable	500,000.00	420,000.00
Long-term equity investments	8,880,133,268.57	7,542,658,709.77
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	1,623,330,889.08	1,593,110,699.80
Construction in progress	53,871,265.08	36,026,798.77
Productive biological assets		
Oil & gas assets		
Right-of-use assets	9,370,623.95	11,493,242.24
Intangible assets	142,130,830.79	142,723,611.23
Development expenditures		
Goodwill		
Long-term prepayments	15,876,569.88	2,396,803.91
Deferred tax assets	5,587,256.35	33,318,204.92
Other non-current assets	99,458,254.3	40,289,058.97
Total non-current assets	10,830,258,958.01	9,402,437,129.61
Total assets	19,633,453,327.25	16,252,364,979.41
Current liabilities:		
Short-term borrowings	202,384,500.02	199,743,666.65
Held-for-trading financial liabilities		
Derivative financial liabilities		11,750.00
Notes payable	559,657,858.19	510,877,753.94
Accounts payable	1,465,144,230.80	1,384,664,289.76
Advances received		
Contract liabilities	121,488.76	154,996.96
Employee benefits payable	127,817,926.77	111,391,004.02
Taxes and rates payable	112,191,203.17	45,225,803.58
Other payables	4,315,100,068.76	1,852,846,536.99
Including: interest payable		
Dividends Payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	1,373,267,226.41	503,606,063.10
Other current liabilities		
Total current liabilities	8,155,684,502.88	4,608,521,865.00
Non-current liabilities:		
Long-term borrowings	1,030,801,111.13	1,801,574,166.67
Bonds payable		2,776,763,361.83
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	5,571,522.93	8,472,484.42
Long-term payables		

Long-term employee benefits payable		
Provisions		
Deferred income	47,332,045.49	49,178,671.24
Deferred tax liabilities	81,604,566.52	85,516,449.61
Other non-current liabilities		
Total non-current liabilities	1,165,309,246.07	4,721,505,133.77
Total liabilities	9,320,993,748.95	9,330,026,998.77
Equity:		
Share capital	3,732,615,535.00	3,590,869,465.00
Other equity instruments		409,544,970.41
Including: Preferred shares		
Perpetual bonds		
Capital reserve	4,351,276,453.48	1,180,826,355.13
Less: treasury shares	423,468,591.57	330,022,975.53
Other comprehensive income		
Special reserve		
Surplus reserve	883,822,071.35	735,430,886.69
Undistributed profit	1,768,214,110.04	1,335,689,278.94
Total equity	10,312,459,578.30	6,922,337,980.64
Total liabilities & equity	19,633,453,327.25	16,252,364,979.41

3. Consolidated Income statement

Unit: RMB

Items	Year 2023	Year 2022
I. Total operating revenue	24,557,802,066.59	21,347,549,741.00
Including: Operating revenue	24,557,802,066.59	21,347,549,741.00
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	21,011,657,641.34	18,482,154,912.56
Including: Operating cost	17,708,120,277.33	15,781,099,181.30
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	139,816,022.50	110,067,650.98
Selling expenses	663,304,325.04	512,599,257.66
Administrative expenses	1,476,334,172.35	1,266,974,971.99
R&D expenses	1,096,834,224.41	988,954,495.90
Financial expenses	-72,751,380.29	-177,540,645.27
Including: Interest expenses	212,081,658.78	233,211,546.41
Interest income	159,145,071.07	188,127,427.03
Add: Other income	188,255,263.06	125,193,412.16

Investment income (or less: losses)	-131,453,928.62	-84,748,419.92
Including: Investment income from associates and joint ventures	7,986,227.16	7,732,273.62
Gains from derecognition of financial assets at amortized cost	-5,619,589.87	-894,817.78
Gains on foreign exchange (or less: losses)		
Gains on net exposure to hedging risk (or less: losses)		
Gains on changes in fair value (or less: losses)	48,123,522.34	-107,344,289.86
Credit impairment loss (or less: losses)	-51,477,741.58	-97,762,426.98
Assets impairment loss (or less: losses)	-55,376,891.25	-93,592,437.64
Gains on asset disposal (or less: losses)	8,741,208.41	459,760,649.40
III. Operating profit (or less: losses)	3,552,955,857.61	3,066,901,315.60
Add: Non-operating revenue	14,932,933.39	6,780,118.95
Less: Non-operating expenditures	14,625,298.02	22,424,214.17
IV. Profit before tax (or less: total loss)	3,553,263,492.98	3,051,257,220.38
Less: Income tax expense	619,548,753.99	443,205,596.36
V. Net profit (or less: net loss)	2,933,714,738.99	2,608,051,624.02
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or less: net loss)	2,933,714,738.99	2,608,051,624.02
2. Net profit from discontinued operations (or less: net loss)		
(II) Categorized by the portion of equity ownership		
1. Net profit attributable to owners of parent Company (or less: net loss)	2,920,992,940.01	2,573,344,179.92
2. Net profit attributable to non-controlling shareholders (or less: net loss)	12,721,798.98	34,707,444.10
VI. Other comprehensive income after tax	123,300,112.61	120,867,799.06
Items attributable to the owners of the parent Company	123,300,112.61	120,867,799.06
(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	123,300,112.61	120,867,799.06
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	123,300,112.61	120,867,799.06
7. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	3,057,014,851.60	2,728,919,423.08
Items attributable to the owners of the parent Company	3,044,293,052.62	2,694,211,978.98
Items attributable to non-controlling shareholders	12,721,798.98	34,707,444.10
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.81	0.72
(II) Diluted EPS (yuan per share)	0.81	0.72

Legal representative: Zhang Yabo Officer in charge of accounting: Yu Yingkui Head of accounting department: Li Zhimi

4. Income statement of the Parent Company

Unit: RMB

Items	Year 2023	Year 2022
I. Operating revenue	6,035,624,442.65	6,133,372,192.60
Less: Operating cost	4,644,457,006.09	4,690,817,575.37
Taxes and surcharges	37,243,922.63	34,478,215.83
Selling expenses	43,876,850.52	41,424,684.51
Administrative expenses	298,794,306.84	252,968,198.30
R&D expenses	246,667,877.34	279,691,985.86
Financial expenses	45,466,484.33	46,058,576.01
Including: Interest expenses	156,056,944.56	208,134,702.45
Interest income	111,419,579.71	108,419,319.10
Add: Other income	29,311,262.35	17,853,503.82
Investment income (or less: losses)	855,697,868.30	860,886,523.39

Including: Investment income from associates and joint ventures	6,857,976.74	7,043,506.52
Gains from derecognition of financial assets at amortized cost (or less: losses)		
Gains on net exposure to hedging (or less: losses)		
Gains on changes in fair value (or less: losses)	-2,305,364.33	1,577,988.74
Credit impairment loss (or less: losses)	-10,404,792.17	-66,279.41
Assets impairment loss (or less: losses)	-58,872.39	-1,885,559.31
Gains on asset disposal (or less: losses)	780,544.45	66,064,875.35
II. Operating profit (or less: losses)	1,592,138,641.11	1,732,364,009.30
Add: Non-operating revenue	1,573,287.56	647,594.43
Less: Non-operating expenditures	2,946,675.16	737,165.26
III. Profit before tax (or less: total loss)	1,590,765,253.51	1,732,274,438.47
Less: Income tax expense	106,853,406.95	108,939,145.40
IV. Net profit (or less: net loss)	1,483,911,846.56	1,623,335,293.07
(I) Net profit from continuing operations (or less: net loss)	1,483,911,846.56	1,623,335,293.07
(II) Net profit from discontinued operations (or less: net loss)		
V. Other comprehensive income after tax		
(I) Not to be reclassified subsequently to profit or loss		
1. Changes in remeasurement on the net defined benefit plan		
2. Items under equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit or loss		
1. Items under equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Profit or loss from reclassification of financial		

assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve (profit or loss on cash flow hedging)		
6. Translation reserve		
7. Others		
VI. Total comprehensive income	1,483,911,846.56	1,623,335,293.07

5. Consolidated Cash Flow Statement

Unit: RMB

Items	Year 2023	Year 2022
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	24,566,452,573.26	20,872,917,738.46
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	484,789,623.62	622,285,533.37
Other cash receipts related to operating activities	339,834,145.05	275,140,313.95
Subtotal of cash inflows from operating activities	25,391,076,341.93	21,770,343,585.78
Cash payments for goods purchased and services received	16,770,167,910.97	15,301,115,799.05
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	3,528,344,941.32	2,745,851,492.25
Cash payments for taxes and rates	717,979,563.06	622,332,714.28
Other cash payments related to operating activities	650,619,571.95	591,377,089.64
Subtotal of cash outflows from operating activities	21,667,111,987.30	19,260,677,095.22
Net cash flows from operating activities	3,723,964,354.63	2,509,666,490.56
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		1,250,000.00
Cash receipts from investment income	2,671,131.50	4,682,003.17
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	591,067,618.05	84,636,447.31
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	1,101,747,550.91	293,240,000.00
Subtotal of cash inflows from investing activities	1,695,486,300.46	383,808,450.48
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	2,745,462,227.77	2,941,806,763.96
Cash payments for investments	3,500,000.00	5,938,072.83
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	155,803,826.18	107,377,453.79
Subtotal of cash outflows from investing activities	2,904,766,053.95	3,055,122,290.58
Net cash flows from investing activities	-1,209,279,753.49	-2,671,313,840.10
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	7,090,938.20	224,850,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments	7,090,938.20	49,000,000.00
Cash receipts from borrowings	1,567,786,939.45	3,001,232,279.95
Other cash receipts related to financing activities	31,874,512.08	48,847,167.15
Subtotal of cash inflows from financing activities	1,606,752,389.73	3,274,929,447.10
Cash payments for the repayment of borrowings	1,308,452,644.96	2,670,214,365.21
Cash payments for distribution of dividends or profits and for interest expenses	1,066,830,039.62	1,021,597,287.64

Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit	25,692,386.09	8,000,000.00
Other cash payments related to financing activities	323,319,993.66	179,992,099.61
Subtotal of cash outflows from financing activities	2,698,602,678.24	3,871,803,752.46
Net cash flows from financing activities	-1,091,850,288.51	-596,874,305.36
IV. Effect of foreign exchange rate changes on cash & cash equivalents	151,792,584.44	118,848,031.58
V. Net increase in cash and cash equivalents	1,574,626,897.07	-639,673,623.32
Add: Opening balance of cash and cash equivalents	2,050,328,601.77	2,690,002,225.09
VI. Closing balance of cash and cash equivalents	3,624,955,498.84	2,050,328,601.77

6. Cash Flow Statement of the Parent Company

Unit: RMB

Items	Year 2023	Year 2022
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	5,249,148,595.56	5,367,245,758.43
Receipts of tax refund	97,118,035.37	111,835,579.64
Other cash receipts related to operating activities	93,644,650.81	37,286,693.99
Subtotal of cash inflows from operating activities	5,439,911,281.74	5,516,368,032.06
Cash payments for goods purchased and services received	3,843,328,325.84	4,083,441,935.71
Cash paid to and on behalf of employees	555,364,759.84	522,088,529.80
Cash payments for taxes and rates	131,083,648.39	127,349,235.37
Other cash payments related to operating activities	107,109,355.87	81,209,792.50
Subtotal of cash outflows from operating activities	4,636,886,089.94	4,814,089,493.38
Net cash flows from operating activities	803,025,191.80	702,278,538.68
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		1,250,000.00
Cash receipts from investment income	296,264,902.08	882,489,350.91
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	100,682,940.02	22,329,052.30
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	907,825,506.19	64,159,339.81
Subtotal of cash inflows from investing	1,304,773,348.29	970,227,743.02

activities		
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	298,167,575.30	233,324,050.58
Cash payments for investments	249,714,910.39	1,067,688,900.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	1,436,710,655.47	641,733,853.66
Subtotal of cash outflows from investing activities	1,984,593,141.16	1,942,746,804.24
Net cash flows from investing activities	-679,819,792.87	-972,519,061.22
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		175,850,000.00
Cash receipts from borrowings	800,000,000.00	2,299,092,500.00
Other cash receipts related to financing activities	2,237,929,883.41	677,506,135.83
Subtotal of cash inflows from financing activities	3,037,929,883.41	3,152,448,635.83
Cash payments for the repayment of borrowings	540,733,987.38	2,030,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses	979,392,786.32	976,048,229.99
Other cash payments related to financing activities	844,479,220.53	258,895,668.90
Subtotal of cash outflows from financing activities	2,364,605,994.23	3,264,943,898.89
Net cash flows from financing activities	673,323,889.18	-112,495,263.06
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	796,529,288.11	-382,735,785.60
Add: Opening balance of cash and cash equivalents	996,678,169.38	1,379,413,954.98
VI. Closing balance of cash and cash equivalents	1,793,207,457.49	996,678,169.38

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Items	Year 2023														
	Equity Attributable to parent Company												Non-controlling interest	Total equity	
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			Subtotal
	Preferred shares	Perpetual bonds	Others												
I. Balance at the end of prior year	3,590,869,465.00			409,544,970.41	282,602,695.98	330,022,975.53	-8,543,048.33		863,523,059.01		8,133,336,242.88		12,941,310,409.42	177,989,781.40	13,119,300,190.82
Add: Cumulative changes of accounting policies															
Error correction of prior period															
Business combination under common control															
Others															
II. Balance at the beginning of current year	3,590,869,465.00			409,544,970.41	282,602,695.98	330,022,975.53	-8,543,048.33		863,523,059.01		8,133,336,242.88		12,941,310,409.42	177,989,781.40	13,119,300,190.82
III. Current period increase (or less: decrease)	141,746,070.00			-409,544,970.41	3,173,040,870.00	93,445,616.04	123,300,112.61		148,391,184.66		1,869,605,924.55		4,953,093,575.37	-8,686,141.83	4,944,407,433.54

(I) Total comprehensive income							123,300,12.61				2,920,992,940.01		3,044,293,052.62	12,721,798.98	3,057,014,851.60
(II) Capital contributed or withdrawn by owners	141,746,070.00			-409,544,970.41	3,173,040,870.00	93,445,616.04							2,811,796,353.55	4,284,445.28	2,816,080,798.83
1. Ordinary shares contributed by owners														7,090,938.20	7,090,938.20
2. Capital contributed by holders of other equity instruments	141,926,470.00			-409,544,970.41	3,104,716,711.55								2,837,098,211.14		2,837,098,211.14
3. Amount of share-based payment included in equity					69,716,518.45								69,716,518.45		69,716,518.45
4. Others	-180,400.00				-1,392,360.00	93,445,616.04							-95,018,376.04	-2,806,492.92	-97,824,868.96
(III) Profit distribution								148,391,184.66		1,051,387,015.46		-	902,995,830.80	25,692,386.09	-928,688,216.89
1. Appropriation of surplus reserve								148,391,184.66		148,391,184.66		-			
2. Appropriation of general risk reserve															
3. Appropriation											-902,995,830.80	-	-902,995,830.80	-25,692,386.09	-928,688,216.89

of profit to owners												0.80		0.80	6.09	
4. Others																
(IV) Internal carry-over within equity																
1. Transfer of capital reserve to capital																
2. Transfer of surplus reserve to capital																
3. Surplus reserve to cover losses																
4. Changes in defined benefit plan carried over to retained earnings																
5. Other comprehensive income carried over to retained earnings																
6. Others																
(V) Special reserve																
1. Appropriation of current period																
2. Application of current period																

(VI) Others															
IV. Balance at the end of current period	3,732,615.535.00				3,455,643,565.98	423,468,591.57	114,757,064.28		1,011,914,243.67		10,002,942,167.43		17,894,403,984.79	169,303,639.57	18,063,707,624.36

Amount of Previous Period

Unit: RMB

Items	Year 2022														
	Equity Attributable to parent Company												Non-controlling interest	Total equity	
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			Subtotal
Preferred shares		Perpetual bonds	Others												
I. Balance at the end of prior year	3,591,090,218.00			409,684,602.93	373,419,775.02	411,949,612.90	-129,410,847.39		701,784,529.70		6,615,689,606.07		11,150,308,271.43	102,282,337.30	11,252,590,608.73
Add: Cumulative changes of accounting policies															
Error correction of prior period															
Business combination under common control															
Others															
II. Balance at the beginning	3,591,090,218.00			409,684,602.93	373,419,775.02	411,949,612.90	-129,410,847.39		701,784,529.70		6,615,689,606.07		11,150,308,271.43	102,282,337.30	11,252,590,608.73

of current year	8.00														
III. Current period increase (or less: decrease)	- 220, 753. 00			- 139,632.5 2	- 90,817.07 9.04	- 81,926.63 7.37	120,867.7 99.06		161,738.5 29.31		1,517,646, 636.81	1,791,002.1 37.99	75,707.44 4.10	1,866,709.5 82.09	
(I) Total comprehensive income							120,867.7 99.06				2,573,344, 179.92	2,694,211.9 78.98	34,707.44 4.10	2,728,919.4 23.08	
(II) Capital contributed or withdrawn by owners	- 220, 753. 00			- 139,632.5 2	- 90,817.07 9.04	- 81,926.63 7.37						- 9,250,827.1 9	49,000.00 0.00	39,749,172. 81	
1. Ordinary shares contributed by owners					- 149,824.2 00.00	- 149,824.2 00.00							49,000.00 0.00	49,000,000. 00	
2. Capital contributed by holders of other equity instruments	47,6 97.0 0			- 139,632.5 2	1,020,868 .77							928,933.25		928,933.25	
3. Amount of share-based payment included in equity					59,586.62 7.19							59,586.627. 19		59,586,627. 19	
4. Others	- 268, 450. 00				- 1,600,375 .00	67,897.56 2.63						- 69,766,387. 63		- 69,766,387. 63	
(III) Profit distribution								161,738.5 29.31		- 1,055,697, 543.11		- 893,959,013 .80	- 8,000,000 .00	- 901,959,01 3.80	
1. Appropriation of surplus								161,738.5 29.31		- 161,738.52 9.31					

reserve															
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners											- 893,959,013.80		- 893,959,013.80	- 8,000,000.00	- 901,959,013.80
4. Others															
(IV) Internal carry-over within equity															
1. Transfer of capital reserve to capital															
2. Transfer of surplus reserve to capital															
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained earnings															
5. Other comprehensive income carried over to retained earnings															
6. Others															
(V) Special															

reserve															
1. Appropriation of current period															
2. Application of current period															
(VI) Others															
IV. Balance at the end of current period	3,590,869.465.00			409,544,970.41	282,602,695.98	330,022,975.53	-8,543,048.33	863,523,059.01	8,133,336,242.88		12,941,310,409.42	177,989,781.40	13,119,300,190.82		

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

Amount of this period

Unit: RMB

Items	Year 2023											Total equity
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of prior year	3,590,869,465.00			409,544,970.41	1,180,826,355.13	330,022,975.53			735,430,886.69	1,335,689,278.94		6,922,337,980.64
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												

II. Balance at the beginning of current year	3,590,869,465.00			409,544,970.41	1,180,826,355.13	330,022,975.53			735,430,886.69	1,335,689,278.94		6,922,337,980.64
III. Current period increase (or less: decrease)	141,746,070.00			-409,544,970.41	3,170,450,098.35	93,445,616.04			148,391,184.66	432,524,831.10		3,390,121,597.66
(I) Total comprehensive income										1,483,911,846.56		1,483,911,846.56
(II) Capital contributed or withdrawn by owners	141,746,070.00			-409,544,970.41	3,170,450,098.35	93,445,616.04						2,809,205,581.90
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments	141,926,470.00			-409,544,970.41	3,104,716,711.55							2,837,098,211.14
3. Amount of share-based payment included in equity					67,125,746.80							67,125,746.80
4. Others	-180,400.00				-1,392,360.00	93,445,616.04						-95,018,376.04
(III) Profit distribution									148,391,184.66	-1,051,387,015.46		-902,995,830.80
1. Appropriation of surplus reserve									148,391,184.66	-148,391,184.66		

IV. Balance at the end of current period	3,732,615.535.00				4,351,276,453.48	423,468,591.57			883,822,071.35	1,768,214,110.04		10,312,459,578.30
--	------------------	--	--	--	------------------	----------------	--	--	----------------	------------------	--	-------------------

Amount of Previous Period

Unit: RMB

Items	Year 2022											
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of prior year	3,591,090,218.00			409,684,602.93	1,267,607,857.61	411,949,612.90			573,097,357.38	768,646,528.98		6,198,176,952.00
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	3,591,090,218.00			409,684,602.93	1,267,607,857.61	411,949,612.90			573,097,357.38	768,646,528.98		6,198,176,952.00
III. Current period increase (or less: decrease)	-220,753.00			-139,632.52	-86,781,502.48	-81,926,637.37			162,333,529.31	567,042,749.96		724,161,028.64
(I) Total comprehensive income										1,623,335,293.07		1,623,335,293.07
(II) Capital contributed or	-220,753.00			-139,632.52	-86,781,502.48	-81,926,637.37						-5,215,250.63

withdrawn by owners												
1. Ordinary shares contributed by owners					- 149,824,200.0 0	- 149,824,200. 00						
2. Capital contributed by holders of other equity instruments	47,697.00			-139,632.52	1,020,868.77							928,933.25
3. Amount of share-based payment included in equity					63,622,203.75							63,622,203.75
4. Others	- 268,450.00				-1,600,375.00	67,897,562.6 3						-69,766,387.63
(III) Profit distribution								162,333,529. 31	- 1,056,292,543 .11			- 893,959,013.8 0
1. Appropriation of surplus reserve								162,333,529. 31	- 162,333,529.3 1			
2. Appropriation of profit to owners									- 893,959,013.8 0			- 893,959,013.8 0
3. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												

2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	3,590,869, 465.00			409,544,970. 41	1,180,826,355 .13	330,022,975. 53			735,430,886. 69	1,335,689,278 .94		6,922,337,980. 64

III. Company profile

The Company was established by the original Sanhua Fuji Koki Co., Ltd. The Company currently holds a business license with a unified social credit code of 913300006096907427 registered and issued by Zhejiang Administration of Industry and Commerce, with headquarter in Shaoxing City, Zhejiang Province. The registered capital of 3,732,615,535.00 yuan, total share of 3,732,615,535 shares (each with par value of one yuan). The Company's shares were listed at Shenzhen Stock Exchange.

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

The Company operates in the machinery manufacturing industry, main business activities include research and development, production and sales of refrigeration and air-conditioning appliances and automotive components.

These financial statements were approved for public reporting on April 28, 2024 by the Company's Seventh and Twenty-first Board of Directors.

IV. Preparation basis of the financial statements

1. Preparation basis

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

2. Going concern

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

V. Significant accounting policies and estimates

Tips on specific accounting policies and accounting estimates:

The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets, revenue recognition, share-based payment, etc., based on the Company's actual production and operation features.

1. Statement of compliance with China Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

2. Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

3. Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

4. Functional currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (RMB) Yuan, while the functional currency of subsidiaries engaged in overseas operations including SANHUA AWECO Appliance Systems GmbH, Sanhua International Inc etc. is the currency of the primary economic environment in which they operate.

5. Determination method and basis for selection of materiality

Applicable Not Applicable

Disclosed items involving materiality judgements	Materiality criteria
Significant accounts receivable with provision for bad debts made on an individual basis	Individual accruals accounting for more than 5% of the total bad debt provision for all types of accounts receivable and amounting to more than 30 million yuan are considered significant.
Significant other receivables with provision for bad debts made on an individual basis	Individual accruals accounting for 5% or more of the total bad debt provision for each category of other receivables and amounting to more than 20 million yuan are considered significant.
Significant construction in progress	The budget for a single project is more than 500 million yuan.
Significant cash flows from investing activities	A single investing activity that accounts for more than 5% of the total cash inflows or outflows related to the receipt or disbursement of cash related to investing activities and is greater than 50 million yuan is considered to be significant.
Significant subsidiaries, not wholly-owned subsidiaries	Subsidiaries with total assets/total revenue/profit before tax in excess of 15% of the group's total assets/total revenue/profit before tax are identified as significant subsidiaries/significant not wholly-owned subsidiaries.
Significant joint ventures, associates and joint operations	Joint ventures or associates with total assets exceeding 1 billion yuan are considered significant.
Significant commitments	Project matters in which the Company is involved in fundraising are considered significant.
Significant events subsequent to the balance sheet date	Distribution of profit after the balance sheet date, significant financing, etc.

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

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value share of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; If the combination cost is less than the fair value share of identifiable net assets obtained from the acquiree, the fair value of the identifiable assets, liabilities, and contingent liabilities obtained from the acquiree, as well as the measurement of the combination cost, need to be reviewed at first. After review, if the combination cost is still less than the fair value share of the identifiable net assets obtained from the acquiree, the difference is recognized in profit or loss.

7. Judgement criteria for control and compilation method of consolidated financial statements

1. Judgement of control

Having the power over the invested party, enjoying variable returns through participating in related activities

of the invested party, and having the ability to use the power over the invested party to influence its variable return amount, is recognized as control.

2. 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.

8. 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.

9. Foreign currency translation

1. Translation of transactions denominated in foreign currency

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

2. Translation of financial statements measured in foreign currency

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

10. Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, the Company measures the transaction price in accordance with “CASBE 14 – Revenues”.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized costs

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment losses or gains, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company’s own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company’s own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with “CASBE 23 – Transfer of Financial Assets”.

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a

loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with “CASBE 14 – Revenues”.

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire;
b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with “CASBE 23 – Transfer of Financial Assets”.

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, financial forecast developed using the Company's own data, etc.

5. Impairment of financial instruments

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For leases receivable, and accounts receivable and contract assets resulting from transactions regulated in "CASBE 14 – Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

Recognition criteria and accrual method for expected credit losses of receivables and contract assets

1. Receivables and contract assets with expected credit losses measured on a collective basis using similar credit risk features

Categories	Basis for determination of portfolio	Method for measuring expected credit loss
Notes receivable-Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Notes receivable -Trade acceptance receivable		
Notes receivable -finance company		
Accounts receivable – Portfolio grouped with aging	Aging	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of accounts receivable ages and lifetime expected credit loss rate , so as to calculate expected credit loss.
Other receivable – Portfolio grouped with aging	Aging	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of other receivable ages and lifetime expected credit loss rate , so as to calculate expected credit loss.

2.Accounts receivable – comparison table of aging and lifetime expected credit loss rate of portfolio grouped with aging.

Aging	Expected credit loss rate (%)
Within 1 year	5%
1-2 years	10%
2-3 years	30%
Over 3 years	50%

Aging of accounts receivable/other receivables/... are calculated from the month when such receivables are accrued.

3.Recognition criteria for receivables and contract assets with expected credit losses measured on an individual basis

For receivables and contract assets whose credit risk is significantly different from that of portfolios, the

Company accrues expected credit losses on an individual basis.

11. Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, materials or supplies etc., to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories

Inventories dispatched from storage are accounted for with weighted average method or specific identification method at the end of each month.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value.

4. Inventory system

The perpetual inventory system is adopted.

5. Amortization method of low-value consumables and packages

Low-value consumables and packages are amortized with one-off method at the time of purchase or receipt.

12. Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

(3) Long-term equity investments obtained through ways other than business combination, the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid.

3. Subsequent measurement and recognition method of profit or loss

For long-term equity investments with control relationship, it is accounted for with cost method; for long-term equity investments of associated enterprises and cooperative enterprises, it is accounted for with equity method.

13. Investment property

Measurement model of investment property

Cost method measurement

Depreciation or amortization method

1. Investment property includes land use right of leased-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

14. Fixed assets**(1) Recognition principles of fixed assets**

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

(2) Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20-30	0-5	3.17~5.00
Machinery and equipment	Straight-line method	5-12	0-5	7.92~20.00
Measurement analysis equipment	Straight-line method	5-10	0-5	9.50~19.00
Vehicle	Straight-line method	5-8	0-5	11.88~20.00
Office equipment and others	Straight-line method	5-8	0-5	11.88~20.00

15. Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

Categories	Standards and time point of transferring construction in progress to fixed assets
Machinery	After installation and commissioning, it meets the standard of production
Houses and buildings	After installation and commissioning, the construction is completed and accepted to meet the commissioning standards

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) Service life and its basis for determination, estimate, amortization method or review procedure

1. Intangible assets include land use right, land ownership, application software and intellectual property etc. The initial measurement of intangible assets is based on its cost.

2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Useful life and determination basis	Amortization method
Land use rights	fifty years, Contractual service life	Straight-line method
Application software	1-4, Useful life	Straight-line method
Intellectual property	5-10, Useful life	Straight-line method

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.

3. R&D costs

The collection of R&D costs is directly related to the R&D activities of enterprises, including R&D personnel salaries, R&D materials, depreciation and amortization expenses, technical cooperation fees, evaluation and testing fees, etc. The costs incurred during the research phase of internal R&D projects are recognized in the current period's profit and loss when incurred. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can meet relevant conditions.

18. Impairment of part of long-term assets

For long-term assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is to be estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

19. Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within the beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

20. Employee benefits

1. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

2. Post-employment benefits

Post-employment benefit plans are mainly classified as defined contribution plans. During the accounting period employees provide services, according the defined contribution plan, the amount payable is recognized as liabilities and included in the current profits and losses or relevant asset costs.

3. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability, with a corresponding charge to profit or loss at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

4. Other long-term employee benefits

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. To simplify relevant accounting treatments, the total net amount of recognized employee compensation costs as service costs, net interest on other long-term employee benefits net liabilities or net assets, and changes resulting from remeasuring other long-term employee benefits net liabilities or net assets shall be recognized in the current period's profit and loss or related asset costs

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 services received can be measured reliably, the fair value is measured at the date the Company receives the service; if the fair value of the services received cannot be measured reliably, but that of equity instruments can be measured reliably, the fair value of the equity instruments granted measured at the date the Company receives the 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. Convertible bonds

The Company classifies convertible bonds at initial recognition as a financial asset or liability or equity instrument, based on contract terms and economic essence it reveals instead of its legal form, combining with the definitions of financial asset, liability and equity instrument.

At the balance sheet date, for a financial instrument classified as an equity instrument, its interest expenditure or dividend distribution is treated as profit distribution, and share repurchase and cancellation are treated as changes in equity; for a financial instrument classified as a financial liability, its interest expenditure or dividend distribution is treated as borrowing expense, and gain or loss on repurchase or redemption is included in profit or loss.

24. Revenue

1. Revenue recognition principles

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

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

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

2. Revenue measurement principle

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

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that

includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

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

3. Revenue recognition method

The company's main business activities are the R&D, production and sales of control components and parts of household appliances and automobiles, which belong to the performance obligations at a certain point in time.

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

25. Costs of obtaining a contract and costs to fulfill a contract

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfill a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;
2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future;
3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for

impairment had been made previously.

26. Contract assets, contract liabilities

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

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

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

27. 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.

5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the

subsidised interest shall offset relevant borrowing cost.

28. Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

5. Deferred tax assets and deferred tax liabilities shall offset each other and be presented on a net basis when the following conditions are all met: (1) the Company has the legal right to settle off current tax assets against current tax liabilities; (2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or related to the same tax administration department for different taxpayers. However, in each period during which significant deferred income tax assets and deferred income tax liabilities are reversed in the future, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or simultaneously acquire assets and settle debts.

29. Leases

1. The Company as lessee

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

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

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

(1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liabilities; 2) any lease payments made at or before the commencement date, less any lease incentives received; 3) any initial direct costs incurred by the lessee; and 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(2) Lease liabilities

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

2. The Company as lessor

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

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

30. Segment reporting

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

1. that engages in business activities from which it may earn revenues and incur expenses;
2. whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance; and
3. for which accounting information regarding financial position, financial performance and cash flows is available through analysis.

31. Share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees. The amount actually paid shall be treated as treasury stock and registered for future reference at the same time. If the purchased shares are to be retired, the difference between the total book value of shares retired and the cash distributed to existing shareholders for repurchase is to reduce capital reserve, or retained earnings when the capital reserve is not enough to reduce. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

32. Other significant accounting policies and estimates

Changes in accounting policies arising from changes in CASBEs

The Company has adopted the regulations about accounting for deferred tax related to assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply in the “Interpretation of China Accounting Standards for Business Enterprises No. 16” issued by the Ministry of Finance since January 1, 2023, such change in accounting policies has no impact on the Company’s financial statements.

VI. Taxes

1. Major categories of taxes and tax rates

Tax Type	Taxation basis	Tax rate
Enterprise income tax	Taxable income	15%, 25%
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 9%, 6%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of lease income	12%, 1.2%
Urban maintenance and construction tax	Turnover tax actually paid	7%, 5%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Zhejiang Sanhua Intelligent Controls Co., Ltd	15%
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	15%
Sanhua (hangzhou) Micro Channel Heat Exchanger Co., Ltd	15%
Zhejiang Sanhua Automotive Components Co., Ltd.	15%

Shaoxing Sanhua New Energy Automotive Components Co., Ltd	15%
Wuhu Sanhua Auto-control Components Co., Ltd and other subsidiaries	15%
Domestic taxpayers other than the above-mentioned	25%

2. Tax preferential policies

The company and several subsidiaries can enjoy tax incentives for high-tech enterprises, and the final settlement and payment shall prevail.

Export goods enjoy the VAT exemption and refund policy; the exceeding portion over the 3% VAT payable of the certified software products enjoy the immediate refund policy; several subsidiaries are welfare enterprises, and value-added tax enjoys the preferential policy of immediate collection and refund of the "employment quota for disabled persons".

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	291,216.13	329,823.40
Cash in bank	6,507,907,610.98	5,790,429,124.91
Other cash and bank balances	76,485,856.82	87,484,704.24
Total	6,584,684,683.93	5,878,243,652.55
Including: Deposited overseas	510,550,872.27	425,176,344.58

Other remarks:

As of December 31, 2023, bank deposits containing large deposit certificates with fixed interest rates amounted to 2883.2525 million yuan.

2. Held-for-trading financial assets

Unit: RMB

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

3. Derivative Financial Assets

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	20,878,992.10	3,320,177.30
Futures tools	1,757,120.58	5,618,696.75
Total	22,636,112.68	8,938,874.05

4. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance	2,332,015,457.09	1,542,383,601.65
Financial company acceptance	137,191,175.41	649,528,377.20
Trade acceptance	7,632,781.39	12,037,004.98
Total	2,476,839,413.89	2,203,948,983.83

(2) Provision for bad debts

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	2,484,457,759.72	100.00%	7,618,345.83	0.31%	2,476,839,413.89	2,204,582,510.42	100.00%	633,526.59	0.03%	2,203,948,983.83
Including:										
Bank acceptance	2,332,015,457.09	93.87%			2,332,015,457.09	1,542,383,601.65	69.97%			1,542,383,601.65
Financial company acceptance	144,407,795.90	5.81%	7,216,620.49	5.00%	137,191,175.41	649,528,377.20	29.46%			649,528,377.20
Trade acceptance	8,034,506.73	0.32%	401,725.34	5.00%	7,632,781.39	12,670,531.57	0.57%	633,526.59	5.00%	12,037,004.98
Total	2,484,457,759.72	100.00%	7,618,345.83	0.31%	2,476,839,413.89	2,204,582,510.42	100.00%	633,526.59	0.03%	2,203,948,983.83

Provision for bad debt made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Provision proportion (%)
Bank acceptance portfolio	2,332,015,457.09		

Financial company acceptance	144,407,795.90	7,216,620.49	5.00%
Trade acceptance portfolio	8,034,506.73	401,725.34	5.00%
Total	2,484,457,759.72	7,618,345.83	

Explanation for determining the basis of this combination:

If the provision for bad debt of notes receivable is in accordance with the general expected credit loss model:

Applicable Not Applicable

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2023	633,526.59			633,526.59
The balance as of January 1, 2023 is in the current period				
Provision made in the current period	7,618,345.83			7,618,345.83
Provision recovered in current period	633,526.59			633,526.59
Balance on December 31, 2022	7,618,345.83			7,618,345.83

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of this period				Closing balance
		Accrual	Recovered or reversed	Write off	Others	
Provision for bad debt made on a collective basis	633,526.59	7,618,345.83	633,526.59			7,618,345.83
Total	633,526.59	7,618,345.83	633,526.59			7,618,345.83

Including significant provision for bad debt recovered or reversed amount:

Applicable Not Applicable

(4) Pledged notes at the balance sheet date

Unit: RMB

Items	Closing balance of pledged notes
-------	----------------------------------

Bank acceptance	2,096,023,667.74
Financial company acceptance	118,340,212.64
Total	2,214,363,880.38

(5) Endorsed or discounted but undue notes at the balance sheet date

Unit: RMB

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	84,953,207.66	
Financial company acceptance		42,410.07
Total	84,953,207.66	42,410.07

5. Accounts receivable**(1) Disclosure of accounts receivable by aging**

Unit: RMB

AR Aging	Closing balance	Opening balance
Within 1 year (including one year)	6,039,601,208.01	5,497,261,560.39
1 to 2 years	45,652,788.88	7,808,747.90
2 to 3 years	388,260.85	2,798,610.70
Over 3 years	265,553.29	977,173.43
Total	6,085,907,811.03	5,508,846,092.42

(2) 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	5,690,817.36	0.09%	5,690,817.36	100.00%		4,641,982.82	0.08%	4,641,982.82	100.00%	

Including:										
Receivables with provision made on a collective basis	6,080,216,993.67	99.91%	306,225,512.45	5.04%	5,773,991,481.22	5,504,204,109.60	99.92%	276,086,884.03	5.02%	5,228,117,225.57
Including:										
Total	6,085,907,811.03	100.00%	311,916,329.81	5.13%	5,773,991,481.22	5,508,846,092.42	100.00%	280,728,866.85	5.10%	5,228,117,225.57

Provision made on an individual basis:

There are no provisions made on an individual basis need to be disclosed in this period.

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	6,039,601,208.01	301,980,060.40	5.00%
1 to 2 years	39,961,971.52	3,996,197.15	10.00%
2 to 3 years	388,260.85	116,478.25	30.00%
Over 3 years	265,553.29	132,776.65	50.00%
Total	6,080,216,993.67	306,225,512.45	--

If the provision for bad debt of accounts receivable is in accordance with the general expected credit loss model:

Applicable Not Applicable

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2023	276,086,884.03		4,641,982.82	280,728,866.85
The balance as of January 1, 2023 is in the current period	—	—	—	—
Provision accrued in the current period	35,249,220.81		5,690,817.36	40,940,038.17
Provision reversed in current period	5,110,592.39		4,641,982.82	9,752,575.21
Balance on December 31, 2023	306,225,512.45		5,690,817.36	311,916,329.81

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on an individual basis	4,641,982.82	5,690,817.36		4,641,982.82		5,690,817.36
Receivables with provision made on a collective basis	276,086,884.03	35,249,220.81		5,110,592.39		306,225,512.45
Total	280,728,866.85	40,940,038.17		9,752,575.21		311,916,329.81

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

Unit: RMB

Item	Amount
Actually written off amount	9,752,575.21

Explanation of accounts receivable written off :

There are no significant accounts receivable write offs in this period.

(5) Accounts receivable and contract assets of the top five ending balances

Closing balance of top 5 debtors totaled 3052.9295 million yuan, accounting for 50.16% of the total closing balance of accounts receivable. The corresponding provision for bad debts of accounts receivable is 152.8455 million yuan.

(6) Other remarks

Some of the company's accounts receivable are collected by digital and electronic debt vouchers. These debt vouchers have certain credit liquidity and can be used for commercial factoring or transfer payment. As of December 31, 2023, the company had 1461.8171 million yuan of digital and electronic debt vouchers in hand, and 66.6214 million yuan of digital and electronic debt vouchers that had been transferred for payment but not expired.

6. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	227,792,892.12	726,641,478.35
Total	227,792,892.12	726,641,478.35

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

Unit: RMB

Items	Closing balance	Opening balance
Land compensation accounts receivable		546,216,590.00
Tax refund receivable	164,712,845.63	123,916,253.13
Guarantee deposits	45,694,632.70	36,247,343.32
Others	25,466,493.81	25,467,213.32
Total	235,873,972.14	731,847,399.77

2) Disclosure by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	209,294,612.66	704,067,052.73
1 to 2 years	7,805,876.63	10,965,046.27
2 to 3 years	6,125,806.34	4,366,231.62
Over 3 years	12,647,676.51	12,449,069.15
Total	235,873,972.14	731,847,399.77

3) Disclosure by categories

√ Applicable □ Not Applicable

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	
Provision made on an individual basis	170,268,281.68	72.19%			170,268,281.68	681,876,064.59	93.17%			681,876,064.59
Including:										

Provision made on a collective basis	65,605.69 0.46	27.81%	8,081.08 0.02	12.32%	57,524.61 0.44	49,971.33 5.18	6.83%	5,205.92 1.42	10.42%	44,765.41 3.76
Including:										
Total	235,873.9 72.14	100.00 %	8,081.08 0.02	3.43%	227,792.8 92.12	731,847.3 99.77	100.00 %	5,205.92 1.42	0.71%	726,641.4 78.35

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	46,025,761.72	2,301,288.08	5.00%
1 to 2 years	7,805,876.68	780,587.67	10.00%
2 to 3 years	4,439,108.82	1,331,732.65	30.00%
Over 3 years	7,334,943.24	3,667,471.62	50.00%
Total	65,605,690.46	8,081,080.02	--

Provision for bad debt of other receivables in accordance with the general expected credit loss model:

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2023	1,690,955.36	927,834.88	2,587,131.18	5,205,921.42
The balance as of January 1, 2023 is in the current period	—	—	—	—
--Transferred to phase II	-390,293.83	390,293.83		
--Transferred to phase III		-887,821.76	887,821.76	
Provision made in the current period	1,000,626.55	350,280.72	1,524,251.33	2,875,158.60
Balance on December 31, 2023	2,301,288.08	780,587.67	4,999,204.27	8,081,080.02

Loss provisions for significant changes in book balances in current period

Applicable Not Applicable

4) 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	
Provision made on a collective basis	5,205,921.42	2,875,158.60				8,081,080.02
Total	5,205,921.42	2,875,158.60				8,081,080.02

5) 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	164,712,845.63	Within 1 year	69.83%	
US Customs	Customs deposit	5,312,733.27	Within 1 year	2.25%	
Shanghai Yingheng Electronics Co., Ltd	Performance bond	3,494,680.00	1 to 3 years	1.48%	906,536.24
Shanghai Chengsheng Industrial Co., Ltd	Performance bond	2,813,643.00	Within 1 year	1.19%	140,682.15
TCL Air Conditioner (Wuhan) Co., Ltd.	Performance bond	2,000,840.00	1 to 3 years	0.85%	175,420.00
Total	--	178,334,741.90	--	75.61%	1,222,638.39

7. Advances paid

(1) Advances paid by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	128,617,877.12	9,613.00%	111,759,824.57	9,480.00%
1 to 2 years	2,851,372.48	213.00%	3,542,204.41	301.00%
2 to 3 years	1,053,936.12	79.00%	1,425,109.32	121.00%
Over 3 years	1,269,437.82	95.00%	1,159,868.77	98.00%

Total	133,792,623.54		117,887,007.07	
-------	----------------	--	----------------	--

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

Closing balance of top 5 debtors totaled 21,846,055.10yuan, accounting for 16.33% of the total closing balance .

8. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry

No

(1) Categories of inventories

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or provision for impairment of contract performance costs	Carrying amount	Book balance	Provision for decline in value of inventories or provision for impairment of contract performance costs	Carrying amount
Raw materials	932,169,486.90	61,788,757.16	870,380,729.74	1,050,007,307.69	59,101,594.10	990,905,713.59
Work-in-progress	596,409,922.79	1,602,512.78	594,807,410.01	711,592,586.63	2,028,013.70	709,564,572.93
Finished goods	3,179,557,350.47	50,888,480.61	3,128,668,869.86	2,696,034,401.13	66,515,797.40	2,629,518,603.73
Others	6,872,368.58		6,872,368.58	4,886,397.61		4,886,397.61
Total	4,715,009,128.74	114,279,750.55	4,600,729,378.19	4,462,520,693.06	127,645,405.20	4,334,875,287.86

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

Unit: RMB

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Accrued	Others	Reversal or write off	Others	
Raw materials	59,101,594.10	41,417,111.15		38,729,948.09		61,788,757.16
Work-in-progress	2,028,013.70	1,023,331.09		1,448,832.01		1,602,512.78
Finished goods	66,515,797.40	43,625,594.23		59,252,911.02		50,888,480.61
Total	127,645,405.20	86,066,036.47		99,431,691.12		114,279,750.55

9. Other current assets

Unit: RMB

Items	Closing balance	Opening balance
Deductible input tax	186,254,431.54	133,303,058.03
Prepaid Enterprise income tax	61,993,000.46	22,470,498.36
Others	2,826,152.56	1,251,519.66
Total	251,073,584.56	157,025,076.05

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

Unit: RMB

Items	Closing balance			Opening balance			Range of discount rate
	Book balance	Provision for bad debt	Carrying amount	Book balance	Provision for bad debt	Carrying amount	
Employee home loan	3,805,833.60		3,805,833.60	3,712,290.00		3,712,290.00	
Total	3,805,833.60		3,805,833.60	3,712,290.00		3,712,290.00	--

(2) Disclosure 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	
Provision made on an individual basis	3,805,833.60	100.00%			3,805,833.60	3,712,290.00	100.00%			3,712,290.00
Including:										
Total	3,805,833.60	100.00%			3,805,833.60	3,712,290.00	100.00%			3,712,290.00

Provision for bad debts based on the general model of expected credit losses

11. Long-term equity investments

Unit: RMB

Investees	Opening balance (Book value)	Opening balance of provision for impairment	Changes in current period								Closing balance (Book value)	Closing balance of provision for impairment	
			Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividend / Profit declared for distribution	Provision for impairment	Others			
1. Associates													
2. Joint ventures													
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	5,078,465.12				137,314.09							4,941,151.03	
Chongqing Tainuo Machinery Co., Ltd.	16,130,424.27				4,673,752.52				2,500,000.00			18,304,176.79	
Ningbo Jinlifeng Machinery Co., Ltd.	2,141,904.04				676,920.35							2,818,824.39	
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.	5,146,568.55				2,060,634.26							7,207,202.81	
Zhongshan Xuanyi Pipe Manufacturing Co., Ltd.	2,193,221.72				613,091.86							2,806,313.58	
Xinchang	1,747,620				99,142.26							1,846,762	

g zhejiang energy sanhua compreh ensive energy co. LTD	.43									.69	
Subtotal	32,438,20 4.13				7,986,227 .16			2,500,000 .00			37,924,43 1.29
Total	32,438,20 4.13				7,986,227 .16			2,500,000 .00			37,924,43 1.29

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not Applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not Applicable

12. Investment property

Investment property measured by cost method

Applicable Not Applicable

Unit: RMB

Items	Buildings and structures	Land use right and Overseas land ownership	Total
I . Original Carrying amount			
1.Opening balance	11,995,674.89	3,273,498.90	15,269,173.79
2.Increase in current period	993,124.90	192,408.30	1,185,533.20
(1) Acquisition			
(2) Transferred in from inventory\fixed assets\ construction in progress			
(3) Increase in business merger			
(4) Converted difference in Foreign Currency Statements	993,124.90	192,408.30	1,185,533.20
3.Decrease in current period			
(1) Disposal			

(2) Other transfer out			
4.Closing balance	12,988,799.79	3,465,907.20	16,454,706.99
II. Accumulated depreciation and amortization			
1.Opening balance	7,064,906.82		7,064,906.82
2. Increase in current period	1,223,994.86		1,223,994.86
(1) Accrual or amortization	808,736.83		808,736.83
(2) Converted difference in Foreign Currency Statements	415,258.03		415,258.03
3.Decrease in current period			
(1) Disposal			
(2) Other transfer out			
4.Closing balance	8,288,901.68		8,288,901.68
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	4,699,898.11	3,465,907.20	8,165,805.31
2.Opening balance	4,930,768.07	3,273,498.90	8,204,266.97

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not Applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not Applicable

13. Fixed assets

Unit: RMB

Items	Closing balance	Opening balance
Fixed assets	7,730,363,778.82	6,374,896,070.41
Total	7,730,363,778.82	6,374,896,070.41

(1) Fixed assets

Unit: RMB

Items	Buildings and structures	Machinery and equipment	Measurement analysis equipment	Transportation vehicles	Office and other equipment	Total
I . Original book value:						
1. Opening balance	3,360,496,386.32	5,701,259,308.59	135,378,683.04	42,330,286.64	255,616,625.98	9,495,081,290.57
2. Increase in current period	687,264,552.27	1,338,686,491.31	34,988,279.20	9,555,825.78	45,161,054.47	2,115,656,203.03
(1) Acquisition		410,548,528.36	34,265,180.47	9,445,660.36	35,553,734.82	489,813,104.01
(2) Transferred in from construction in progress	644,316,852.03	869,034,702.03			6,569,908.29	1,519,921,462.35
(3) Increase in business merger						
(4) Converted difference in Foreign Currency Statements	42,947,700.24	59,103,260.92	723,098.73	110,165.42	3,037,411.36	105,921,636.67
3. Decrease in current period	389,122.00	188,954,426.27	5,612,576.98	3,873,591.70	12,244,951.25	211,074,668.20
(1) Disposal or scrap	389,122.00	188,954,426.27	5,612,576.98	3,873,591.70	12,244,951.25	211,074,668.20
4. Closing balance	4,047,371,816.59	6,850,991,373.63	164,754,385.26	48,012,520.72	288,532,729.20	11,399,662,825.40
II . Accumulated depreciation						
1. Opening	617,289,101.86	2,265,586,904.96	54,450,679.89	29,302,894.64	141,787,435.54	3,108,417,016.89

balance						
2. Increase in current period	140,806,956.64	520,044,350.13	15,360,830.47	3,778,481.28	25,257,836.12	705,248,454.64
(1) Accrual	135,866,284.62	499,460,426.73	15,098,439.07	3,738,385.27	23,934,364.05	678,097,899.74
(2) Converted difference in Foreign Currency Statements	4,940,672.02	20,583,923.40	262,391.40	40,096.01	1,323,472.07	27,150,554.90
3. Decrease in current period	290,950.20	137,465,249.08	5,187,575.63	3,491,704.23	22,217,529.39	168,653,008.53
(1) Disposal or scrap	290,950.20	137,465,249.08	5,187,575.63	3,491,704.23	22,217,529.39	168,653,008.53
4. Closing balance	757,805,108.30	2,648,166,006.01	64,623,934.73	29,589,671.69	144,827,742.27	3,645,012,463.00
III. Provision for impairment						
1. Opening balance		11,341,489.66			426,713.61	11,768,203.27
2. Increase in current period		13,333,293.47			30,713.13	13,364,006.60
(1) Accrual		13,333,293.47			30,713.13	13,364,006.60
3. Decrease in current period		845,626.29				845,626.29
(1) Disposal or scrap		845,626.29				845,626.29
4. Closing balance		23,829,156.84			457,426.74	24,286,583.58
IV. Carrying amount						
1. Closing balance	3,289,566,708.29	4,178,996,210.78	100,130,450.53	18,422,849.03	143,247,560.19	7,730,363,778.82
2. Opening balance	2,743,207,284.46	3,424,330,913.97	80,928,003.15	13,027,392.00	113,402,476.83	6,374,896,070.41

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Net book value	Notes
Machinery and equipment	48,129,393.55	23,668,486.68	23,829,156.84	631,750.03	
Office equipment and others	1,255,412.90	791,886.16	457,426.74	6,100.00	
Subtotal	49,384,806.45	24,460,372.84	24,286,583.58	637,850.03	

(3) Fixed assets leased out through operating leases

Unit: RMB

Item	Closing balance
Buildings and structures	34,172,628.21

(4) Fixed assets with certificate of titles being unsettled

Unit: RMB

Item	Carrying amount	Reasons for unsettlement
Sitong new factory 1# production workshop and power workshop	35,056,634.48	New assets, the certificate of title to be processed uniformly after the overall completion
Parts, accessories, and Class A warehouse in the new factory of Sitong	22,954,435.22	New assets, the certificate of title to be processed uniformly after the overall completion
Pump and auxiliary room in the new factory of Sitong	2,741,113.66	New assets, the certificate of title to be processed uniformly after the overall completion
Dormitory of Sitong 1#&2#	35,554,570.20	New assets, the certificate of title to be processed uniformly after the overall completion
Factory 13-15# in Meichu North District	142,495,110.09	New assets, the certificate of title to be processed uniformly after the overall completion
Finished product warehouse and Class A warehouse in Meichu North District	30,649,122.93	New assets, the certificate of title to be processed uniformly after the overall completion
Power, tooling, experimental testing, and R&D testing workshop in 1-8 # of Commercial	412,803,830.71	New assets, the certificate of title to be processed uniformly after the overall completion
Commercial refrigeration product warehouse, raw material warehouse, Class A warehouse, and Class C warehouse	63,241,439.96	New assets, the certificate of title to be processed uniformly after the overall completion
Commercial dormitory 1-4#	116,656,306.64	New assets, the certificate of title to be processed uniformly after the overall completion
Commercial canteens, training buildings, etc	47,493,902.32	New assets, the certificate of title to be processed uniformly after the overall completion
Wuhu Sanhua Automatic Control dormitory	70,077,958.31	New assets, the certificate of title to be processed uniformly after the overall completion
1 # Super workshop and power plant	191,901,543.45	New assets, the certificate of title to be processed uniformly after the overall completion
Heat exchanger 9 # production workshop	143,250,912.26	New assets, the certificate of title to be processed uniformly after the overall completion
Subtotal	1,314,876,880.23	

(5) Impairment testing of fixed assets

√ Applicable □ Not Applicable

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

√ Applicable □ Not Applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment amount	Determination of fair value and disposal costs	Key parameters and the determination basis
Machinery and equipment	13,820,786.46	487,492.99	13,333,293.47	Residual component recovery amount	Fair prices of available components and market prices of recyclable metals
Office and other equipment	36,813.13	6,100.00	30,713.13	Residual component recovery amount	Fair prices of available components and market prices of recyclable metals
合计	13,857,599.59	493,592.99	13,364,006.60		

The recoverable amount is determined based on the present value of expected future cash flows

□ Applicable √ Not Applicable

14. Construction in progress

Unit: RMB

Items	Closing balance	Opening balance
Construction in progress	2,036,326,757.72	1,032,505,633.51
Total	2,036,326,757.72	1,032,505,633.51

(1) Details of construction in progress

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Annual production of 12 million sets of intelligent thermal management components of new energy vehicles technical renovation project	259,331,934.09		259,331,934.09			
Annual production of	208,351,289.28		208,351,289.28	1,381,023.10		1,381,023.10

12.5 million sets of intelligent thermal management module for new energy vehicles construction project						
Annual production of 8 million sets of intelligent thermal management component project	186,106,762.72		186,106,762.72			
Sanhua Minshi Automotive investment 21 million euros to establish a new automotive parts production line project	138,550,445.99		138,550,445.99			
Industrial Plant Engineering in Mexico	128,804,884.71		128,804,884.71	3,725,739.80		3,725,739.80
The new energy vehicle thermal management parts production project in Guangdong Sanhua	113,445,275.23		113,445,275.23			
Annual production of 1.5 million sets new energy thermal management component project	87,649,308.50		87,649,308.50	108,269,402.41		108,269,402.41
Annual output of 11 million sets of high efficiency heat exchange component for new energy vehicles project	87,188,916.55		87,188,916.55	139,499,206.94		139,499,206.94
Dormitory of Automotive	77,248,786.37		77,248,786.37	973,975.02		973,975.02
150-3 # -6 #	73,709,950.00		73,709,950.00			

Rental dormitory buildings						
Annual output of 14 million sets of new energy cooling component technology renovation project	66,609,673.61		66,609,673.61	62,488,698.25		62,488,698.25
Annual output of 11 million sets of components technical renovation projects	61,306,246.90		61,306,246.90	94,275,393.24		94,275,393.24
5 million sets of technical renovation projects and equipment	28,032,778.68		28,032,778.68	418,584.08		418,584.08
Vietnam Industrial Plant Engineering	27,351,178.96		27,351,178.96			
Annual output of 3 million sets of thermal management components for new energy vehicles technical renovation project	24,537,513.20		24,537,513.20	29,805,708.02		29,805,708.02
Annual output of 4 million sets of heat pump components for new energy vehicles technical renovation project	16,303,564.10		16,303,564.10	7,109,389.23		7,109,389.23
Annual output of 65 million sets of intelligent control components for commercial refrigeration and air conditioning project	14,882,282.34		14,882,282.34	224,972,262.42		224,972,262.42

Sanhua new energy vehicle battery water cooled plate production line construction project	13,525,758.03		13,525,758.03			
Annual output of 3 million sets of plate heat exchange units and annual output of 2 million sets of EXV electronic expansion valve components project	11,493,210.78		11,493,210.78	5,808,045.04		5,808,045.04
Annual output of 7.3 million sets of new energy vehicle thermal management system component project				225,840.24		225,840.24
others	411,896,997.68		411,896,997.68	353,552,365.72		353,552,365.72
Total	2,036,326,757.72		2,036,326,757.72	1,032,505,633.51		1,032,505,633.51

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

Unit: RMB

Items	Budget	Opening balance	Increased in current period	Transferred to fixed assets in the current period	Other amounts decreased in current period	Closing balance	Accumulated investment to budget (%)	Completion percentage (%)	Accumulated amount of capitalized interest	Including: capitalized interest in current period	Capitalization rate for interest in current period	Fund source
Annual production of 65 million sets of commercial refrigeration and air conditioning	1,780,550,000.00	224,972,262.42	381,945,390.44	592,035,370.52		14,882,282.34	72.85%	72.85%				Raised funds

intelligent control components construction project												
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project	785,570,000.00		56,064,537.27	56,064,537.27				25.49%	25.49%			Raised funds
Annual production of 8 million sets of intelligent thermal management components project	\$ 150,000,000.00	33,662,258.66	137,442,356.31	64,061,735.51		107,042,879.46		16.11%	16.11%			Self-raised funds
Annual production of 1.5 million sets of new energy thermal management components project	650,500,000.00	108,269,402.41	81,892,850.59	102,512,944.50		87,649,308.50		132.35%	99.98%			Self-raised funds
Annual output of 11 million	940,000,000.00	139,499,206.94	224,000,782.85	276,311,073.24		87,188,916.55		67.42%	67.42%			Self-raised funds

sets of new energy vehicles high efficiency heat exchanger assembly project												
Annual output of 12.5 million sets intelligent thermal management module for new energy vehicles construction project	1,372,650,000.00		208,351,289.28			208,351,289.28	15.18%	15.18%				Self-raised funds
The new energy vehicle thermal management parts production project in Guangdong Sanhua	2,050,000,000.00		113,445,275.23			113,445,275.23	5.53%	5.53%				Self-raised funds
Total		506,403,130.43	1,203,142,481.97	1,090,985,661.04		618,559,951.36						

(3) Impairment testing of construction in progress

Applicable Not Applicable

15. Right of use assets

Unit: RMB

Items	Houses and buildings	Vehicle	Total
I . Original Carrying amount			

1. Opening balance	416,197,719.61	5,551,120.98	421,748,840.59
2. Increased in current period	113,559,504.87	3,969,838.09	117,529,342.96
(1) Rent	101,353,957.17	3,632,056.22	104,986,013.39
(2) Converted difference in Foreign Currency Statements	12,205,547.70	337,781.87	12,543,329.57
3. Decreased in current period	14,641,415.89		14,641,415.89
(1) Disposal	14,641,415.89		14,641,415.89
4. Closing balance	515,115,808.59	9,520,959.07	524,636,767.66
II. Accumulated amortization			
1. Opening balance	135,550,130.72	1,921,344.55	137,471,475.27
2. Increased in current period	87,372,354.66	932,919.07	88,305,273.73
(1) Accrual	83,206,841.69	797,377.80	84,004,219.49
(2) Converted difference in Foreign Currency Statements	4,165,512.97	135,541.27	4,301,054.24
3. Decreased in current period	14,394,726.87		14,394,726.87
(1) Disposal	14,394,726.87		14,394,726.87
4. Closing balance	208,527,758.51	2,854,263.62	211,382,022.13
III. Provision for impairment			
1. Opening balance			
2. Increased in current period			
(1) Accrual			
3. Decreased in current period			
(1) Disposal			
4. Closing balance			
IV. Carrying amount			
1. Closing balance	306,588,050.08	6,666,695.45	313,254,745.53
2. Opening balance	280,647,588.89	3,629,776.43	284,277,365.32

16. Intangible Assets

(1) Details of intangible assets

Unit: RMB

Items	Land use right	Overseas land ownership	Application software	Intellectual property	Total
I. Original Carrying amount					

1. Opening balance	713,720,608.55	83,863,040.62	44,529,249.82	65,624,940.36	907,737,839.35
2. Increased in current period	117,345,133.99	13,800,135.79	16,913,625.19		148,058,894.97
(1) Acquisition	117,869,554.35	3,275,011.33	15,809,957.13		136,954,522.81
(2) Internal research and development					
(3) Increased in business merger					
(4) Converted difference in Foreign Currency Statements	-524,420.36	10,525,124.46	1,103,668.06		11,104,372.16
3. Decreased in current period		9,797,412.67	2,200,121.21	12,800,000.00	24,797,533.88
(1) Disposal		9,797,412.67	2,200,121.21	12,800,000.00	24,797,533.88
4. Closing balance	831,065,742.54	87,865,763.74	59,242,753.80	52,824,940.36	1,030,999,200.44
II. Accumulated amortization					
1. Opening balance	103,834,913.72	596,533.10	32,928,912.94	38,991,387.94	176,351,747.70
2. Increased in current period	16,659,385.88	142,702.82	6,048,579.16	4,459,627.55	27,310,295.41
(1) Accrual	16,722,904.70	131,913.38	5,296,099.93	4,459,627.55	26,610,545.56

(2) Converted difference in Foreign Currency Statements	-63,518.82	10,789.44	752,479.23		699,749.85
3. Decreased in current period			3,729,135.49	12,800,000.00	16,529,135.49
(1) Disposal			3,729,135.49	12,800,000.00	16,529,135.49
4.Closing balance	120,494,299.60	739,235.92	35,248,356.61	30,651,015.49	187,132,907.62
III. Provision for impairment					
1.Opening balance		4,122,739.96			4,122,739.96
2. Increased in current period		48,599.64			48,599.64
(1) Accrual					
(2) Converted difference in Foreign Currency Statements		48,599.64			48,599.64
3. Decreased in current period		4,171,339.60			4,171,339.60
(1) Disposal		4,171,339.60			4,171,339.60
4.Closing balance					
IV. Carrying amount					

1. Closing balance	710,571,442.94	87,126,527.82	23,994,397.19	22,173,924.87	843,866,292.82
2. Opening balance	609,885,694.83	79,143,767.56	11,600,336.88	26,633,552.42	727,263,351.69

At the end of this period, the proportion of intangible assets formed through internal research and development of the company to the balance of intangible assets is 0.00%.

17. Goodwill

(1) Original Carrying amount of goodwill

Unit: RMB

Investee or events resulting in goodwill	Opening balance	Increased in current period		Decreased in current period		Closing balance
		Due to business combination		Disposal		
R-Squared Puckett Inc.	31,959,091.60					31,959,091.60
Goodwill of Asset Group of Zhejiang Sanhua plate Exchange Technology Co., Ltd	5,839,387.56					5,839,387.56
Goodwill of Non-Asset Group of Zhejiang Sanhua plate Exchange Technology Co., Ltd	1,752,443.05					1,752,443.05
Total	39,550,922.21					39,550,922.21

(2) Provision for goodwill impairment

Unit: RMB

Investee or events resulting in goodwill	Opening balance	Increased in current period		Decreased in current period		Closing balance
		Provision made		Disposal		
R-Squared Puckett Inc.	31,959,091.60					31,959,091.60
Goodwill of Non-Asset Group of Zhejiang Sanhua plate Exchange		806,602.57				806,602.57

Technology Co., Ltd					
Total	31,959,091.60	806,602.57			32,765,694.17

(3) Other remarks

Goodwill of Non-Asset Group of Zhejiang Sanhua plate Exchange Technology Co., Ltd. refers to the goodwill formed by recognizing deferred income tax liabilities for asset valuation appreciation, the goodwill generated when Zhejiang Sanhua Commercial Co., Ltd. acquired and merged Zhejiang Sanhua plate Exchange Technology Co., Ltd. under non-common control, the goodwill impairment loss is provisioned synchronously with the reversal of deferred tax liabilities.

18. Long-term prepayments

Unit: RMB

Items	Opening balance	Increased in current period	Amortization	Other decreases	Closing balance
Rental housing construction and transformation expenditure	45,670,895.53	57,100,577.01	11,681,710.70		91,089,761.84
Compensated use fee for emission rights	4,878,409.32		4,878,409.32		
Expenditures on tooling and molds	5,607,972.31	33,624,937.15	12,226,235.21		27,006,674.25
Total	56,157,277.16	90,725,514.16	28,786,355.23		118,096,436.09

19. Deferred tax assets / deferred tax liabilities

(1) Deferred tax assets before offset

Unit: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for bad debt	261,315,206.58	54,641,190.49	195,934,543.92	39,038,062.56
Provision for inventory write-down	42,325,391.26	8,139,006.84	68,011,211.82	11,412,992.83
Unrealized profit from internal transactions	433,833,345.36	34,546,191.69	332,697,154.63	32,810,835.04
Deductible losses	76,215,945.95	18,485,636.55	380,148,112.81	58,645,816.34
Deferred income-government grants	378,102,855.53	68,133,180.61	253,297,140.86	42,600,561.83
Provision for fixed assets impairments	20,614,046.13	3,102,355.15	9,930,453.59	1,533,546.13
Lease liabilities	85,136,567.36	16,775,016.78		

Share-based payment expenses (accounting standards)	43,389,666.67	6,683,677.51	71,597,367.25	11,139,948.95
Share-based payment expenses (difference between tax and accounting standards)	71,791,236.12	11,058,611.57	46,031,824.12	7,065,126.85
Floating loss of derivative instruments	1,228,538.00	184,280.70	3,949,625.00	592,813.75
Difference between accounting cost and tax cost of convertible corporate bonds			108,793,134.67	16,318,970.20
Total	1,413,952,798.96	221,749,147.89	1,470,390,568.67	221,158,674.48

(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
Appreciation of assets appraisal of the business combinations not under common control	9,008,004.60	1,351,200.69	11,345,644.73	1,701,846.71
Accelerated depreciation of equipment	2,047,041,074.93	324,214,511.19	1,688,493,838.12	263,941,331.71
Floating gain on derivatives	1,463,100.00	219,465.00	5,585,129.25	1,048,679.39
Accrued interest of certificate of deposit	191,331,258.62	30,267,866.29	142,322,188.53	22,066,063.56
Right-of-use assets	85,136,567.36	16,775,016.78		
Total	2,333,980,005.51	372,828,059.95	1,847,746,800.63	288,757,921.37

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

Unit: RMB

Items	Deferred tax assets and liabilities offset amount at the end of the balance amount	Closing balance of deferred tax assets or liabilities after offset	Deferred tax assets and liabilities offset amount at the beginning of the balance amount	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	65,316,990.66	156,432,157.23		221,158,674.48
Deferred tax liabilities	65,316,990.66	307,511,069.30		288,757,921.37

(4) Details of unrecognized deferred tax assets

Unit: RMB

Items	Closing balance	Opening balance
Provision for bad debt	66,300,549.08	90,633,770.94
Provision for inventory write-down	71,954,359.29	59,634,193.38
Deductible losses of subsidiaries	280,085,140.01	137,111,606.69
Investment losses recognized by the equity method	20,324,431.29	14,838,204.13
Floating loss on derivatives	9,490,572.02	44,721,748.81
Deferred income-government grants	1,037,186.95	747,574.78
Total	449,192,238.64	347,687,098.73

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

Unit: RMB

Maturity years	Closing balance	Opening balance	Remarks
Year 2025	1,160,674.55	1,176,424.56	
Year 2026	521,923.98	673,774.12	
Year 2027	23,055,008.78	20,123,335.62	
Year 2028	74,714,376.64	10,478,078.42	
Year 2029	16,716,170.44	7,488,066.67	
Year 2030	12,549,643.88	16,606,149.99	
Year 2031	69,321,405.03	66,879,893.60	
Year 2032	6,336,459.07	13,685,883.71	
Year 2033	75,709,477.64		
Total	280,085,140.01	137,111,606.69	

20. Other non-current assets

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Advanced payment for non-current assets purchasing	564,023,136.83		564,023,136.83	457,305,626.59		457,305,626.59
Total	564,023,136.83		564,023,136.83	457,305,626.59		457,305,626.59

21. Assets with title or use right restrictions

Unit: RMB

Items	Closing				Opening			
	Book balance	Carrying amount	Type of restrictions	Reasons for restrictions	Book balance	Carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	76,476,700.95	76,476,700.95	Pledge	Guarantee deposit	87,482,650.12	87,482,650.12	Pledge	Guarantee deposit
Cash and bank balances	281,570,379.73	281,570,379.73	Pledge	Pledge financing	209,826,666.67	209,826,666.67	Pledge	Pledge financing
Notes receivable	2,214,363,880.38	2,208,446,869.75	Pledge	Pledge financing	2,015,272,320.99	2,015,272,320.99	Pledge	Pledge financing
Accounts receivable	66,621,446.85	63,290,374.51	Pledge	Digital and electronic debt vouchers that have been endorsed or discounted but are not due	296,551,088.70	281,723,534.27	Pledge	Digital and electronic debt vouchers that have been endorsed or discounted but are not due
Total	2,639,032,407.91	2,629,784,324.94			2,609,132,726.48	2,594,305,172.05		

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

Unit: RMB

Items	Closing balance	Opening balance
Credit borrowings	200,000,000.00	100,000,000.00
Overseas loan under domestic guarantee	1,002,451,361.04	943,525,006.00
Financial asset discount financing	5,748,871.44	249,357,225.37
Pledge and guaranteed loan		220,000.00
Accrued interest	3,950,146.37	981,088.21
Total	1,212,150,378.85	1,294,083,319.58

23. Trading financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
Trading financial liabilities	3,500,000.00	3,500,000.00
Including:		
Contingent consideration for business merge	3,500,000.00	3,500,000.00
Including:		
Total	3,500,000.00	3,500,000.00

24. Derivative financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
Exchange rate derivative	10,719,110.02	44,709,998.81
Futures derivative		461,375.00
Total	10,719,110.02	45,171,373.81

25. Notes payable

Unit: RMB

Categories	Closing balance	Opening balance
Bank acceptance	3,416,711,594.64	2,580,274,767.64
Total	3,416,711,594.64	2,580,274,767.64

26. Accounts payable**(1) Details of accounts payable**

Unit: RMB

Items	Closing balance	Opening balance
Within 1 year	4,405,227,329.99	3,851,682,948.05
1 to 2 years	27,522,682.35	18,716,087.91
2 to 3 years	10,155,105.49	7,655,237.97
Over 3 years	7,035,241.98	6,549,096.23
Total	4,449,940,359.81	3,884,603,370.16

27. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	250,642,662.86	354,255,114.06
Total	250,642,662.86	354,255,114.06

(1) Other payables**1) Other payables listed by nature**

Unit: RMB

Items	Closing balance	Opening balance
Restricted shares repo obligations	118,010,274.29	214,659,660.00
Compensation for product quality loss	19,370,760.58	15,270,978.03
Guarantee deposit	41,716,593.20	13,673,464.47
Rent and property fee	2,401,192.28	4,859,929.85
Collection of talent awards	4,114,516.00	4,592,661.00
Shareholding transfer payment		3,500,000.00
Others	65,029,326.51	97,698,420.71
Total	250,642,662.86	354,255,114.06

28. Contract liabilities

Unit: RMB

Items	Closing balance	Opening balance
Customer contract advance payment	51,788,802.03	57,955,080.60
Total	51,788,802.03	57,955,080.60

29. 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	464,664,017.26	3,556,649,017.78	3,439,758,760.05	581,554,274.99
II . Post-employment benefits - defined contribution plan	6,840,467.11	105,561,454.50	100,384,302.95	12,017,618.66
III. Termination benefits	3,652,944.78	7,924,041.52	6,347,633.61	5,229,352.69
Total	475,157,429.15	3,670,134,513.80	3,546,490,696.61	598,801,246.34

(2) Details of Short-term employee benefits

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
1. Wage, bonus, allowances and subsidy	426,154,617.00	2,691,477,436.88	2,588,872,061.00	528,759,992.88
2. Employee welfare fund	522,798.23	147,677,416.29	147,394,665.34	805,549.18

3. Social insurance premium	12,990,659.88	176,907,460.56	171,176,350.06	18,721,770.38
Including: Medicare premium	3,743,732.87	63,922,904.60	62,049,718.55	5,616,918.92
Occupational injuries premium	265,634.67	4,044,522.07	3,563,028.77	747,127.97
Maternity premium	37,181.62	249,202.93	164,508.69	121,875.86
Overseas social security contributions	8,944,110.72	108,690,830.96	105,399,094.05	12,235,847.63
4. Housing provident fund	1,329,442.40	66,097,171.90	67,407,328.30	19,286.00
5. Dispatching remuneration	17,315,817.31	446,547,843.07	440,052,591.83	23,811,068.55
6. Stock appreciation option	5,217,299.98	5,530,710.02	2,868,120.00	7,879,890.00
7. Other	1,133,382.46	22,410,979.06	21,987,643.52	1,556,718.00
Total	464,664,017.26	3,556,649,017.78	3,439,758,760.05	581,554,274.99

(3) Details of defined contribution plan

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
1. Basic endowment insurance premium	6,609,221.19	101,682,915.42	96,688,409.60	11,603,727.01
2. Unemployment insurance premium	231,245.92	3,878,539.08	3,695,893.35	413,891.65
Total	6,840,467.11	105,561,454.50	100,384,302.95	12,017,618.66

30. Taxes and rates payable

Unit: RMB

Items	Closing balance	Opening balance
Enterprise income tax	186,575,216.87	71,995,026.46
VAT	30,168,036.77	18,411,585.20
Housing property tax	23,482,515.63	18,812,611.09
Land use tax	12,974,469.60	12,197,167.13
Urban maintenance and construction tax	5,330,039.26	4,291,676.87
Education surcharge	2,459,912.39	2,043,785.75
Local education surcharge	1,639,941.61	1,362,523.90
Overseas tax	99,516,370.91	46,713,362.21
Individual income tax	12,843,108.53	9,417,459.50
Others	7,407,179.62	5,544,361.05
Total	382,396,791.19	190,789,559.16

31. Non-current liabilities due within one year

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	1,370,000,000.00	500,000,000.00
Accrued interest	1,195,277.78	465,277.78
Lease liabilities	68,897,976.15	67,661,063.89
Total	1,440,093,253.93	568,126,341.67

32. Other current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Output tax to be written off	2,099,986.27	2,007,578.03
Total	2,099,986.27	2,007,578.03

33. Long-term borrowings**(1) Categories of long-term borrowings**

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	1,030,000,000.00	1,800,000,000.00
Accrued interest	801,111.13	1,574,166.67
Total	1,030,801,111.13	1,801,574,166.67

34. Bonds payable**(1) Bonds payable**

Unit: RMB

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

(2) Changes of bonds payable (does not include preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

Unit: RMB

Bond name	Par value	Coupon	Release date	Bond term	Issuance amount	Opening balance	Current issuance	Accrued interest at par value	Amortization in discount or premium	Current repayment	Conversion from shares to equity instrument	Current interest payable	Current redemption	Ending balance	Whether default
-----------	-----------	--------	--------------	-----------	-----------------	-----------------	------------------	-------------------------------	-------------------------------------	-------------------	---	--------------------------	--------------------	----------------	-----------------

											nts				
Sanhua Convertible bonds	100.00		Jun, 2021	6 years	3,000,000.00	2,776,763,361.83		5,000,000.00	71,130,544.56		-2,837,347,315.20	11,993,564.80	3,553,026.39		den y
Total					3,000,000.00	2,776,763,361.83		5,000,000.00	71,130,544.56		-2,837,347,315.20	11,993,564.80	3,553,026.39		

(3) Explanation of Convertible Corporate Bonds

Explanation of conditions and time of share conversion for convertible bonds.

With the approval of China Securities Regulatory Commission in document zjxk [2021] No. 168, the company publicly issued 30 million convertible corporate bonds (hereinafter referred to as Sanhua convertible bonds) in June 2021, with a face value of 100 yuan each and a total issuance amount of 300 million yuan.

The start and end date of Sanhua convertible bonds is from December 7, 2021 to May 31, 2027, and the initial conversion price is 21.55 yuan / share. 72,307 shares were transferred in the prior period and 141,926,470 in the current period, for a total of 141,998,777 shares. 37,663 bonds remaining, all redeemed.

35. Leased liabilities

Unit: RMB

Items	Closing balance	Opening balance
Lease payables	290,193,458.01	269,689,545.98
Less: Leased liabilities due within 1 year	-68,897,976.15	-67,661,063.89
Total	221,295,481.86	202,028,482.09

36. Long-term payables

Unit: RMB

Items	Closing balance	Opening balance
Long-term payables	11,290,788.32	4,831,202.13
Total	11,290,788.32	4,831,202.13

(1) Long-term payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Stock appreciation rights deposit	3,499,818.32	4,831,202.13
Retention money	7,790,970.00	
Total	11,290,788.32	4,831,202.13

37. Long-term employee benefits payable**(1) Table of long-term employee benefits payable**

Unit: RMB

Items	Closing balance	Opening balance
Long-term employee rights protection funds	39,840,362.77	
Total	39,840,362.77	

38. Deferred income

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance	Reasons for balance
Government grants	254,044,715.64	163,601,198.25	38,505,871.41	379,140,042.48	Related to assets
Total	254,044,715.64	163,601,198.25	38,505,871.41	379,140,042.48	--

39. Other non-current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Engineering agent construction fund	18,154,107.25	23,729,805.25
Long-term employee rights protection payment		34,260,376.62
Total	18,154,107.25	57,990,181.87

40. Share capital

Unit: RMB

	Opening balance	Changed amount of current period (+/-)					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	3,590,869,465.00				141,746,070.00	141,746,070.00	3,732,615,535.00

Other remarks:

In the current period, 141,926,470 shares were increased due to the conversion of "Sanhua convertible bonds", and 180,400 shares were reduced due to the repurchase and cancellation of restricted shares.

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

Unit: RMB

Financial instruments issued	Opening balance		Increased in current period		Decreased in current period		Closing balance	
	Qty	Book value	Qty	Book value	Qty	Book value	Qty	Book value
Convertible bonds	29,984,457.00	409,544,970.41			29,984,457.00	409,544,970.41		
Total	29,984,457.00	409,544,970.41			29,984,457.00	409,544,970.41		

The increase and decrease of other equity instruments in the current period, the reasons for the change, and the basis of relevant accounting treatment:

With the approval of the CSRC in document zjxk [2021] No. 168, the company publicly issued 30 million convertible corporate bonds in June 2021, with a face value of 100 yuan each and a total issuance amount of 300 million yuan. The amount of these convertible corporate bonds initially classified as equity instruments is 409,766,556.24 yuan. In the current period, due to the conversion of debt to equity, 409,544,970.41 yuan of equity instruments was decreased.

42. Capital reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Capital premium (Share premium)	81,960,309.01	3,214,043,939.85		3,296,004,248.86
Other capital reserve	200,642,386.97	55,720,530.15	96,723,600.00	159,639,317.12
Total	282,602,695.98	3,269,764,470.00	96,723,600.00	3,455,643,565.98

43. Treasury shares

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Restricted shares	214,659,660.00		96,649,810.00	118,009,850.00
Repo shares	115,363,315.53	190,095,426.04		305,458,741.57
Total	330,022,975.53	190,095,426.04	96,649,810.00	423,468,591.57

44. Other comprehensive income (OCI)

Unit: RMB

Items	Opening balance	Changed amount of the current period						Closing balance
		Current period cumulative	Less: OCI carried	Less: OCI carried	Less: income	Attributable to the parent	Attributable to Non-	

		before income tax	forward transfer red to profit or loss	forward transferre d to undistrib uted profit	tax expen se	Company after tax	controlli ng interest after tax	
Items to be reclassified subsequently to profit or loss	- 8,543,048 .33	123,300,11 2.61				123,300,11 2.61		114,757,06 4.28
Converted difference in Foreign	- 8,543,048 .33	123,300,11 2.61				123,300,11 2.61		114,757,06 4.28
Other comprehensive income in total	- 8,543,048 .33	123,300,11 2.61				123,300,11 2.61		114,757,06 4.28

45. Surplus reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Statutory surplus reserve	837,028,002.43	148,391,184.66		985,419,187.09
Discretionary surplus reserve	8,681,137.20			8,681,137.20
Reserve fund	17,813,919.38			17,813,919.38
Total	863,523,059.01	148,391,184.66		1,011,914,243.67

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

This period increased by RMB 148,391,184.66, according to the parent company's current net profit 10% of the statutory surplus reserve.

46. Undistributed profit

Unit: RMB

Items	Current period	Previous period
Balance before adjustment at the end of the previous period	8,133,336,242.88	6,615,689,606.07
Balance after adjustment at the end of the previous period	8,133,336,242.88	6,615,689,606.07
Add: Net profit attributable to shareholders of the parent Company for current year	2,920,992,940.01	2,573,344,179.92
Less: Appropriation of statutory surplus reserve	148,391,184.66	161,738,529.31
Payable dividends on ordinary shares	902,995,830.80	893,959,013.80
Closing balance	10,002,942,167.43	8,133,336,242.88

Details of undistributed profits adjustment at the beginning of the period

1) due to the retroactive adjustment of the accounting standards for business enterprises and its relevant new provisions, the undistributed profit at the beginning of the period 0.00 yuan.

- 2) due to the change of accounting policy, the undistributed profit at the beginning of the period was affected by 0.00 yuan.
- 3) due to the correction of major accounting errors, the undistributed profit at the beginning of the period was affected by 0.00 yuan.
- 4) the change of consolidation scope due to the same control affects the undistributed profit at the beginning of the period by 0.00 yuan.
- 5) the total impact of other adjustments on the undistributed profit at the beginning of the period is 0.00 yuan.

47. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	23,942,063,896.26	17,157,130,173.23	20,494,502,732.61	14,967,335,446.87
Other operations	615,738,170.33	550,990,104.10	853,047,008.39	813,763,734.43
Total	24,557,802,066.59	17,708,120,277.33	21,347,549,741.00	15,781,099,181.30

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

Applicable Not Applicable

Other remarks:

1) Revenue decomposition by product or service type

The decomposition of revenue by product or service type is detailed in note X (V) and accounting estimate 24 to the financial statements.

2) Income decomposition was according to the time of goods or services transfer.

Item	Current period cumulative	Preceding period comparative
Recognition of revenue at a certain point in time	24,546,747,326.10	21,337,361,339.43
Total	24,546,747,326.10	21,337,361,339.43

48. Taxes and surcharges

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	41,620,164.98	31,612,152.21
Education surcharge	20,384,359.04	16,437,746.25
Local education surcharge	13,605,572.72	10,958,497.49
Housing property tax	28,446,815.02	22,290,882.13
Land use tax	5,066,854.78	8,169,260.25
Stamp duty	21,392,535.74	13,239,684.94
Local foundation for water works	1,145,402.41	995,943.11
Overseas taxes and fees	8,030,714.76	6,280,593.23
Others	123,603.05	82,891.37
Total	139,816,022.50	110,067,650.98

49. Administrative expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	871,450,950.33	715,760,569.17
Share-based payment remuneration	51,167,739.35	63,796,510.49
Depreciation and amortization expense	134,971,322.17	129,839,251.84
Office expense	217,169,017.48	174,159,668.47
Intermediary organ expense	78,105,298.36	65,491,200.20
Relocation payment	20,589,497.91	32,137,262.51
Entertainment expense	24,892,269.92	14,669,991.91
Vehicle expense	18,256,637.96	14,899,276.85
Sporadic renovation expense in the park	23,581,176.29	24,954,126.54
Security fund for the disabled	5,838,805.65	3,287,378.79
Others	30,311,456.93	27,979,735.22
Total	1,476,334,172.35	1,266,974,971.99

50. Selling expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	331,659,767.15	269,411,821.59
Warehousing, freight and miscellaneous charges	102,848,591.91	97,821,539.87
Entertainment expense	62,370,229.50	52,943,592.53
Travel expense	42,454,354.33	26,483,360.78
Product warranty expense	65,738,686.79	20,192,786.24
Advertising expense	24,044,549.16	17,666,279.17
Others	34,188,146.20	28,079,877.48
Total	663,304,325.04	512,599,257.66

51. R&D expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	586,262,227.24	498,865,837.12
Direct input expense	372,589,479.63	348,796,355.72
Depreciation and amortization expense	42,222,750.79	39,471,888.97
Mold manufacturing expense	52,682,753.42	68,578,613.77
Royalties	12,029,990.63	10,654,860.81
Outsourcing R&D expense	1,187,512.67	5,365,574.72
Others	29,859,510.03	17,221,364.79
Total	1,096,834,224.41	988,954,495.90

52. Financial expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Interest expense	212,081,658.78	233,211,546.41
Including: Interest on bond payable	76,130,544.56	132,562,707.58
Interest on lease liabilities	2,624,284.04	133,741.11
Interest income	-159,145,071.07	-188,127,427.03
Exchange gains or losses	-133,515,123.19	-228,843,448.26
Others	7,827,155.19	6,218,683.61
Total	-72,751,380.29	-177,540,645.27

53. Other income

Unit: RMB

Source of the other income	Current period cumulative	Preceding period comparative
Government subsidies related to assets	38,505,871.41	29,910,459.07
Government subsidies related to revenue	110,601,829.40	93,837,638.51
VAT extra deductions	37,270,140.16	
Handling fees for withholding individual income tax	1,877,422.09	1,445,314.58
Total	188,255,263.06	125,193,412.16

54. Gains or losses on changes in fair value

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Floating income of bank financing products	-25,980.08	-1,117,394.66
Contingent consideration payment for business combination		-3,500,000.00
Floating income of futures contracts	-3,400,201.17	372,665.94
Floating income of foreign exchange contract	51,549,703.59	-103,099,561.14
Total	48,123,522.34	-107,344,289.86

55. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	7,986,227.16	7,732,273.62
Business combination not under common control contingent considerations		-3,500,000.00
Gains and losses on bank financial products	171,131.50	3,532,582.76

Gains and losses on exchange rate derivatives	-150,933,667.67	-88,736,858.29
Gains and losses on futures derivatives	12,909,340.21	-6,800,191.82
Income from derecognition of financial assets measured at amortized cost	-5,619,589.87	-894,817.78
Advance payment gains	4,032,630.05	3,918,591.59
Total	-131,453,928.62	-84,748,419.92

56. Credit impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Provision for bad debt	-51,477,741.58	-97,762,426.98
Total	-51,477,741.58	-97,762,426.98

57. Assets impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
I. Inventory write-down loss and contract performance cost impairment loss	-41,206,282.08	-93,592,437.64
II. Impairment loss of fixed assets	-13,364,006.60	
III. Goodwill impairment loss	-806,602.57	
Total	-55,376,891.25	-93,592,437.64

58. Gains on asset disposal

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Gains on disposal of assets	8,741,208.41	459,760,649.40

59. Non-operating revenue

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount recorded into the current non-recurring profit and loss
Exempted payment	7,200,691.96	2,316,719.90	7,200,691.96
Compensation and penalty income	3,348,736.31	2,360,757.64	3,348,736.31
Gains from retirement of fixed assets	1,419,940.46	148,387.39	1,419,940.46
Others	2,963,564.66	1,954,254.02	2,963,564.66
Total	14,932,933.39	6,780,118.95	14,932,933.39

60. Non-operating expenditures

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on retirement of fixed assets	11,318,566.98	14,540,776.90	11,318,566.98
Litigation for damages	1,169,762.74	6,137,932.54	1,169,762.74
Others	2,136,968.30	1,745,504.73	2,136,968.30
Total	14,625,298.02	22,424,214.17	14,625,298.02

61. Income tax expenses

(1) Income tax expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	537,385,513.45	404,677,979.49
Deferred income tax expenses	82,163,240.54	38,527,616.87
Total	619,548,753.99	443,205,596.36

(2) Reconciliation of accounting profit to income tax expenses

Unit: RMB

Items	Current period cumulative
Income before tax	3,553,263,492.98
Income tax expense calculated at the applicable tax rate	692,427,582.22
Adjustment of preliminary income tax expense settlement and payment	12,130,983.14
Plus deduction of R&D expenses	-160,053,901.72
The difference between tax and accounting standards for convertible corporate bonds	27,011,884.13
Effect of utilization of deductible losses not previously recognized as deferred tax assets	25,762,605.94
Others	22,269,600.28
Income tax expenses	619,548,753.99

62. Other comprehensive income

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

63. Notes to items of the consolidated cash flow statement

(1) Cash related to operating activities

Other cash receipts related to operating activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Government grants	238,258,666.39	190,317,245.39

Interest income	54,287,886.38	69,627,397.60
Rental income	11,054,740.49	3,129,586.41
Guarantee deposit	28,043,128.73	7,751,072.89
Insurance indemnities	3,348,736.31	2,360,757.64
Other	4,840,986.75	1,954,254.02
Total	339,834,145.05	275,140,313.95

Other cash payments related to operating activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Guarantee deposit and Expense payments	650,619,571.95	591,377,089.64
Total	650,619,571.95	591,377,089.64

(2) Cash related to investment activities**Other cash receipts related to investing activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Redemption of bank financing products	100,000,000.00	8,240,000.00
Restricted funds	26,801,109.49	
Income from Futures contract derivatives settlement	12,909,340.21	
Redemption of certificates of deposit	962,037,101.21	285,000,000.00
Total	1,101,747,550.91	293,240,000.00

Important cash received related to investment activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Compensation for land collection and storage	546,216,590.00	
Total	546,216,590.00	

Other cash payments related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
restricted funds	4,870,158.51	11,540,191.45
Loss on exchange rate derivatives instrument settlement	150,933,667.67	89,037,070.52
Loss on futures derivatives settlement		6,800,191.82
Total	155,803,826.18	107,377,453.79

Important cash payments related to investment activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Construction project of intelligent control components for commercial refrigeration and air conditioning with an annual production capacity of 65 million sets	309,743,621.56	528,478,999.60
Efficient and energy-saving refrigeration and air conditioning control component technology renovation project with an annual production capacity of 50.5 million sets	149,195,510.91	70,727,961.93
Total	458,939,132.47	599,206,961.53

(3) Cash related to financing activities**Other cash receipts related to financing activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Restricted funds	15,585,461.73	44,015,965.02
Notes /Electronic debt voucher discount financing	16,289,050.35	
Deposit of Stock appreciation right		4,831,202.13
Total	31,874,512.08	48,847,167.15

Other cash payments related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Repo shares expenses	190,095,426.04	104,577,950.13
Restricted stock repurchase expenses	1,572,760.00	1,868,825.00
Rental expenses	103,809,960.27	63,525,409.50
Restricted funds	26,510,463.54	10,019,914.98
Deposit of Stock appreciation right	1,331,383.81	
Total	323,319,993.66	179,992,099.61

Changes in liabilities related to financing activities√ Applicable Not Applicable

Unit: RMB

Items	Opening balance	Increase		Decrease		Closing balance
		Changes in cash	Changes in non-cash	Changes in cash	Changes in non-cash	
Short-term	1,294,083,319.	984,075,989.80	3,950,146.37	809,433,733.17	260,525,343.73	1,212,150,378.

borrowings	58					85
Long-term borrowings (including long-term borrowings due within one year)	2,302,039,444.45	600,000,000.00	1,996,388.91	502,039,444.45		2,401,996,388.91
Bonds payable (including bonds payable due within one year)	2,776,763,361.83		76,130,544.56	15,546,591.19	2,837,347,315.20	
Lease liabilities (lease liabilities due within one year)	269,689,545.98		124,647,452.30	103,809,960.27	333,580.00	290,193,458.01
Dividends payable			902,995,830.80	902,995,830.80		
Total	6,642,575,671.84	1,584,075,989.80	1,109,720,362.94	2,333,825,559.88	3,098,206,238.93	3,904,340,225.77

(4) Presentation of cash flows on a net basis

The cash flow related to corporate bank wealth management and large deposit certificate business refers to the cash inflows and outflows of projects with large amounts and short maturities, as presenting the above cash flows on a net basis can better explain their impact on the Company's payment ability and solvency, and is more helpful to evaluate the Company's payment ability and solvency and analyze its future cash flows, the Company presents cash flows related to the above business on a net basis. If cash flows related to the above business are presented on a gross basis, effects on the Company's cash flow statement are as follows:

Unit: RMB

Items	Increase in the current period	Increase in the preceding period
Other cash receipts related to investing activities	150,599,133.34	216,400,000.00
Other cash payments related to investing activities	150,599,133.34	216,400,000.00

(5) Significant activities not involving cash receipts and payments

Endorsed acceptance and digital electronic debt vouchers that do not involve cash receipts and payments

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Endorsed acceptance and digital electronic debt vouchers	190,927,646.72	153,096,073.61
Including: Payment for operating activities	186,949,115.96	152,360,373.61
Payment for investment activities	3,978,530.76	735,700.00

64. 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	2,933,714,738.99	2,608,051,624.02
Add: Provision for assets impairment loss	106,854,632.83	191,354,864.62
Depreciation of fixed assets, oil and gas assets, productive biological assets	687,654,098.90	537,069,500.40
Amortization of right-of-use assets	84,004,219.49	68,555,980.56
Amortization of intangible assets	26,610,545.56	28,123,911.80
Amortization of Long-term prepayments	28,786,355.23	9,859,380.30
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-8,741,208.41	-459,760,649.40
Loss on retirement of fixed assets (Less: gains)	9,898,626.52	14,392,389.51
Losses on changes in fair value (Less: gains)	-48,123,522.34	107,344,289.86
Financial expenses (Less: gains)	-26,290,649.10	131,751,392.89
Investment losses (Less: gains)	129,866,968.80	83,653,602.14
Decrease of deferred tax assets (Less: increase)	64,726,517.25	-67,896,167.64
Increase of deferred tax liabilities (Less: decrease)	18,753,147.93	115,847,772.06
Decrease of inventories (Less: increase)	-343,250,556.55	-790,661,843.32
Decrease of operating receivables (Less: increase)	-1,398,918,684.91	-1,896,835,512.76
Increase of operating payables (Less: decrease)	1,388,702,605.99	1,762,012,880.65

Others	69,716,518.45	66,803,074.87
Net cash flows from operating activities	3,723,964,354.63	2,509,666,490.56
2. Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital	2,837,347,315.20	928,933.25
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
3. Net changes in cash and cash equivalents:		
Cash at the end of the period	3,624,955,498.84	2,050,328,601.77
Less: Cash at the beginning of the period	2,050,328,601.77	2,690,002,225.09
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	1,574,626,897.07	-639,673,623.32

(2) Composition of cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
I. Cash	3,624,955,498.84	2,050,328,601.77
Including: Cash on hand	291,216.13	329,823.40
Cash in bank that can be readily drawn on demand	3,624,655,126.84	2,049,996,724.25
Other monetary funds that can be readily for payment	9,155.87	2,054.12
III. Cash and cash equivalents at end of year	3,624,955,498.84	2,050,328,601.77

(3) Situations where the scope of use is limited but still classified as cash and cash equivalents

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Reasons for still being classified as cash and cash equivalents
Cash and bank balances	852,004,540.00	1,289,517,361.17	Fundraising, special purpose, ready for withdrawal at any time
Total	852,004,540.00	1,289,517,361.17	

(4) Cash and bank balances that do not belong to cash and cash equivalents

Unit: RMB

Items	Current period cumulative	Preceding comparative period	Reasons that do not belong to cash and cash equivalents
Principal and interest of deposit certificates	2,883,252,484.14	3,740,432,400.66	Management intends to hold on to maturity
Margin deposit	35,074,314.10	16,303,609.84	Liquidity restricted
Futures contract margin	41,402,386.85	71,179,040.28	Liquidity restricted
Total	2,959,729,185.09	3,827,915,050.78	

65 Monetary items in foreign currencies

(1) Monetary items in foreign currencies

Unit: RMB

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and Bank Balances	--	--	
Including: USD	70,238,474.74	7.0827	497,478,045.04
EUR	24,560,051.19	7.8592	193,022,354.31
Other currencies			78,997,528.76
Subtotal			769,497,928.11
Derivative financial assets	--	--	
Including: USD	1,598,764.50	7.0827	11,323,569.32
Other currencies			358,871.00
Subtotal			11,682,440.32
Accounts receivable	--	--	
Including: USD	195,108,218.28	7.0827	1,381,892,977.61
EUR	72,016,162.86	7.8592	565,989,427.17
Other currencies			86,066,430.48
Subtotal			2,033,948,835.26
Other receivables			
Including: USD	1,780,985.63	7.0827	12,614,186.92
EUR	248,793.42	7.8592	1,955,317.25
Other currencies			124,076,074.24
Subtotal			138,645,578.41
Long-term receivable			
Including: EUR	58,000.00	7.8592	455,833.60
Short-term borrowings			
Including: USD	45,111,926.66	7.0827	319,514,242.95
EUR	87,098,627.67	7.8592	684,525,534.58
Subtotal			1,004,039,777.53
Accounts payable			
Including: USD	22,507,068.26	7.0827	159,410,812.37
EUR	53,212,126.17	7.8592	418,204,742.00
Other currencies			105,920,365.39
Subtotal			683,535,919.76
Other payables			
Including: USD	3,574,433.92	7.0827	25,316,643.13
EUR	1,687,488.23	7.8592	13,262,307.52
Other currencies			33,523,174.42
Subtotal			72,102,125.07
Non-current liabilities due			

within one year			
Including: USD	2,345,369.08	7.0827	16,611,545.58
EUR	1,413,126.88	7.8592	11,106,046.78
Other currencies			8,187,851.87
Subtotal			35,905,444.23
Lease liabilities			
Including: USD	6,979,089.86	7.0827	49,430,799.75
EUR	8,060,089.48	7.8592	63,345,855.24
Other currencies			15,457,769.48
Subtotal			128,234,424.47

(2) Notes on overseas operating entities, including for the significant overseas operating entities, its main operating locations, reporting currency and the basis for selection should be disclosed, and the reason for changes in reporting currency should also be disclosed.

√ Applicable □ Not Applicable

The Company has several overseas subsidiaries, locate in the United States, Europe, Japan, Poland, Mexico, Vietnam and other countries, where US dollars, Euro, Japanese yen, Polish zloty, Mexican pesos Vietnamese dong, etc. are used as the standard reporting currency.

66. Leases

(1) The Company as lessee

1) Please refer to section X (VIII) 15 of notes to the financial statements for details on right-of-use assets.

2) Please refer to section X (V) 29 of notes to the financial statements for details on the Company's accounting policies on short-term leases and leases for which the underlying asset is of low value. The amounts of short-term leases and low-value asset leases included into profit or loss are as follows:

Items	Current period cumulative	Preceding period comparative
Expense relating to short-term leases	37,499,886.35	22,190,437.02
Total	37,499,886.35	22,190,437.02

3) Profit or loss and cash flows related to leases

Items	Current period cumulative	Preceding period comparative
Interest expenses on lease liabilities	2,624,284.04	1,333,741.11
Total cash outflows related to leases	143,934,130.66	87,049,587.63

4) Please refer to section X (X) of notes to the financial statements for details on maturity analysis of lease liabilities and related liquidity risk management.

(2) The Company as lessor

1) Operating lease

a. Lease income

Items	Current period cumulative	Preceding period comparative
Lease income	11,054,740.49	10,188,401.57
Including: Income relating to variable lease payments not included in the measurement of the lease liabilities	—	—

b. Assets leased out under operating leases

Items	Closing balance	December 31, 2022
Fixed assets	34,172,628.21	12,847,391.04
Intangible assets	6,297,200.85	6,511,950.93
Investment property	8,165,805.31	8,204,266.97
Total	48,635,634.37	27,563,608.94

Please refer to section X (VII) 13 of notes to the financial statements for details on fixed assets leased out under operating leases.

2) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining years	Closing balance	December 31, 2022
Within 1 year	7,306,068.16	7,972,292.40
Total	7,306,068.16	7,972,292.40

VIII. Government grants**(1) Government grants increased in the current period**

Unit: RMB

Items	Amount
Government grants related to assets	163,601,198.25
Including: Included into deferred income	163,601,198.25
Government grants related to income	110,601,829.40
Including: Included into otherd income	110,601,829.40
Total	274,203,027.65

(2) Government grants recognized based on receivables

Unit: RMB

Items	Closing book balance
Government grants receivable	4,061,100.73
Total	4,061,100.73

(3) Liabilities related to government grants

Unit: RMB

Items	Opening balance	Increase	Carryover	Closing balance	Remarks
Deferred income	254,044,715.64	163,601,198.25	38,505,871.41	379,140,042.48	Related to assets
Total	254,044,715.64	163,601,198.25	38,505,871.41	379,140,042.48	

(4) Government grants included into profit or loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Other income	149,107,700.81	123,748,097.58
Total	149,107,700.81	123,748,097.58

IX. Interest in other entities**1. Composition of enterprise group**

(1) The company includes subsidiaries such as Zhejiang Sanhua Automotive Parts Co., Ltd. in the scope of consolidated financial statements.

(2) Basic information of important subsidiaries

Subsidiary name	Registered capital	Main operating place and place of registration	Business nature	Holding proportion		Acquisition method
				Direct	Indirect	
Zhejiang Sanhua Automotive Components Co., Ltd.	216,000	Zhejiang	Automotive components	100.00%		Business combination under common control
Sanhua (hangzhou) Micro Channel Heat	36,000	Zhejiang	Refrigeration components	100.00%		Business combination under common

Exchanger Co., Ltd						control
Zhejiang Sanhua Trading Co., Ltd	5,000	Zhejiang	Refrigeration components	100.00%		Investment and establishment
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	165,529	Zhejiang	Refrigeration components	100.00%		Investment and establishment
Sanhua International Inc.	37.55 million USD	USA	Business	100.00%		Investment and establishment
Wuhu Sanhua Automatic Control Components Co., Ltd	30,000	Anhui	Refrigeration components	100.00%		Investment and establishment

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

(1) Increase in consolidation scope

Subsidiy name	Equity acquisition method	Date of equity acquisition	Capital contribution	Proportion of capital contribution
Guangdong Sanhua New Energy Vehicle Parts Co., Ltd.	Investment and establishment	2023-02-17	183,712,500.00	100%
Shenyang Sanhua New Energy Vehicle Parts Co., Ltd.	Investment and establishment	2023-03-08	17,000,000.00	100%
Hangzhou Sanhua Intelligent Equipment Co., Ltd.	Investment and establishment	2023-01-03	24,000,000.00	100%
SANHUA SINGAPORE AUTOMOTIVE INVESTMENT PTE LTD	Investment and establishment	2023-11-20	0.00	100%
Minth Sanhua AutoParts Poland Sp.zoo	Investment and establishment	2023-01-24	5000 PLN	100%
LEADERWAY COAHUILA,S.DE R.L.DE C.V.	Investment and establishment	2023-10-01	10,000 MXN	100%
SANHUA INDUSTRY (THAILAND) CO.,LTD.	Investment and establishment	2023-01-31	100 million THB	100%

(2) Reduction in consolidation scope

Name	Equity disposal method	Date of equity disposal	Net assets on disposal date	Net profit from the beginning of the period to the date of disposal
Suzhou Xinzhi Automotive Parts Co., Ltd	Liquidation and cancellation	2023-01-13	0.00	1,631.39

3. significant wholly-owned subsidiaries

As of December 31, 2023, the company has no significant wholly-owned subsidiaries.

4. Equity in joint ventures or associates

(1) Significant joint ventures and associates

As of December 31, 2023, the company has no significant joint ventures and associates.

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

Unit: RMB

Items	Closing balance/Current period cumulative	Opening balance/Preceding period comparative
Associates	--	--
Total book value of investment	37,924,431.29	32,438,204.13
Total of the following items calculated by shareholding ratio	7,986,227.16	7,732,273.62
-Net profit	7,986,227.16	7,732,273.62
-Total comprehensive income	7,986,227.16	7,732,273.62

X. Risks Related to Financial Instruments

In risk management, the Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The company faces various risks related to financial instruments in daily activities, mainly including credit risk, liquidity risk, and market risk. The management has reviewed and approved policies for managing these risks, summarized as follows.

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has

increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

- 1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;
- 2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability.

(2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

- 1) significant financial difficulty of the debtor;
- 2) a breach of binding clause of contract;
- 3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. The adjustment table for the opening balance and closing balance of financial instrument loss reserves is detailed in the relevant notes to these financial statements.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers using credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

The Company conducts transactions with recognized and creditworthy customers, and credit risk is centrally managed by customers. The Company had certain credit concentration risks, the account receivables mainly originate from the top five customers with outstanding balances.

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

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

(II) Liquidity risk

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

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

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

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	1,212,150,378.85	1,220,397,152.46	1,220,397,152.46		
Notes payable	3,416,711,594.64	3,416,711,594.64	3,416,711,594.64		
Accounts payable	4,449,940,359.81	4,449,940,359.81	4,449,940,359.81		
Other payable	250,642,662.86	250,642,662.86	250,642,662.86		
Non-current liabilities due within one year	1,440,093,253.93	1,451,597,753.93	1,451,597,753.93		
Long-term borrowings	1,030,801,111.13	1,091,440,666.68		1,091,440,666.68	
Lease liabilities	221,295,481.86	227,606,748.42	12,657,389.96	105,453,688.05	109,495,670.41
Subtotal	12,021,634,843.08	12,108,336,938.80	10,801,946,913.66	1,196,894,354.73	109,495,670.41

(Continued)

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

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly includes interest rate risk and exchange rate risk.

1. Interest Rate Risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. Fair value interest risks arise from fixed-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment.

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

2. Exchange Rate Risk

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

The situation of the company's foreign currency monetary assets and liabilities at the end of the period can be found in section 10 (7) of the notes to the consolidated financial statements for foreign currency monetary items in section 65.

(IV) Financial assets transfer

1. Financial assets derecognized due to transfer

Items	Ways of financial assets transfer	Current transfer amount	Gains or losses	Closing Balance
Bank acceptance bill	Endorsement payment	87,972,797.70	—	24,814,344.52
	Bank discount	99,187,040.61	-694,546.62	60,138,863.14
Total		187,159,838.31	-694,546.62	84,953,207.66

Items	Ways of financial assets transfer	Current transfer amount	Gains or losses	Closing Balance
Financial company acceptance bill	Bank discount	42,410.07	-280.52	42,410.07
	Endorsement payment	191,089.61	—	
Electronic debt voucher	Endorsement payment	102,902,759.41	—	61,542,924.93
	Bank discount	16,246,640.28	-165,253.46	5,078,521.92
Total		119,382,899.37	-165,533.98	66,663,856.92

XI. Disclosure of Fair Values

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

Unit: RMB

Item Name	Fair value as of the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
1. Held-for-trading financial assets	1,757,120.58	20,878,992.10		22,636,112.68
(3) Derivative financial assets	1,757,120.58	20,878,992.10		22,636,112.68
Total amount of assets constantly measured at their fair values	1,757,120.58	20,878,992.10		22,636,112.68
6. Held-for-trading liabilities		10,719,110.02	3,500,000.00	14,219,110.02
Derivative financial liabilities		10,719,110.02		10,719,110.02
Others			3,500,000.00	3,500,000.00
Total amount of liabilities constantly measured at their fair values		10,719,110.02	3,500,000.00	14,219,110.02
II. Non-constant measurement at fair value	--	--	--	--

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

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

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

The fair value of exchange rate contracts is measured based on the valuation amount of the host bank or the forward foreign exchange rate announced by the Bank of China. Bank financing products are measured based on the valuation amount of the issuer or manager.

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

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

XII. Related party relationships and transactions

1. Parent Company

Parent Company	Place of registration	Business nature	Registered capital	Holding proportion over the Company	Voting right proportion over the Company
Sanhua Holding Group Co., Ltd	Zhejiang Province	Industrial Investment	730 million yuan	25.41%	45.31%

Remarks on the parent Company:

As of December 31, 2023, Sanhua Holding Group Co., Ltd. (Hereinafter referred to as SHG) directly holds 25.41% of the Company's shares, and indirectly holds 19.9% of the shares through its subsidiaries, for a total of 45.31% of the shares.

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

2. Information about the Company's subsidiaries

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

3. Joint ventures and associates of the Company

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

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

4. Other related parties of the Company

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

Ningbo Fuerda Intelligent technology Co., Ltd.	Under the control of the same parent company	NFS
Wuhu Alda Technology Co., Ltd.	Joint-stock enterprise of the parent company	WAT
Hangzhou Formost Material Technology Co., Ltd	Joint-stock enterprise of the parent company	HFMT
Ningbo Jiaerling Pneumatic Machinery Co.,Ltd.	Under the control of the same parent company	NJPM
Tianjin Sanhua Industrial Park Management Co., Ltd.	Under the control of the same parent company	TSIP
Shaoxing Sanhua Zhiyue Real Estate Development Co., Ltd.	Under the control of the same parent company	SSZR
Shanghai Shijia Technology Co., Ltd.	Shi Jianhui as director	SST

5. Related party transactions

(1) Purchase and sale of goods, rendering and receiving services

Purchase of goods and receiving of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Approved Transaction Limit	Over the Transaction Limit or No	Preceding period comparative
SHG	Services	556,770.56	75,100,000.00		117,481.65
SHG	Goods	33,457.60	75,100,000.00		
ZSGE	Goods	1,975,992.88	75,100,000.00		
ZSGE	Services	4,196,676.62	75,100,000.00		5,067,869.97
HSRI	Goods				405,850.00
HSRI	Services	76,543.03	75,100,000.00		115,504.52
NFS	Goods				32,409,031.07
ZXPM	Goods	19,627,331.84	22,400,000.00		16,665,387.16
ZHT	Goods	38,202,410.30	75,100,000.00		
ZHT	Services	1,939,571.51	75,100,000.00		1,392,002.29
QSJM	Goods	4,471,352.50	4,500,000.00		2,214,292.50
WAT	Goods	147,911.48	100,000.00		21,522.13
HLNE	Services				309,962.61
XCSP	Services	301,617.92	75,100,000.00		18,867.92
NJPM	Goods	350,188.20	75,100,000.00		
TSIP	Services	919,982.30	75,100,000.00		

Sale of goods and rendering of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Goods	2,879.18	20,895.46
SHG	Services	1,684,018.88	1,684,018.87
HFMT	Services	148,754.72	148,754.72

ZHT	Goods	509,001.99	
QSJM	Goods	193,143.68	1,379,123.17
HLNE	Goods	4,167,522.64	21,470,743.61
CTMC	Goods		299,624.26
HSRI	Goods	242,670.22	6,310,833.15
WAT	Services	98,319.77	100,310.67
WAT	Goods	39,567.85	
ZSZR	Goods		7,893.80
ZXPM	Goods	52,701.18	
SSZR	Services	9,905.66	
NJPM	Goods	178,619.47	
SST	Goods	308,194.07	
NJM	Goods	584,886.76	

Remarks of related transactions related to the purchase and sale of goods and the provision and acceptance of services

Due to the large number of related parties involved in related party transactions between the parent Company Sanhua Holding Group Co., Ltd and its subsidiaries, the transaction limit with Sanhua Holdings Group Co., Ltd. and its subsidiaries is approved through a consolidated summary, with a purchase goods, purchase rent, equipment lease, property management, water and electricity power, and service fee limit of 75.10 million yuan.

(2) Related party leases

The Company as the lessor:

Unit: RMB

Lessees	Types of asset leased	Confirmed rental income	
		Current period	Preceding period
SHG	Office building	5,309,339.44	5,309,339.45
SSZR	Office building	48,165.14	
HFMT	Plant	300,342.84	300,342.85
WAT	Plant	954,666.15	937,100.88

The Company as the lessee:

Unit: RMB

Lessor	Types of asset leased	Confirmed rental expenses	
		Current period	Preceding period
HSRI	Office building	1,057,028.58	1,252,457.14
	Plant	457,371.42	
	Dormitory	349,761.47	
ZSGE	Dormitory	2,794,933.24	2,247,283.42
	Plant	3,800,609.80	2,883,371.65
TSIP	Plant	1,789,323.30	

(3) Related party guarantees

Unit: RMB

Guaranteed parties	Guaranteed party	Types of debt instruments	Amount guaranteed
SHG	The company and its subsidiaries	Bank loans	2400 million yuan

SHG	The company	Bank guarantee	3 million yuan
-----	-------------	----------------	----------------

(4) Assets transfer and debt restructuring of the related parties

Unit: RMB

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
HTM	Purchasing equipment		517,522.13
SHG	Purchasing vehicles	131,626.41	
HSRI	Selling Equipment		205,309.73
HSRI	Purchasing equipment	1,120,684.00	
HLNE	Purchasing equipment		1,537,099.74

(5) Key management's emoluments

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	17,415,700.00	16,442,600.00

(6) Other related party transactions

Unit: RMB

Abbreviation of associate	Content of transaction	Current period cumulative	Preceding period comparative
ZSGE	Water and electricity payment	8,958,049.18	9,961,116.87
ZHT	Water and electricity payment		12,960,193.58
TSIP	Water and electricity payment	1,164,076.58	
SHG	Water and electricity collection	830,948.28	853,994.99
HFMT	Water and electricity collection	594,361.13	898,625.43
HSRI	Water and electricity collection	1,833,782.25	1,694,581.23
WAT	Water and electricity collection	390,267.49	363,426.93
ZSGE	Water and electricity collection	947,855.37	693,341.07
ZHT	Water and electricity collection	23,932,470.68	166,623.55
SSZR	Water and electricity payment	3,150.55	

In addition, it is affected by the inconsistency between the registered permanent residence of a few employees and the place of work, there are transactions between related parties that pay employee social insurance premium and housing accumulation fund on behalf of them. In current period, the company pays for the related party RMB 862,432.60 .

6. Balance due to or from related parties**(1) Receivables**

Unit: RMB

Items	Related parties	Closing balance		Opening Balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	HSRI	2,542.50	127.13	577,932.65	28,896.63
Accounts receivable	HLNE			9,075,252.25	453,762.61
Accounts receivable	QSJM	10,000.00	500.00		
Accounts receivable	WAT			6,139.97	307.00
Accounts receivable	SST	48,205.80	2,410.29		
Other receivables	ZHT	670,000.00	670,000.00	670,000.00	51,475.00
Accounts prepaid	ZXPM	67,660.61			

(2) Payables

Unit: RMB

Items	Related parties	Closing balance	Opening Balance
Accounts payable	QSJM		380,902.10
Accounts payable	ZXPM		14,415,289.63
Accounts payable	ZHT		352,333.66
Accounts payable	HSRI	357,150.00	719,760.50
Accounts payable	NJPM	300,646.95	
Other payables	HFMT	100,000.00	100,000.00
Other payables	HSRI		20,000.00
Other payables	ZSGE	387,216.00	
Other payables	TSIP	706,263.58	

XIII. Share-based payment**1. Overall information**√ Applicable Not applicable

Unit: RMB

Objects	Granted in the current period		Vested in the current period		Unlocked in the current period		Expired in the current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Management personnel					4,088,000	33,937,400.00	56,200	465,400.00
R&D personnel					4,430,900	36,169,800.00	95,800	744,200.00
Sales personnel					1,405,100	11,638,700.00	7,800	69,800.00
Production personnel					1,164,000	9,604,800.00	20,600	157,200.00
Total					11,088,000	91,350,700.00	180,400	1,436,600.00

Share options and other equity instruments outstanding at the balance sheet date

√ Applicable Not applicable

Objects	Share options outstanding		Other equity instruments outstanding	
	Range of exercise prices	Remaining contractual life	Range of exercise prices	Remaining contractual life
Management personnel			The adjusted restricted stock grant price is 9.65 yuan	From the date of grant, unlock in batches within 12 months after 12 months, 24 months, and 36 months.
R&D personnel			The adjusted restricted stock grant price is 9.65 yuan	From the date of grant, unlock in batches within 12 months after 12 months, 24 months, and 36 months.
Sales personnel			The adjusted restricted stock grant price is 9.65 yuan	From the date of grant, unlock in batches within 12 months after 12 months, 24 months, and 36 months.
Production personnel			The adjusted restricted stock grant price is 9.65 yuan	From the date of grant, unlock in batches within 12 months after 12 months, 24 months, and 36 months.

Other Remarks:

(1) Incentive plan for Restricted stock implemented in 2020

In February 2020, the Company implemented a restricted stock incentive plan for core employees. Among them, the number of restricted stocks granted was 12.045 million shares, and the grant price per share was RMB 9.85. The grant date was February 24, 2020, and it will be unlocked year by year in batches at a ratio of 30%:30%:40%.

In June 2020, the Company implemented the 2019 equity distribution. In September 2020, the Company implemented the 2020 semi-annual equity distribution. In May 2021, the Company implemented the 2020 equity distribution. In April 2022, the Company implemented the 2021 equity distribution. In September 2022, the Company implemented the 2022 semi-annual equity distribution. In June 2023, the Company implemented the 2022 equity distribution. According to the method stipulated in the "2020 Restricted Stock Incentive Plan", the exercise price and quantity of the underlying stocks involved were adjusted accordingly. After the adjustment, the number of restricted stocks granted was 15.6585 million shares, and the grant price per share was RMB 6.6615.

(2) Incentive plan for Restricted stock implemented in 2022

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

In September 2022, the Company implemented the 2022 semi-annual equity distribution. In June 2023, the Company implemented the 2022 equity distribution. In October 2023, the Company implemented the 2023 semi-annual equity distribution. According to the method stipulated in the "2022 Restricted Stock Incentive Plan" and "2022 Stock Appreciation Rights Incentive Plan", the exercise price and quantity of the underlying stocks involved were adjusted accordingly. After the adjustment, the number of restricted stocks granted was 17.5850 million shares, the number of stock appreciation rights granted was 0.4850 million shares, and the grant price per share was RMB 9.65.

2. Equity-settled share-based payment

(1) Incentive plan for Restricted stock implemented in 2020

Unit: RMB

Determination method and important parameters 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	133,196,520.00

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

(2) Incentive plan for Restricted stock implemented in 2022

Unit: RMB

Determination method and key parameters of 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 the current period and preceding period	Not applicable
Capital reserve accumulated due to equity-settled share-based payment	96,795,795.00

Note: In 2022, the Company initially granted 17.5850 million shares restricted stocks to incentive object. The number is the base, it will be unlocked year by year in batches at a ratio of 30%:30%:40%. The Company estimates the number of exercisable equity instruments on the following basis: the Company's operating performance can meet the target, the future voluntary turnover rate of the incentive objects is 0%, and the performance appraisal level is above C (the unlocking coefficient is 1).

3. Cash-settled share-based payment

Determination method and key parameters of the fair value of liability incurred by the Company and to be settled in cash or other equity instruments	Calculated based on the closing price of the stock on the balance sheet date minus the grant price of the stock appreciation rights
Accumulated amount of liabilities incurred due to cash-settled share-based payment	7,879,890.00

4. Total share-based payments recognized in the current period

Objects	Equity-settled share-based payment	Cash-settled share-based payment
Management personnel	51,167,739.35	5,530,710.02
Total	51,167,739.35	5,530,710.02

XIV. Commitments and contingencies

1. Significant commitments

Significant contingencies existing on the balance sheet date

With the approval of the CSRC in document CSRC License [2021] No. 168, the Company publicly issued 30 million convertible corporate bonds in June 2021, with a face value of 100 yuan each and net amount of raised funds is 2,987.53 million yuan. In addition to replenishing working capital, the raised funds are committed to the following projects:

Investment projects with raised funds	Committed capital	Actual capital
Annual production of 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	1487 million yuan	1093.2815 million yuan
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project	698 million yuan	280.7418 million yuan

2. Contingencies

(1) Significant contingencies present on the balance sheet date

As of December 31, 2023, no important contingent matter needs to be disclosed by the Company.

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

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

(3) Other information required by the industry information disclosure guidelines

The Company shall comply with the disclosure requirements of automobile manufacturing related industries in the guidelines for self discipline supervision of listed companies of Shenzhen Stock Exchange No. 3 - industry information disclosure. The sales amount in the modes of mortgage sales and financial leasing accounts for more than 10% of the operating revenue

Applicable Not Applicable

Guarantee of the company to the distributor

Applicable Not Applicable

XV. Events after the balance sheet date

1. Notes of other events after the balance sheet date

(1) Dividend distribution

According to the profit distribution plan of 2023 approved by the board of directors of the Company on April 28, 2023, cash dividends of 2.5 yuan (including tax) for every 10 shares will be distributed to all shareholders based on 3,706,504,614 shares on April 15, 2023, no bonus shares will be given, and no capital reserve will be converted into share capital. A total of 926,626,153.50 yuan was distributed. The profit distribution plan has yet to be considered and approved by the general meeting of shareholders.

(2) Major investment agreements

On January 4, 2024, the Company and its controlling subsidiary Hangzhou Leaderway Electronics Co., Ltd. (Leaderway Electronics) signed the “Sanhua Intelligent Control Future Industry Center Project investment agreement” with the Qiantang New Area Management Committee of Hangzhou, the project consists of two sub projects, with a planned total investment of no less than 5 billion yuan. Among them, Leaderway Electronics plans to invest in the construction of Leaderway Intelligent Variable Frequency Controller Production Base Project in Qiantang District, with a total planned investment of no less than 1.2 billion yuan; And the Company plans to invest in the construction of a robot electromechanical actuator and domain controller research and production base project in Qiantang District, with a total planned investment of no less than 3.8 billion yuan.

XVI. Other Significant Events

1. Segment information

(1) Basis for reportable segments and the accounting policy

Reportable segments are identified based on operating segments which are determined based on the structure of the Company’s internal organization, management requirements and internal reporting system, etc., and identified the reportable segments based on products.

(2) Financial information of the reporting subsection

Unit: Ten thousand yuan RMB

Items	2023			
	Operating revenue	Operating cost	Total assets	Total liabilities
Refrigeration and air-conditioning electrical parts business	1,464,413.52	1,051,415.79	2,009,461.39	819,136.48
Auto parts business	991,366.69	719,396.24	1,179,597.09	563,551.23
Total	2,455,780.21	1,770,812.03	3,189,058.48	1,382,687.71

Items	2022			
	Operating revenue	Operating cost	Total assets	Total liabilities
Refrigeration and air-conditioning electrical parts business	1,383,378.61	1,021,456.87	1,936,217.89	1,104,234.48
Auto parts business	751,376.37	556,653.05	859,903.53	379,956.92
Total	2,134,754.98	1,578,109.92	2,796,121.42	1,484,191.40

XVII. Notes to items of parent Company financial statements**1. Accounts receivable****(1) Disclosure of accounts receivable by aging**

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year	712,624,340.09	814,685,735.07
1 to 2 year	5,846,510.80	21,752.00
Total	718,470,850.89	814,707,487.07

(2) Disclosure of accounts receivable by bad debt provision method

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	531,943,381.96	74.04%	5,690,817.36	1.07%	526,252,564.60	605,744,200.07	74.35%			605,744,200.07
Including:										
Receivables with provision made on a collective basis	186,527,468.93	25.96%	9,334,158.12	5.00%	177,193,310.81	208,963,287.00	25.65%	10,449,251.95	5.00%	198,514,035.05
Including:										
Total	718,470,850.89	100.00%	15,024,975.48	2.09%	703,445,875.41	814,707,487.07	100.00%	10,449,251.95	1.28%	804,258,235.12

Provision made on an individual basis:

Unit: RMB

Name	Opening balance		Closing balance			
	Book balance	Provision	Book balance	Provision for	Accrued	Accrued

		for bad debt		bad debt	proportion	reason
Dayou Vinya (Thailand) Co., Ltd			5,690,817.36	5,690,817.36	100.00%	
Several subsidiaries	605,744,200.07		526,252,564.60			
Total	605,744,200.07		531,943,381.96	5,690,817.36	--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	186,371,775.49	9,318,588.78	5.00%
1 to 2 year	155,693.44	15,569.34	10.00%
Total	186,527,468.93	9,334,158.12	--

The remarks of determination of a collective basis:

If the provision for bad debt of accounts receivable is accrued in accordance with the general expected credit loss model:

Applicable Not applicable

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

Provision for bad debt accrued in current period:

Unit: RMB

Category	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Provision made on an individual basis		5,690,817.36				5,690,817.36
Receivables with provision made on a collective basis	10,449,251.95		1,115,093.83			9,334,158.12
Total	10,449,251.95	5,690,817.36	1,115,093.83			15,024,975.48

(4) Top 5 of accounts receivable

Closing balance of top 5 debtors totaled 560.0402 million yuan, accounting for 77.95% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 5.0214 million yuan.

2. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Dividend receivable	550,000,000.00	
Other receivables	1,719,591,236.02	650,791,643.96
Total	2,269,591,236.02	650,791,643.96

(1) Dividend receivable

Classification of dividends receivable

Unit: RMB

Items	Closing balance	Opening balance
Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd	550,000,000.00	
Total	550,000,000.00	

(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	1,708,500,801.49	532,760,000.00
Land accounts receivable		90,383,016.00
Tax refund receivable	6,387,103.55	18,982,883.07
Others	5,207,052.58	9,004,092.33
Total	1,720,094,957.62	651,129,991.40

2) Disclosure by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	1,718,634,775.79	645,347,399.32
1 to 2 years	793,523.42	1,000,065.28
2 to 3 years	481,517.41	76,523.00
Over 3 years	185,141.00	4,706,003.80
Total	1,720,094,957.62	651,129,991.40

3) Disclosure of other receivables by bad debt provision method

Unit: RMB

Category	Closing balance					Opening balance				
	Book value		Provision for bad debt		Net book value	Book value		Provision for bad debt		Net book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Receivables with provision made on an individual basis	1,714,887,905.04	99.70%			1,714,887,905.04	646,723,284.87	99.32%			646,723,284.87

Including:										
Receivables with provision made on a collective basis	5,207,052.58	0.30%	503,721.60	9.67%	4,703,330.98	4,406,706.53	0.68%	338,347.44	7.68%	4,068,359.09
Including:										
Total	1,720,094,957.62	100.00%	503,721.60	0.03%	1,719,591,236.02	651,129,991.40	100.00%	338,347.44	0.05%	650,791,643.96

Provision made on an individual basis:

Unit: RMB

Name	Opening balance		Closing balance			
	Book balance	Provision for bad debt	Book balance	Provision for bad debt	Accrued proportion	Accrued reason
Land accounts receivable	90,383,016.00					
Tax refund receivable	18,982,883.07		6,387,103.55			
Government receivable	4,597,385.80					
Several subsidiaries	532,760,000.00		1,708,500,801.49			
Total	646,723,284.87		1,714,887,905.04		--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	3,746,870.75	187,343.54	5.00%
1 to 2 year	793,523.42	79,352.34	10.00%
2 to 3 year	481,517.41	144,455.22	30.00%
3 to 4 year	185,141.00	92,570.50	50.00%
Total	5,207,052.58	503,721.60	--

The remarks of determination of a collective basis:

Provision for bad debts based on the general model of expected credit losses:

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Total
	Next 12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2023	161,075.01	100,006.53	77,265.90	338,347.44
Balance in current period on January 1,	—	—	—	—

2023				
--Transferred to phase II	-39,676.17	39,676.17		
--Transferred to phase III		-96,303.48	96,303.48	
Provision made in current period	65,944.70	35,973.12	63,456.34	165,374.16
Balance on December 31, 2023	187,343.54	79,352.34	237,025.72	503,721.60

Classification basis and bad debt provision ratio for each stage

Loss provisions for significant changes in book value in current period

Applicable Not Applicable

4) Top 5 debtors with the largest other receivables balances

Unit: RMB

Debtors	Nature of receivables	Closing balance	Age	Proportion to the total balance of other receivables	Provision for bad debt at the end of the period
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	Financial aid	799,150,000.00	Within 1 year	46.46%	
Sanhua International Singapore Pte. Ltd.	Financial aid	401,711,600.00	Within 1 year	23.35%	
Hangzhou Leaderway Electronics Co., Ltd	Financial aid	131,180,000.00	Within 1 year	7.63%	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	Financial aid	70,000,000.00	Within 1 year	4.07%	
Sanhua New Energy Thermal Management Technology (Hangzhou) Co., Ltd	Financial aid	60,000,000.00	Within 1 year	3.49%	
Total	--	1,462,041,600.00	--	85.00%	

3. Long-term equity investments

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	8,846,816,951.56		8,846,816,951.56	7,513,700,369.50		7,513,700,369.50
Investments in associates and joint	33,316,317.01		33,316,317.01	28,958,340.27		28,958,340.27

ventures						
Total	8,880,133,268. 57		8,880,133,268. 57	7,542,658,709. 77		7,542,658,709. 77

(1) Investments in subsidiaries

Unit: RMB

Investees	Opening balance(Carrying amount)	Opening balance of provision for impairment	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.	2,722,469,868.51		14,524,269.52				2,736,994,138.03	
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd	657,057,189.81		4,605,465.24				661,662,655.05	
Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd	328,576,392.73		1,047,897,173.15				1,376,473,565.88	
Sanhua International Inc.	307,539,173.79		324,474.51				307,863,648.30	
Sanhua International Singapore Pte. Ltd	950,862,026.27		8,426,080.13				959,288,106.40	
Wuhu Sanhua Automatic Control Components Co., Ltd	261,737,631.13		32,304,712.34				294,042,343.47	
Sanhua (Jiangxi) Self-control Compone	94,024,591.81		203,065.86				94,227,657.67	

nts Co., Ltd								
Xinchang Sitong Electrical and Mechanic al Co., Ltd	48,551,469.5 5		90,389,156. 39				138,940,625. 94	
Zhejiang Sanhua Commere cial Refrigerat ion Co. Ltd	1,653,158,81 7.69		6,312,321.5 1				1,659,471,13 9.20	
Zhejiang Sanhua Trading Co. Ltd	57,843,827.5 0		,812,380.2 0				59,656,207.7 0	
Changzho u Lanke four-way valve co., LTD	62,541,614.6 0						62,541,614.6 0	
Hangzhou Leaderwa y Electronic s Co., Ltd	55,607,396.1 8		1,992,775.3 2				57,600,171.5 0	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	33,369,324.2 4		324,474.12				33,693,798.3 6	
Zhongsha n Sanhua Air conditioni ng Refrigerat ion Compone nts Co., Ltd	5,556,306.77		284,656.38				5,840,963.15	
Wuhan Sanhua Refrigerat ion Compone nts Co., Ltd	4,959,860.95		332,113.83				5,291,974.78	
Zhongsha n Sanhua Refrigerat ion	6,587,521.80		216,346.14				6,803,867.94	

Components Co., Ltd								
Suzhou Sanhua Air-Conditioner Parts Co., Ltd	9,079,389.05		182,190.96				9,261,580.01	
Sanhua AWECO Appliance Systems (Wuhu) Co., Ltd.	152,877,775.96		637,622.70				153,515,398.66	
Zhejiang Sanhua Minshi Automotive Components Co., Ltd	51,000,000.00						51,000,000.00	
Sanhua New Energy Thermal Management Technology (Hangzhou) Co., Ltd	50,300,191.16		92,347,303.76				142,647,494.92	
Zhejiang Xianji Intelligent Technology Co., Ltd			30,000,000.00				30,000,000.00	
Total	7,513,700,369.50		1,333,116,582.06				8,846,816,951.56	

(2) Investments in associates and joint ventures

Unit: RMB

Investees	Opening balance (Carrying amount)	Opening balance of provision for impairment	Changed amount of the current period							Closing balance (Carrying amount)	Closing balance of provision for impairment
			Investments increased	Investments decreased	Investment income recognized under equity	Adjustment in other comprehensive income	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment		

		t			method						t
I . Joint ventures											
II . Associates											
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	5,078,465.12				-137,314.09						4,941,151.03
Chongqing Tainuo Machinery Co., Ltd.	16,130,424.27				4,673,752.52			2,500,000.00			18,304,176.79
Ningbo Jinlifeng Machinery Co., Ltd.	2,141,904.04				676,920.35						2,818,824.39
Qingdao Sanhua Jinlifeng Machinery Co., Ltd.	3,859,926.41				1,545,475.70						5,405,402.11
Xinhang zhejiang energy sanhua comprehensive energy co. LTD	1,747,620.43				99,142.26						1,846,762.69
Subtotal	28,958,340.27				6,857,976.74			2,500,000.00			33,316,317.01
Total	28,958,340.27				6,857,976.74			2,500,000.00			33,316,317.01

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not Applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not Applicable

4. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	5,648,172,805.20	4,284,161,402.85	5,741,546,510.68	4,327,000,541.95
Other operations	387,451,637.45	360,295,603.24	391,825,681.92	363,817,033.42
Total	6,035,624,442.65	4,644,457,006.09	6,133,372,192.60	4,690,817,575.37

5. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	6,857,976.74	7,043,506.52
Dividend income	815,502,001.82	845,000,000.00
Investment income of bank financing products	171,131.50	3,347,850.67
Gains and losses on settlement of futures contracts	6,112,835.61	-7,145,679.04
Gains and losses on settlement of foreign exchange contract	2,462,740.20	-1,483,174.62
Interest Income of fund	22,722,372.50	13,281,902.31
Advance payment gains	1,868,809.93	842,117.55
Total	855,697,868.30	860,886,523.39

6. Others

R&D expenses

Unit: RMB

Items	2023	2022
Labor cost	136,148,043.78	131,725,103.43
Material and power expense	88,491,000.88	127,572,484.24
Depreciation and amortization expense	8,741,825.68	8,852,856.39
Mold manufacturing expense	4,523,420.24	3,498,334.01
Royalties	1,991,176.57	3,624,114.79
Outsourcing R&D expense	550,514.94	1,855,912.87
Others	6,221,895.25	2,563,180.13
Total	246,667,877.34	279,691,985.86

XVIII. Supplementary information**1. Non-recurring profit or loss in current period**

√ Applicable □ Not Applicable

Unit: RMB

Items	Amount	Remarks
Gains or loss on disposal of non-current assets	-1,157,418.11	
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)	93,921,181.44	
Gains or losses on changes in fair value of held-for-trading financial assets, held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities, and other debt investments, excluding those arising from hedging business related to operating activities	-89,874,825.04	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. In 2023, the futures gain was 9.5091 million yuan and the foreign exchange loss was 99.384 million yuan; In 2022, the futures loss was 6.4275 million yuan and the foreign exchange loss was 191.8364 million yuan. Meanwhile, the exchange income was 133.5151 million yuan in 2023, the exchange loss was 228.8434 million yuan in 2022. According to “the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Profit or Loss”, exchange gains and losses are recurring gains and losses, and Futures and forward gains and losses are non-recurring gains and losses.
Other non-operating revenue or expenditures except the above items	10,206,261.89	
Gains and losses arising from contingencies unrelated to the normal operation of the Company		
Less: Enterprise income tax affected	1,905,361.61	
Non-controlling interest affected (after tax)	7,226,086.57	
Total	3,963,752.00	--

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

□ Applicable √ Not Applicable

The Company has no specific circumstances of other profit and loss items that meet the definition of non-recurring profit and loss.

For items defined as non-recurring profit or loss according to “the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Profit or Loss”, non-recurring profit or loss items listed in the said document defined as project of recurring profit or loss, specify the reason

□ Applicable √ Not Applicable

2. ROE and EPS

Profit of the reporting period	Weighted average ROE	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	19.18%	0.81	0.81
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	19.16%	0.81	0.81

3. Financial data variance between financial reporting prepared under domestic and abroad accounting standards**(1) Differences of net profits and net assets in the financial reports disclosed according to the IFRS and Chinese Accounting Standards**

Applicable Not Applicable

(2) Differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese Accounting Standards

Applicable Not Applicable

(3) Explanation of the reasons for differences in accounting data under domestic and foreign accounting standards. If adjusting for differences in data already audited by overseas auditing institutions, the name of the overseas institution should be indicated