

Zhejiang Sanhua Intelligent Controls Co., Ltd.

2022 Annual Report

April 2023

2022 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 Sheng Xiaofeng, the person in charge of accounting department (Accounting Officer) hereby declare and warrant that the financial statements in this report are authentic, accurate and complete.

All directors attended the board meeting to review this report.

The 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 particular 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 3,584,860,398 shares, cash dividend of RMB 2.00 (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.

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.

Note: As of April 20, 2023, the share capital of the Company was 3,590,869,858 shares, of which the number of repurchased shares is 6,009,460. 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.

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Documents Available for Inspection

1. The 2022 annual report signed by the chairman of the board.
2. The financial report signed and sealed by the Company's legal representative, chief finance officer and person in charge of accounting department.
3. Articles of Association.
4. Original copy of all the Company's documents and announcements published on the newspapers designated by CSRC within the reporting period.
5. Other documents available for inspection.

Definitions

Items	Refers to	Definition
The Company, Company	Refers to	Zhejiang Sanhua Intelligent Controls Co., Ltd.
<i>The Articles of Associations</i>	Refers to	<i>Articles of Associations for Zhejiang Sanhua Intelligent Controls Co., Ltd.</i>
The CSRC	Refers to	China Securities Regulatory Commission
SZSE	Refers to	Shenzhen Stock Exchange
Zhejiang Securities Regulatory Bureau	Refers to	Zhejiang Securities Regulatory Bureau of China Securities Regulatory Commission
General Meeting 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
Stock Exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	浙江三花智能控制股份有限公司		
Abbr. of the Company name in Chinese (if any)	三花智控		
Name of the Company in English (if any)	ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.		
Abbr. of the Company name in English (if any)	SANHUA		
Legal representative	Zhang Yabo		
Registered Address	Xialiquan, Qixing Street, Xinchang, Zhejiang		
Post Code of Registered Address	312500		
Historical changes of the Company's registered address	On June 19, 2015, the registered address of the Company was changed from Xialiquan, Qixing Street, Xinchang, Zhejiang to 219 Woxi Avenue, Meizhu, Xinchang, Zhejiang; On February 29, 2016, the registered address of the Company was changed from 219 Woxi Avenue, Meizhu, Xinchang, Zhejiang to Xialiquan, Qixing Street, Xinchang, Zhejiang.		
Office Address	No. 219, Woxi Avenue, Meizhu, Xinchang, Zhejiang, China		
Post Code of Office Address	312532		
Website	http://www.zjshc.com		
E-mail	shc@zjshc.com		

II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Hu Kaicheng	Wang Yutong
Address	No. 12 Baiyang Street, Qiantang New District, Hangzhou, Zhejiang, China	No. 219, Woxi Avenue, Meizhu, Xinchang, Zhejiang, China.
Tel.	0571-28020008	0575-86255360
Fax	0571-28876605	0575-86563888-8288
E-mail	shc@zjshc.com	shc@zjshc.com

III. 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)	No change
Changes of controlling shareholders of the Company (if any)	No change

V. Other Relevant Information

Accounting firm engaged by the Company

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

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

☒ Applicable ☐ Not applicable

Name of sponsor institution	Office address	Name of sponsor representative	Supervision period
Zheshang Securities Co., Ltd.	No. 201, Wuxing Road, Hangzhou, Zhejiang	Wang Yiming, Pan Xun	June 30, 2021 to December 31, 2022

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

	2022	2021	YoY Change	2020
Total Revenue (RMB)	21,347,549,741.00	16,020,809,805.52	33.25%	12,109,833,368.44
Net Profit Attributable to Shareholders of the Listed Company (RMB)	2,573,344,179.92	1,684,044,407.47	52.81%	1,462,158,821.57

Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	2,291,450,453.44	1,487,491,274.21	54.05%	1,270,609,746.53
Net Cash Flow Generated by Operational Activities (RMB)	2,509,666,490.56	1,555,819,103.29	61.31%	2,087,343,783.11
Basic Earnings per Share (RMB/Share)	0.72	0.47	53.19%	0.41
Diluted Earnings per Share (RMB/Share)	0.72	0.47	53.19%	0.41
Weighted Average ROE	21.38%	15.98%	5.40%	15.04%
	At the End of 2022	At the End of 2021	YoY Change (%)	At the End of 2020
Total Assets (RMB)	27,961,214,156.28	23,619,966,759.91	18.38%	17,032,530,730.18
Net Assets Attributable to Shareholders of the Listed Company (RMB)	12,941,310,409.42	11,150,308,271.43	16.06%	10,064,794,519.57

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

☐ Yes ☒ No

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

☐ Yes ☒ No

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total revenue	4,803,574,775.23	5,356,378,220.29	5,439,032,736.83	5,748,564,008.65
Net profit attributable to shareholders of the Company	452,994,753.44	550,192,581.79	624,458,568.07	945,698,276.62
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	402,392,543.26	627,654,986.24	722,138,502.48	539,264,421.46
Net cash flows from operating activities	125,930,521.34	635,082,607.82	295,617,777.12	1,453,035,584.28

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

Item	2022	2021	2020	Note
Profit or loss from disposal of non-current assets (including the write-off for the impairment provision of assets)	445,368,259.89	-7,164,158.61	-14,770,607.27	
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous application according to the state industrial policy.)	91,659,049.88	101,910,018.36	134,101,082.00	
Profits and losses attributed to change in fair value for 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, available-for-sale financial assets, excluding the effective hedging business related to the regular business operation of the Company.	-198,263,945.31	123,439,358.54	91,394,679.61	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 2022, the futures loss was 6.4275 million yuan and the foreign exchange loss was 191.8364 million yuan. In 2021, the futures income was 31.4482 million yuan and the foreign

				exchange income was 91.9912 million yuan. Meanwhile, the exchange income in 2022 is 228.8434 million yuan, the exchange loss was 95.9901 million yuan in 2021. 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 forward gains and losses are non-recurring gains and losses.
Other non-operating income and expenditures except the items mentioned above	-1,251,705.71	-3,359,134.55	620,065.25	
Other gains and losses items that fit the definition of non-recurring gains and losses	1,445,314.58	765,674.33	1,246,912.65	
Gains and losses arising from contingencies unrelated to the normal operation of the Company's business	-7,000,000.00			
Less: Impact of income tax	46,164,566.99	17,841,108.54	19,272,109.42	
Impact of the minority interests (after tax)	3,898,679.86	1,197,516.27	1,770,947.78	
Total	281,893,726.48	196,553,133.26	191,549,075.04	--

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

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

In the reporting period, the Company did not define any non-recurring gains and losses items, defined and listed in the *Explanatory Announcement 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 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

(1) Refrigeration and air conditioning electrical components industry

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

(2) Automotive components industry

The global automobile industry has been developing rapidly, which also drives the market demand of automotive thermal management products to continue to grow substantially. In recent years, the development of new energy vehicles has become a certain trend, which puts forward higher and more updated requirements for thermal management products no matter in hybrid, pure electric or hydrogen energy vehicles. The Company is positioned in the field of new energy vehicle thermal management system, gradually expands from components to module and subsystems, and has become the supplier of Valeo, Volkswagen, Mercedes Benz, BMW, Volvo, Toyota, GM, Geely, BYD, SAIC, NIO and other cooperative partners.

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 "Focus, Lead, Innovate, and Transcend" 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 new energy vehicles and traditional fuel vehicles.

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 output			Sales volume		
	2022	2021	YoY Change (%)	2022	2021	YoY Change (%)
Classified by Components (Unit: million PCs)						
New energy vehicle thermal management products	41.2295	19.4666	111.80%	38.3518	18.8118	103.87%
Traditional fuel vehicle thermal management products	129.0791	109.1905	18.21%	129.1160	108.2491	19.28%
Classified by Regions (Unit: million PCs)						
Domestic	107.4398	84.2232	27.57%	105.4193	83.1957	26.71%
Overseas	62.8687	44.4339	41.49%	62.0484	43.8652	41.45%

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 new energy vehicle market, which drives the rapid growth of the production and sales of new energy vehicle thermal management products.

Sale model of vehicle components

The Company's customers are mainly domestic and foreign vehicle manufacturers and tier 1 suppliers. 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 new energy vehicles

☒ Applicable ☐ Not applicable

Production and operation of new energy vehicles parts

Unit: million PCs

Product category	Production capacity	Production volume	Sales volume	Revenue (RMB)
New energy vehicle thermal management products	52.00	41.2295	38.3518	6,669,968,001.99

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 "Focus, Lead, Innovate, and Transcend" 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 3,408 patents both

domestic and abroad, including 1,683 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, 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 the year of 2022, the external environment is complex and ever-changing. The Russia-Ukraine conflict, anti-globalization of manufacturing, inflation and energy and chip crisis have continuously increased the pressure on the global industrial chain and supply chain. The challenges faced by economic development are unprecedented. At the same time, in the context of the continuous acceleration of global energy transformation and intelligent development, the market growth of new energy vehicles, heat pumps, commercial refrigeration, energy storage, artificial intelligence, and other industries is strong. We have seized the opportunity and made strategic arrangements in advance.

Specifically, regarding the industry in which the Company operates, the refrigeration and air conditioning electrical components business has seen significant growth in performance due to its global layout and prominent industry leading advantages in the constantly changing competitive landscape of the industry.

The automotive components business is a leading global enterprise in the thermal management of new energy vehicles. With the vigorous development of the new energy vehicle industry, we have cooperated with major high-quality OEMs around the world, continuously obtained orders, and achieved rapid growth in performance.

During the reporting period, the total revenue is RMB 21.348 billion, a year-on-year increase of 33.25%; the net income is RMB 3.067 billion, a year-on-year increase of 54.37%; the net profit attributable to shareholders of the listed Company is RMB 2.573 billion, a year-on-year increase of 52.81%. The revenue of refrigeration and air conditioning electrical components business is RMB 13.834 billion, a year-on-year increase of 23.31%; the revenue of automotive components business is RMB 7.514 billion, a year-on-year increase of 56.46%.

1. Focus on operation and deepen industrial layout

(1). Refrigeration and air conditioning electrical components business

The refrigeration and air conditioning electrical components business seizes the development opportunities of related business products in the fields of energy efficiency upgrading, refrigerant switching, VRF, kitchen appliances, and energy storage. In 2022, the global demand for heat pumps and VRF products saw explosive growth. The Company's each business unit closely followed market demand, strengthened the acquisition and transformation of business opportunities, increased the sales of multiple products, and continued to expand into emerging fields such as energy storage and kitchen appliances, continuously improving the Company's sustained profitability.

At the same time, the Company is promoting the construction of digital factories, improving production efficiency through intelligent manufacturing and lean production. In terms of commercial refrigeration business, the Daming City factory has been successfully relocated and put into operation, which lays a solid foundation for the development opportunities in various commercial fields brought about by the future consumption upgrading and industrial upgrading in the Chinese market.

(2). Automotive components business

In 2022, the global new energy passenger vehicle industry continues to grow rapidly, with sales exceeding 10 million units. While ensuring the product quality and delivery of the projects, Sanhua automotive components business actively promotes the iterative development of strategic core products, broadens its product line, strengthens the foundation, and continues to build competitive advantages. At the same time, we always pay attention to changes in market demand and competitive landscape, strengthen the construction and management of the supply chain, emphasize cost control, and actively respond to customer needs. During the reporting period, three new production bases and three new subsidiaries of automotive components business were established, further improving the global layout and continuing to grow at a high speed in the wave of global automotive electrification and intelligence.

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

In order to further promote the globalization strategy, the Company held a board meeting and a shareholders' meeting during the reporting period to decide 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. Emphasize product strength building, create and layout the Company's future growth curve

During the reporting period, the Company invested 989 million yuan in R&D, an increase of 31.66% year-on-year. By continuously investing in R&D, we aim to enhance product strength, continuously optimize iterations, and participate in market competition with new products, technologies, and differentiation. In the first quarter of 2022,

the Company set up an energy storage thermal management subsidiary and enlarged its exploration of the energy storage market. By the end of this year, it has forged a partnership with industrial benchmark enterprises on energy storage thermal management system solutions. In addition, the Company actively lays out its business in robot industry, especially focusing on the biomimetic robot electromechanical actuators. Electromechanical actuators are the core components of biomimetic robots, mainly composed of servo motor, reducer, and encoder. The Company has established cooperation relations with multiple customers through continuous investment and joint research and development, possessing a first mover advantage and actively preparing for the arrival of the era of "robots replacing humans".

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

The Company implements the talent strategy of "Internal training first, moderate external introduction", optimizes the talent management mechanism, builds talent standards at all levels, and gradually improves the evaluation system. During the reporting period, the Company carried out the third phase of the equity incentive plan, laying a talent foundation for the Company's sustainable development and further establishing and improving the Company's long-term incentive mechanism.

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

During the reporting period, 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 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.

2. Revenue and Costs

(1) Revenue structure

Unit: RMB

	2022		2021		YoY Change (%)
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Revenue	21,347,549,741.00	100%	16,020,809,805.52	100%	33.25%
Classified by Industry					
General Equipment Manufacturing Industry	21,347,549,741.00	100.00%	16,020,809,805.52	100.00%	33.25%
Classified by Products					
Refrigeration A/C Electrical Components	13,833,786,079.86	64.80%	11,218,320,924.79	70.02%	23.31%

Automotive Components	7,513,763,661.14	35.20%	4,802,488,880.73	29.98%	56.46%
Classified by Region					
Domestic	11,415,857,116.85	53.48%	8,112,471,456.27	50.64%	40.72%
Overseas	9,931,692,624.15	46.52%	7,908,338,349.25	49.36%	25.59%
Classified by Sales Model					
Direct Sale	21,347,549,741.00	100.00%	16,020,809,805.52	100.00%	33.25%

(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	21,347,549,741.00	15,781,099,181.30	26.08%	33.25%	32.53%	0.40%
Classified by Products						
Refrigeration A/C Electrical Components	13,833,786,079.86	10,214,568,675.49	26.16%	23.31%	23.81%	-0.30%
Automotive Components	7,513,763,661.14	5,566,530,505.81	25.92%	56.46%	52.21%	2.07%
Classified by Region						
Domestic	11,415,857,116.85	8,667,745,985.28	24.07%	40.72%	40.85%	-0.07%
Overseas	9,931,692,624.15	7,113,353,196.02	28.38%	25.59%	23.64%	1.13%
Classified by Sales Model						
Direct Sale	21,347,549,741.00	15,781,099,181.30	26.08%	33.25%	32.53%	0.40%

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

□ Applicable √ Not applicable

(3) If revenue from physical products sales greater than revenue from providing services√ Yes ☐ No

Industry	Item	Unit	2022	2021	YoY Change (%)
General Equipment Manufacturing Industry	Sales	Yuan	21,347,549,741.00	16,020,809,805.52	33.25%
	Production	Yuan	21,887,981,655.33	17,250,026,781.56	26.89%
	Inventory	Yuan	4,462,520,693.06	3,718,213,579.16	20.02%

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

√ Applicable ☐ Not applicable

It is mainly due to the increase of sales.

(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	2022		2021		YoY Change (%)
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
General Equipment Manufacturing Industry	Material	11,758,388,129.77	74.51%	8,798,731,493.26	73.89%	33.64%
General Equipment Manufacturing Industry	Labor	2,219,139,967.42	14.06%	1,645,068,024.73	13.82%	34.90%
General Equipment Manufacturing Industry	Depreciation	397,865,980.52	2.52%	344,128,341.18	2.89%	15.62%
General Equipment Manufacturing Industry	Freight	545,402,421.45	3.46%	514,826,171.07	4.32%	5.94%
General Equipment Manufacturing Industry	Energy Source	445,206,543.55	2.82%	264,446,475.24	2.22%	68.35%
General Equipment Manufacturing Industry	Other	415,096,138.59	2.63%	340,150,463.63	2.86%	22.03%

Unit: RMB

Product	Item	2022		2021		YoY Change (%)
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Refrigeration A/C Electrical Components	Material	7,547,972,672.72	47.83%	6,057,972,672.72	50.88%	24.60%
Refrigeration A/C Electrical Components	Labor	1,562,744,130.39	9.90%	1,229,719,787.71	10.33%	27.08%
Refrigeration A/C Electrical Components	Depreciation	256,801,359.03	1.63%	241,554,717.50	2.03%	6.31%
Refrigeration A/C Electrical Components	Freight	367,797,612.73	2.33%	381,394,362.19	3.20%	-3.57%
Refrigeration A/C Electrical Components	Energy Source	242,566,647.87	1.54%	170,046,647.87	1.43%	42.65%
Refrigeration A/C Electrical Components	Other	236,686,252.75	1.50%	169,521,510.68	1.42%	39.62%
Automotive Components	Material	4,210,415,457.05	26.68%	2,740,758,820.54	23.02%	53.62%
Automotive Components	Labor	656,395,837.03	4.16%	415,348,237.02	3.49%	58.04%
Automotive Components	Depreciation	141,064,621.49	0.89%	102,573,623.68	0.86%	37.53%
Automotive Components	Freight	177,604,808.72	1.13%	133,431,808.88	1.12%	33.11%
Automotive Components	Energy Source	202,639,895.68	1.28%	94,399,827.37	0.79%	114.66%
Automotive Components	Other	178,409,885.84	1.13%	170,628,952.95	1.43%	4.56%

(6) Any change in consolidation scope during the reporting period

√Yes ☐ No

1. Increase in consolidation scope

Name of subsidiaries	Equity acquisition method	Date of equity acquisition	Actual capital contribution at the end of the period	Proportion of capital contribution
Sanhua New Energy Thermal Management Technology (Hangzhou) Co., Ltd.	Investment and establishment	2022-03-30	50,000,000.00	100%
Sanhua Heat Exchanger (Zhengzhou) Co., Ltd.	Investment and establishment	2022-04-12	7,000,000.00	100%
Zhejiang Sanhua Minshi Automotive Components Co., Ltd.	Investment and establishment	2022-08-30	51,000,000.00	51%
Tianjin Sanhua Automotive Components Co., Ltd.	Investment and establishment	2022-11-15	0.00	100%
Leaderway USA INC.	Investment and establishment	2022-09-19	0.00	100%

Sanhua Automotive Poland Sp. Zoo	Investment and establishment	2022-11-30	PLN 5,000.00	100%
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2. Reduction in consolidation scope

Name of subsidiaries	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
SANHUA INTERNATIONAL LATAM SpA	Liquidation and cancellation	2022-9-20	-534,080.13	0.00

(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

Sales to top five customers (RMB)	7,670,606,476.59
Total sales to top five customers as a percentage of the total sales for the year (%)	35.94%
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	2,799,824,183.22	13.12%
2	Second	1,899,600,115.26	8.90%
3	Third	1,335,773,812.36	6.26%
4	Fourth	936,314,823.75	4.39%
5	Fifth	699,093,542.00	3.27%
Total	--	7,670,606,476.59	35.94%

Other information of major customers

☐ Applicable ☒ Not applicable

Major suppliers of the Company

Total purchases from top five suppliers (RMB)	1,650,045,165.87
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Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	13.38%
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	561,480,227.38	4.55%
2	Second	342,508,809.75	2.78%
3	Third	259,226,656.52	2.10%
4	Fourth	248,890,029.39	2.02%
5	Fifth	237,939,442.83	1.93%
Total	--	1,650,045,165.87	13.38%

Other information on major suppliers

☐ Applicable ☒ Not applicable

3. Expenses

Unit: RMB

	2022	2021	YoY Change (%)	Note of significant change
Sales expenses	512,599,257.66	449,226,532.55	14.11%	Mainly due to increases in employee salaries, warehousing and handling fees, etc.
Administrative expenses	1,266,974,971.99	875,802,861.33	44.66%	Mainly due to increases in employee salaries, office expenses, relocation expenses, etc.
Financial expenses	-177,540,645.27	84,108,848.11	-311.08%	Mainly due to an increase in exchange earnings
R&D expenses	988,954,495.90	751,138,559.24	31.66%	Mainly due to an increase in employee salaries, material power, 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
Smart Heat Pump Module Development	Development of heat pump modules based on refrigerant valves	In progress	To improve product integration and reduce product cost	To expand thermal management system sales in the market of new energy

	integration			vehicles and achieve new market growth of heat pump modules
Fourth Generation Electronic Expansion Valve Development	Development of a new generation product with low cost, low noise and high performance	In progress	To improve product competitiveness in cost and performance	To gain greater market share
CO ₂ Refrigerant Heat Pump Module Development	Development of a heat pump module for environmentally friendly refrigerants (CO ₂)	In progress	To enhance product competitiveness in CO ₂ refrigerant market	To expand CO ₂ heat pump market share in the market of new energy vehicles
Electric Heater Development	Development of a new electric heater to replace PTC liquid heater	In progress	To enhance product competitiveness to seize its market share	To complete product portfolio of Sanhua to gain more market share
Joint Development of Integrated MOS for Coolant Pmps	Development of MOS module to realize supply chain localization	Completed	To achieve the purpose of product cost reduction and supply chain localization	To achieve autonomous control of supply chain and enhance company competitiveness
W05 electronic expansion valve	Develop new products for dehumidification applications	Completed	Realize the function of flow regulation in dehumidification process	Enrich product lines, enhance the competitiveness of refrigeration and air conditioning products, expand market share
JSL wall hanging furnace integrated water component development	Develop new products for household heating	In progress	Improve the heat transfer efficiency, fluid precision and other performance of components	Develop the household heating market
Development of New Integrated heating Pump	Develop modular and standardized integrated heating pump platform products	Completed	Develop new designs to meet market demand.	Improve product diversity and competitiveness, expand market opportunities
Development of new DC drainage pump	To develop higher-performance, lighter-weight drainage pumps	Completed	To develop light weight drainage pumps with lower noise and better vibration performance	Improve the competitiveness of DC drainage pump products and enlarge the market share
Development of DBF12 shut off valve	developed and applied for VRF system, applied for refrigerant truncation	Completed	To develop safe and reliable, low fluid noise, low leakage miniaturized refrigerant truncation products	Enrich the product line and improve the competitiveness of the company
Development of stainless steel solenoid valve	To develop solenoid valves with stainless steel material	In progress	Develop and form series of stainless steel solenoid valves, adapting the lead-free requirement.	Improve the competitiveness of solenoid valve products and enlarge the market share
Development of low cost and high energy efficiency data center microchannel evaporator	Develop and micro channel evaporator for indirect evaporative cooling air conditioning unit	Completed	Increase evaporation capacity, improve drainage performance, realize the application of data center room level and indirect evaporative cooling	Create new growth opportunities microchannel evaporator on IDC
Development of chillers for energy storage system	Develop liquid-cooled thermal management system for electrochemical energy storage, enabling efficient operation of integrated energy storage systems through efficient temperature control.	Completed	Realize higher efficiency on liquid-cooled systems than air-cooled systems to improve the operational efficiency of energy storage systems; products meet domestic and international product standards	According to the company's new energy development strategy, create energy storage thermal management growth opportunities, in line with the global renewable energy transition trend

R&D personnel of the Company

	2022	2021	Change proportion
Number of R&D personnel (person)	2,243	1,890	18.68%

Proportion of R&D personnel	15.09%	13.05%	2.04%
Academic structure of R&D personnel	——	——	——
Junior college and below	553	466	18.67%
Bachelor degree	1,358	1,104	23.01%
Master degree and above	332	320	3.75%
Age composition of R&D personnel	——	——	——
Under the age of 30	981	748	31.15%
Age between 30 and 40	895	821	9.01%
Over the age of 40	367	321	14.33%

R&D investment of the Company

	2022	2021	YoY Change (%)
Amount of R&D expenses (RMB)	988,954,495.90	751,138,559.24	31.66%
R&D investment as a percentage of operating income	4.63%	4.69%	-0.06%
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 of the company

☐ 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	2022	2021	YoY Change (%)
Subtotal of cash inflows from operating activities	21,770,343,585.78	16,425,564,998.54	32.54%
Subtotal of cash outflows from operating activities	19,260,677,095.22	14,869,745,895.25	29.53%
Net cash flows from operating activities	2,509,666,490.56	1,555,819,103.29	61.31%
Subtotal of cash inflows from investing activities	383,808,450.48	805,822,215.02	-52.37%
Subtotal of cash outflows from investing activities	3,055,122,290.58	5,855,480,452.10	-47.82%
Net cash flows from investing activities	-2,671,313,840.10	-5,049,658,237.08	43.58%
Subtotal of cash inflows from financing activities	3,274,929,447.10	4,431,276,476.92	-26.10%
Subtotal of cash outflows from financing activities	3,871,803,752.46	1,607,793,271.80	140.81%
Net cash flows from financing activities	-596,874,305.36	2,823,483,205.12	-121.14%
Net increase in cash and cash equivalents	-639,673,623.32	-710,141,813.45	9.92%

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

☒ Applicable ☐ Not applicable

1. The increase in net cash flow generated from operating activities is mainly due to the increase in cash received from selling goods and providing services.
2. The increase in net cash flow generated from investment activities is mainly due to a decrease in the purchase of large certificates of deposit.
3. The decrease in net cash flow generated from financing activities is mainly due to the issuance of convertible bonds to raise funds in the same period last year.

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	-84,748,419.92	-2.78%	Gains and losses on foreign exchange instrument settlement, etc.	No
Gains and Losses from Change of Fair Value	-107,344,289.86	-3.52%	Floating gains and losses on exchange rate derivatives, etc.	No
Non-operating Revenue	6,780,118.95	0.22%	Compensation and penalty gains, payment cancellation, etc.	No
Non-operating Expenditures	22,424,214.17	0.73%	Loss on retirement of fixed assets etc.	No
Credit Impairment Loss	-97,762,426.98	-3.20%	Bad debt losses	No
Assets Impairment Loss	-93,592,437.64	-3.07%	Inventory impairment loss	No
Gains on Disposal of Properties	459,760,649.40	15.07%	Income from disposal of fixed assets	No
Other Gains	125,193,412.16	4.10%	Software product value-added tax overpayment refund, value-added tax refund for civil welfare enterprises, etc.	The return of value-added tax on software products tax overpayment and the return of value-added tax on civil welfare enterprises are sustainable, while the rest are not sustainable

VI. Analysis of Assets and Liabilities

1. Material changes of assets

Unit: RMB

	December 31st 2022		January 1st 2022		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and Bank Balances	5,878,243,652.55	21.02%	6,707,721,861.13	28.40%	-7.38%	
Account Receivable	5,228,117,225.57	18.70%	3,516,292,868.39	14.89%	3.81%	
Contract assets		0.00%		0.00%	0.00%	
Inventories	4,334,875,287.86	15.50%	3,637,853,809.47	15.40%	0.10%	
Investment property	8,204,266.97	0.03%	8,531,303.62	0.04%	-0.01%	
Long-term Equity	32,438,204.13	0.12%	22,680,930.51	0.10%	0.02%	

Investment						
Fixed Assets	6,374,896,070.41	22.80%	4,232,706,801.07	17.92%	4.88%	
Construction in Progress	1,032,505,633.51	3.69%	1,343,528,875.40	5.69%	-2.00%	
Assets with right of use	284,277,365.32	1.02%	215,324,024.26	0.91%	0.11%	
Short-term borrowings	1,294,083,319.58	4.63%	738,190,910.54	3.13%	1.50%	
Contractual liabilities	57,955,080.60	0.21%	79,816,249.22	0.34%	-0.13%	
Long-term borrowings	1,801,574,166.67	6.44%	801,461,958.89	3.39%	3.05%	
Lease liabilities	202,028,482.09	0.72%	157,981,678.16	0.67%	0.05%	
Note receivable	2,203,948,983.83	7.88%	2,144,193,032.32	9.08%	-1.20%	
Note payable	2,580,274,767.64	9.23%	1,891,526,333.48	8.01%	1.22%	
Account payable	3,884,603,370.16	13.89%	3,214,698,131.59	13.61%	0.28%	
Non-current liabilities due within one year	568,126,341.67	2.03%	1,763,342,887.58	7.47%	-5.44%	
Bonds payable	2,776,763,361.83	9.93%	2,652,035,619.50	11.23%	-1.30%	

Whether the proportion of overseas assets is relatively high

√Applicable □Not applicable

Content of assets	Cause of formation	Asset size	Location	operation mode	Control measures to ensure asset security	Earnings	The proportion of overseas assets to the company's net assets	Is there a significant impairment risk
Sanhua International Limited (United States) (consolidated)	Equity investment	2,457,363,613.22	United States	Research and development, manufacturing, sales, and investment management	Financial supervision, commissioned external audit	-6,265,178.02		No
Sanhua International Singapore Private Limited	Equity investment	4,382,538,075.10	Singapore	Research and development, manufacturing, sales,	Financial supervision, commissioned external	8,651,764.55		No

(consolidated)				and investment management	audit			
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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)	109,383,374.74	-1,117,394.66				8,240,000.00		100,025,980.08
2.Derivative financial assets	54,640,365.03	45,701,490.98						8,938,874.05
Subtotal of financial assets	164,023,739.77	46,818,885.64				8,240,000.00		108,964,854.13
Total	164,023,739.77	46,818,885.64				8,240,000.00		108,964,854.13
Financial liabilities	0.00	48,671,373.81						48,671,373.81

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

□ Yes √ No

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

Items	Closing Book value	Reasons for being restricted
Cash and Bank Balances	87,482,650.12	Margin deposited
	209,826,666.67	Pledge for financing
Note Receivable	2,015,272,320.99	Pledge for financing
Accounts receivable	296,551,088.70	Digital and electronic credit vouchers that have been transferred for payment or factoring financing but have not yet matured
Total	2,609,132,726.48	-

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 (%)
1,068,188,900.00	398,750,500.00	167.88%

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	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.	0	0	0	0	0	0	0.00%

Total	0	0	0	0	0	0	0.00%
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as explanations on whether there have been significant changes compared to the previous reporting period	-						
Explanation of actual gains and losses during the reporting period	-						
Illustration of hedging effectiveness	-						
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> .						
Changes in market price or fair value	-						

of the invested derivatives during the reporting period. The analysis of the fair value of derivatives should disclose the specific methods used and the setting of relevant assumptions and parameters	
Litigation (if applicable)	-
Disclosure date of announcement of the board of directors for approval of derivative investment (if any)	April 29, 2023
Special opinions of independent directors on derivatives investment and risk control of the Company	Independent Opinions on Conducting Futures Hedging Business After verification, the independent directors made the following independent opinions: The approval process of the Company and its subsidiaries to carry out futures hedging business with their own funds complies with relevant national laws, regulations and the relevant provisions of the <i>Articles of Association</i>. At the same time, the Company has formulated the <i>Management Measures for the Operation of Futures Hedging Business</i>, which can effectively carry out internal control and management and implement risk prevention and control measures. On the premise of ensuring normal production and operation, the Company's hedging business is conducive to avoiding market risks, hedging the impact of raw material prices on the Company's production and operation, and realizing the Company's long-term steady development. Therefore, we agree that the Company and its subsidiaries carry out futures hedging business, and agree to submit the proposal to the general meeting of shareholders of the Company for deliberation. Independent Opinion on Conducting Foreign Exchange Hedging Business After verification, the independent directors made the following independent opinions: The approval process of the Company and its subsidiaries to carry out foreign exchange hedging business complies with relevant national laws, regulations and the relevant provisions of the <i>Articles of Association</i>. At the same time, the Company has formulated the <i>Management System of Foreign Exchange Hedging Business</i>, which can effectively carry out internal control and management and implement risk prevention and control measures. On the premise of ensuring normal production and operation, the Company's foreign exchange hedging business is conducive to controlling exchange rate risks, reducing exchange losses, reducing the impact of exchange rate fluctuations on the Company's normal operations, and realizing the long-term steady development of the Company. Therefore, we agree that the Company and its subsidiaries carry out foreign exchange hedging business, and agree to submit the proposal to the general meeting of shareholders of the Company for deliberation.

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	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
2017	Non-public offering	132,231	401.4	133,008.28				0	N/A	
2021	Public offering	298,753.11	59,920.7	172,781.35				128,951.74	Deposited in the special account for raised funds and the subscription of large amount certificates of deposit.	
Total	--	430,984.1	60,322.1	305,789.63				128,951.74	--	
Description of Overall Usage of Raised Funds										
(I) Year 2017										
1. The actual amount of raised fund and date of transfer in										
With the approval of China Securities Regulatory Commission (CSRC) [2017] No. 1392, the Company non-public issued 88,154,000 common shares (A-share), with a total raised capital of RMB 1,322,310,000.00. After deducting the issuance expenses of RMB 13,078,480.00, the net amount of raised funds is RMB 1,309,231,520.00. The above-mentioned raised funds were transferred in on September 1 st , 2017, and it has been verified by Tianjian accounting firm, which has issued the <i>Capital Verification Report (TJY [2017] No. 327)</i> .										
As the implementation subjects are Zhejiang Sanhua Automotive Components Co., Ltd. (hereinafter referred to as Sanhua Auto) and its subsidiary Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (hereinafter referred to as Shaoxing Auto), the Company has allocated the raised funds of RMB 1,301,310,000.00 to Sanhua Auto in the form of capital increase. Sanhua Auto synchronously allocated the raised fund of RMB 503,620,000.00 to Shaoxing Auto in the form of capital increase.										
2. Usage and balance of raised funds										
Items						Index		Amount (Unit: RMB in 10 thousand)		
Total amount of raised funds						A		132,231.00		

Accumulated amount as of the beginning of the period	Project investment	B1	132,606.88
	Net income from raised funds	B2	10,100.52
	Replenish working capital	B3	7,113.62
Amount incurred in this reporting period	Project investment	C1	401.40
	Net income from raised funds	C2	23.20
	Replenish working capital	C3	2,232.82
Accumulated amount by the end of the period	Project investment	D1=B1+C1	133,008.28
	Net income from raised funds	D2=B2+C2	10,123.72
	Replenish working capital	D2=B3+C3	9,346.44
Calculated balance of raised funds		E=A-D1+D2-D3	0.00
Actual balance of raised funds		F	0.00
Difference		G=E-F	0.00

Note: the net income from raised funds refers to the net amount of interest income and wealth management income after deducting bank charges, the same below.

(II) Year 2021

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. (hereinafter referred to as "Sanhua Commercial") is one of the implementation subjects, the Company has allocated 1.487 billion yuan of the raised funds to Sanhua Commercial in the form of capital increase.

2. Usage and balance of raised funds

Items	Index	Amount (Unit: RMB in 10 thousand)
Net amount of funds raised in the current period	A	298,753.10
Accumulated amount as of the beginning of the period	Project investment	B1
	Net income from raised funds	B2
Amount incurred in this reporting period	Project investment	C1
	Net income from raised funds	C2
Accumulated amount by the end of the period	Project investment	D1=B1+C1
	Net income from raised funds	D2=B2+C2
Calculated balance of raised funds		E=A-D1+D2
Actual balance of raised funds		F

Difference	G=E-F	0.00
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Note: 1. With the approval of the China Securities Regulatory Commission (CSRC) in document [2021] No. 168, the Company publicly issued 30 million convertible bonds (Sanhua Convertible Bonds) in June 2021, at par value of 100 yuan. A total of 3 billion yuan was raised, and the net amount after deducting the issuance fee of 12,468,991.59 yuan was 2,987,531,008.41 yuan.

(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 new energy vehicle parts with an annual output of 11.5 million sets	No	50,362	50,362	401.4	52,726.95	104.70%	December 31, 2021	18,965.2	Yes	No
Technical transformation project of thermal management system modules of new energy vehicles with an annual output of 7.3 million sets	No	45,495	45,495		49,343.68	108.46%	January 31, 2021		N/A	No
Technical transformation project of automotive air conditioning control parts with an annual output of 12.70 million sets	No	20,874	20,874		19,193.15	91.95%	March 31, 2020		N/A	No
Expansion of product testing room and production auxiliary room project	No	13,400	13,400		9,686.65	72.29%	January 31, 2019		N/A	No
Payment of intermediary fees	No	2,100	2,100		2,057.85	97.99%			N/A	No
Construction project of commercial refrigeration and air conditioning intelligent control components with an annual output of 65 million sets	No	148,700	148,700	52,847.9	78,353.79	52.69%	May 31, 2025		N/A	No
Technical transformation project of high-efficiency and energy-saving refrigeration and air conditioning control components with an annual output of 50.5	No	69,800	69,800	7,072.8	13,154.63	18.85%	August 31, 2024		N/A	No

million sets										
Supplementary of working capital	No	81,500	81,500		81,272.93	99.72%			N/A	No
Subtotal of committed investment projects	--	432,231	432,231	60,322.1	305,789.63	--	--	18,965.2	--	--
Investment of over raised funds										
N/A										
Total	--	432,231	432,231	60,322.1	305,789.63	--	--	18,965.2	--	--
Circumstances and reasons for not reaching the planned progress or expected income (by specific project)	Funds raised in 2017: (1) Upon deliberation and approval by the board of directors on April 1, 2019, the date of scheduled serviceability status of "7.3 million sets of new energy vehicle thermal management system components project" and "12.7 million sets of vehicle air conditioning control components project" has been extended from January 2019 to January 2021, and other contents of the project remain unchanged. The specific reasons for the slowdown of the construction progress of the above two projects are as follows: The Company adopts the strategy of prudent use and reasonable investment of the raised funds in combination with the existing product structure and market trend. As the new equipment tends to be more intelligent and systematic, the Company has selected the equipment according to the latest technical requirements and product models, so that the investment progress of the new equipment of the project is later than expected. In March 2020, "12.7 million sets of automotive air conditioning control parts project" has been completed and accepted. In January 2021, the "technical transformation project of thermal management system components for new energy vehicles with an annual output of 7.3 million sets" has been completed and accepted. (2) Upon deliberation and approval by the board of directors on April 27, 2020, the date of scheduled serviceability status of "construction project of new energy vehicle parts with an annual output of 11.5 million sets" has been extended from December 2019 to December 2021, while other contents of the project remain unchanged. The specific reasons for the slowdown of the construction progress of the project are as follows: The Company adopts the strategy of prudent use and reasonable investment of the raised funds in combination with the changing situation of the existing market. In combination with customer feedback and production scheduling plan, the Company will gradually release the production capacity according to the actual customer demand. In order to ensure that the investment progress can meet the actual production progress demand, the Company will adjust the equipment procurement time of the raised investment project and extend the investment period of the raised capital investment project according to the customer's time node requirements. In December 2021, the "construction project of new energy auto parts with an annual output of 11.5 million sets" has been completed and accepted. The funds raised in 2017 are planned to be used for 5 projects, namely, “Construction project of new energy vehicle parts with an annual output of 11.5 million sets”, “Technical transformation project of thermal management system modules of new energy vehicles with an annual output of 7.3 million sets”, “Technical transformation project of automotive air conditioning control parts with an annual output of 12.70 million sets”, “Expansion of product testing room and production auxiliary room project” and “Payment of intermediary fees”. “Technical transformation project of thermal management system modules of new energy vehicles with an annual output of 7.3 million sets” and “Technical transformation project of automotive air conditioning control parts with an annual output of 12.70 million sets” are implemented by Sanhua automotive components business unit. They are technical renovation projects with new production capacity, and the benefits cannot be calculated separately. “Expansion of product testing room and production auxiliary room project” generate indirect benefits instead of directly generate economic benefits. It helps to improve the Company's comprehensive strength, promote the Company's rapid and healthy development.									

	“Payment of intermediary fees” is beneficial for reducing the Company's financial pressure, but does not directly generate economic benefits. 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”. “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. “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.
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 of projects invested with raised funds	Applicable Funds raised in 2017: In 2017, the Company replaced the initial investment of 140.5585 million yuan with raised funds. Funds raised in 2021: 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	Applicable Funds raised in 2017: Net income was generated from raised funds.
Applications of unused raised funds	Funds raised in 2021: 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 was no change in the projects of raised funds in the reporting period of the Company.

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. Sale 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	Operating revenue	Operating profit	Net profit
Zhejiang Sanhua Commercial Refrigeration Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	1,655.29 million	2,433,840,046.05	1,705,432,896.41	733,749,655.80	48,168,071.06	48,451,038.33
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components manufacturing and marketing	360 million	1,926,171,312.82	1,072,209,604.94	1,921,686,049.12	189,696,035.77	156,197,245.35
Zhejiang Sanhua Trading Co., Ltd.	Subsidiary	Refrigeration and A/C electrical components marketing	50 million	4,090,429,404.82	152,216,320.64	4,920,442,068.91	5,716,337.82	4,963,502.50
Zhejiang Sanhua Automotive Components Co., Ltd.	Subsidiary	Automotive components manufacturing and marketing	1,460 million	8,599,035,332.11	4,799,466,124.20	7,513,763,661.14	1,094,198,058.74	999,591,706.12
Sanhua International Inc.(Conso)	Subsidiary	Refrigeration and A/C electrical component	37.55 million USD	2,457,363,613.22	377,905,065.29	4,442,729,016.24	42,316,470.69	6,265,178.02

limited)		s manufactur ing marketing and investment manageme nt						
Sanhua Internation al Singapore PTE. Ltd. (Consolida ted)	Subsidiary	Refrigerati on and A/C electrical component s manufactur ing marketing and investment manageme nt	\$150.5798 33 million	4,382,538, 075.10	1,086,040, 636.84	6,186,989, 587.21	78,411,237 .01	8,651,764. 55

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Corporate name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall operation and performance
Sanhua New Energy Thermal Management Technology (Hangzhou) Co., Ltd.	Investment and establishment	No significant impact
Sanhua Heat Exchanger (Zhengzhou) Co., Ltd.	Investment and establishment	No significant impact
Zhejiang Sanhua Minshi Automotive Components Co., Ltd.	Investment and establishment	No significant impact
Tianjin Sanhua Automotive Components Co., Ltd.	Investment and establishment	No significant impact
Leaderway USA INC.	Investment and establishment	No significant impact
Sanhua Automotive Poland Sp. Zoo	Investment and establishment	No significant impact
SANHUA INTERNATIONAL LATAM SpA	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 "Focus, Lead, Innovate, and Transcend" and firmly grasps the product development theme of energy conservation, environmental protection and intelligent control. With the research and application of heat pump technology and thermal management system products as the core, we continuously deepen and expand the global business layout through continuous innovation of products and technologies. It transformed from "cost leading" to "technology leading", from "mechanical parts development" to

"electronic control integrated system control technology solution development" in order to provide competitive environmental intelligent control solutions for global high-quality customers. Sanhua has become a global leader in the climate intelligent control system industry.

2. Business plan for 2023

(1) Refrigeration air conditioning electrical parts business

The refrigeration and air conditioning electrical components business will seize the development opportunities of energy efficiency upgrades, refrigerant switching, VRF, heat pump and other related business products, pay attention to the development opportunities under the background of "carbon peaking and carbon neutrality", continuously search for business growth of new areas, break through the bottleneck of the development of the home appliance stock market, and realize continuous growth. Internally, through product iteration, we continuously improve product competitiveness, reduce costs, and create technology and cost advantages with sustained competitiveness. We will continue to increase the construction of overseas factories in Vietnam and Mexico, expand manufacturing bases in Thailand, and further expand the global production layout.

(2) Automotive components business

Under the opportunity of rapid development in the new energy vehicle thermal management industry, the automotive components business utilizes the benchmark customer demonstration effect to strengthen its first mover advantage, accelerate the construction of a supporting system with customers, enrich the product spectrum, deepen industry technical barriers, and maintain a leading technological level in industry development. At the same time, we utilize large-scale production to continuously build core competitiveness in the supply chain and ensure cost advantages throughout the entire process. In addition, in the process of globalization, we actively promote the construction of production bases in Mexico, Poland, as well as Shaoxing Binhai, Zhongshan, Shenyang, and other regions in China, increase production capacity layout and talent team construction. The Company is growing rapidly due to electrification and intelligence of global automobile.

(3) Other business

2023 is the first year for the new company of energy storage to generate sales. The Company seizes the time window of explosive demand in the energy storage industry, starts with industrial benchmark customers, comprehensively expands and strives to become a leading supplier of global energy storage thermal management solutions.

In the field of biomimetic robots, we focus on electromechanical actuators, cooperate with customers in all aspects including product R&D, trial debugging, debugging, and ultimately achieving mass production. We align with our clients' mass production goals and actively plan to layout overseas production of electromechanical actuators.

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

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	Main contents of discussion and materials provided	Index of basic situation of the research
January 27, 2022	Conference Room	Telephone communication	Institution	Fuguo Fund, etc. 821 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
February 15, 2022	Hangzhou	On-site research	Institution	Anxin Securities Liu Guorong, etc. 14 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
February 21, 2022	Hangzhou	On-site research	Institution	CICC Chang Jing etc. 12 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
March 24, 2022	Conference Room	Telephone communication	Institution	Rongtong Fund Fan Kun etc. 378 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
April 15, 2022	Conference Room	Other	Other	Investors participated in online performance presentation	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
April 25, 2022	Conference Room	Telephone communication	Institution	Tongyuan Investment Zuo Aimei etc. 235 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
June 2, 2022	Hangzhou	On-site research	Institution	CICC Fan Jianqi etc. 10 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
June 20, 2022	Hangzhou	On-site research	Institution	Minsheng Securities Li Jingbo etc.	Introduction of the company's operation and	http://irm.cninfo.com.cn/ssessgs/S002050

				6 investors in total	reply to investors' questions	
July 5-7, 2022	Hangzhou	On-site research	Institution	Guangfa Liu Xili etc. 25 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
July 27-28, 2022	Hangzhou	On-site research	Institution	China CITIC Construction Investment Cheng Siqi etc. 19 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
August 12, 2022	Conference Room	Telephone communication	Institution	Nanfang Fund Liu Defi etc. 367 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
September 27, 2022	Hangzhou	On-site research	Institution	Jiashi Fund Zhuo Jialiang etc. 14 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
October 26, 2022	Conference Room	Telephone communication	Institution	The Pearl River Life Insurance Wang Shunxu, etc. 507 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050
October 27, 2022	Conference Room	Telephone communication	Institution	Bingfu Capital Yao Tierui etc. 81 investors in total	Introduction of the company's operation and reply to investors' questions	http://irm.cninfo.com.cn/ssessgs/S002050

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

1. Shareholders and general meeting of shareholders

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

2. Directors and the board of directors

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

3. Supervisors and board of supervisors

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

4. Relationship between controlling shareholders and listed companies

The controlling shareholders can strictly regulate their own behaviors. There is no direct or indirect intervention beyond the provisions of general meeting of shareholders. The Company and its controlling shareholders are mutually independent of each other in personnel, assets, finance, institutions and business. The board of directors,

board of supervisors and internal institutions of the Company operate independently. There is no such situation that the controlling shareholders occupy the funds of the listed company for non-operating purposes.

5. Information disclosure and investor relationship management

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

6. Performance evaluation and incentive mechanism

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

7. Stakeholders

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

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.

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
The 1st extraordinary general meeting of shareholders in 2022	Interim general meeting of shareholders	75.75%	January 26, 2022	January 27, 2022	Announcement of the 1st Extraordinary General Meeting of Shareholders in 2022 (2022-009) was published in the <i>Securities Times</i> , <i>China Securities Journal</i> and CNINFO.
Annual general meeting of	Annual general meeting of	78.31%	April 15, 2022	April 16, 2022	Announcement of the Annual

shareholders of 2021	shareholders				General Meeting of Shareholders of 2021 (2022-039) was published in the <i>Securities Times, China Securities Journal</i> and CNINFO.
The 2nd extraordinary general meeting of shareholders in 2022	Interim general meeting of shareholders	77.80%	May 25, 2022	May 26, 2022	Announcement of the 2nd Extraordinary General Meeting of Shareholders in 2022 (2022-059) was published in the <i>Securities Times, China Securities Journal</i> and CNINFO.
The 3rd extraordinary general meeting of shareholders in 2022	Interim general meeting of shareholders	63.61%	August 30, 2022	August 31, 2022	Announcement of the 3rd Extraordinary General Meeting of Shareholders in 2022 (2022-095) was published in the <i>Securities Times, Shanghai Securities News</i> and CNINFO.
The 4th extraordinary general meeting of shareholders in 2022	Interim general meeting of shareholders	62.80%	December 14, 2022	December 15, 2022	Announcement of the 4th Extraordinary General Meeting of Shareholders in 2022 (2022-120) 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	Title	Tenure status	Gender	Age	Commencement of term of	Termination of term of	Shares held at the beginning	Shares increased during	Shares decreased during	Other changes (Share	Shares held at the end of the	Reasons for increase or
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					office	office	ing of the Period (Share s)	the Period (Share s)	the Period (Share s)	s)	Period (Share s)	decrea se of shares
Zhang Yabo	Chairman of the board, CEO	Incumbent	Male	49	December 13, 2012	January 26, 2025	52,031,200		13,007,000		39,024,200	Shares reduction
Wang Dayong	Director, President	Incumbent	Male	54	December 13, 2012	January 26, 2025	256,750			80,000	336,750	Equity incentive
Ren Jintu	Director	Incumbent	Male	61	January 26, 2022	January 26, 2025						
Yu Shuli	Director	Resigned	Male	75	April 28, 2006	January 26, 2022						
Ni Xiaoming	Director	Incumbent	Male	55	May 6, 2011	January 26, 2025	256,750			70,000	326,750	Equity incentive
Chen Yuzhong	Director, chief engineer	Incumbent	Male	57	November 29, 2011	January 26, 2025	256,750			80,000	336,750	Equity incentive
Zhang Shaobo	Director	Incumbent	Male	44	May 18, 2015	January 26, 2025						
Bao Ensi	Independent director	Incumbent	Male	55	August 3, 2021	January 26, 2025						
Shi Jianhui	Independent director	Incumbent	Male	51	May 19, 2020	January 26, 2025						
Pan Yalan	Independent director	Incumbent	Female	58	February 26, 2021	January 26, 2025						
Zhao Yajun	Convenor of the board of supervisors	Incumbent	Male	52	November 29, 2011	January 26, 2025						
Mo Yang	Supervisor	Incumbent	Male	47	August 3, 2021	January 26, 2025	14,568				14,568	
Chen Xiaoming	Supervisor	Incumbent	Male	54	March 26, 2011	January 26, 2025	11,100				11,100	

Hu Kaicheng	Vice president, Secretary of the board of directors	Incumbent	Male	48	January 26, 2015	January 26, 2025	256,750			80,000	336,750	Equity incentive
Yu Yingkui	Vice president, CFO	Incumbent	Male	49	September 30, 2011	January 26, 2025	288,057			80,000	368,057	Equity incentive
Total	--	--	--	--	--	--	53,371,925	0	13,007,000	390,000	40,754,925	--

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

Mr. Yu Shuli resigned upon expiration of term of office.

Changes of Directors, Supervisors and Senior Management

☒Applicable ☐Not applicable

Name	Position	Type	Date	Reasons
Yu Shuli	Director	Resigned upon expiration of term of office	January 26, 2022	Resigned upon expiration of term of office
Ren Jintu	Director	Elected	January 26, 2022	Elected by the Board of Directors

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. He served as a supervisor of the Company from December 2001 to April 2006,

a director of the Company from April 2006 to May 2011. He currently serves as a director of Sanhua Holding Group, and a director and President of the Company since December 2012.

Mr. Ren Jintu: Born in 1962, college degree, 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.; since May 2017, he has served as executive director and general manager of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.; he currently serves as a director and assistant president of Sanhua Holding Group Co., Ltd. and the general manager and director 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, 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 also serves as an independent director of Aerospace Era Electronic Technology Co., Ltd. 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 and an independent director of APICO Hitech Public Company Limited. He has been appointed as an independent director of the Company since June 2020.

Ms. Pan Yalan: Born in 1965, master degree, a member of the League of Civil Society. She started working in

August 1987. She is a professor of Accounting College of Hangzhou University of Electronic Technology, tutor of graduate students. She serves as an independent director of Zhejiang Daily Digital Culture Group Co., Ltd. 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, 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 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.

Mr. Yu Yingkui: Born in 1974, bachelor degree, accounting major of Shanghai University of Finance and Economics. From April 2001 to December 2003, he successively served as the chief accountant of the financial department of Zhejiang Sanhua Holding Group Co., Ltd. and Zhejiang Sanhua 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' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Zhang Yabo	Sanhua Holding Group Co., Ltd	Vice chairman (director)	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 7, 2003		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			No
Zhang Yabo	Hangzhou Zhicheng Investment Management Co., Ltd	Executive Director			No
Zhang Yabo	Hangzhou Fumo New Material	Director			No

	Technology Co., Ltd				
Zhang Yabo	Hangzhou Zhishen Investment Management Co., Ltd	Supervisor			No
Zhang Yabo	Wuhu ALDOC Technology Co., Ltd	Director			No
Zhang Yabo	Hangzhou Sanhua Research Institute Co., Ltd	Chairman of the Board	May 1, 2018		No
Zhang Yabo	Zhejiang Haoyuan Technology Co., Ltd	Director	May 1, 2018		No
Zhang Yabo	Sanhua Trading Singapore Private Limited	Director			No
Wang Dayong	Hangzhou Fufan Investment Management Co., Ltd	Director			No
Wang Dayong	Xinchang Huayong Enterprise Management Co., Ltd	Executive Director and Legal Representative	November 1, 2021		No
Wang Dayong	Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd	Director	August 1, 2019		No
Ren Jintu	Hangzhou Fufan Investment Management Co., Ltd	Director and General Manager			No
Ren Jintu	Hangzhou Xinji Industrial Co., Ltd	Executive Director and General Manager			No
Ren Jintu	Ningbo Fuerda Intelligent Technology Co., Ltd	Director	April 1, 2021		No
Ren Jintu	Hangzhou Sanhua International Building Co., Ltd	Supervisor			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			No
Ren Jintu	Xinchang County United Investment Management Co., Ltd	Supervisor			No

Zhang Shaobo	Hangzhou Fufan Investment Management Co., Ltd	Chairman of the Board			No
Zhang Shaobo	Zhejiang Huateng Industrial Co., Ltd	Chairman of the Board	December 1, 2021		No
Zhang Shaobo	Ningbo Fuerda Intelligent Technology Co., Ltd	Director	December 1, 2019		No
Zhang Shaobo	Hangzhou Zhishen Investment Management Co., Ltd	Executive Director and General Manager			No
Zhang Shaobo	Hangzhou Zhicheng Investment Management Co., Ltd	Manager			No
Zhang Shaobo	Hangzhou Zhiyong Enterprise Management Co., Ltd	Executive Director and General Manager			No
Zhang Shaobo	Hangzhou Mifeng Catering Management Co., Ltd	Supervisor			No
Zhang Shaobo	Inner Mongolia Xiqi Mining Co., Ltd	Supervisor			No
Zhang Shaobo	Zhejiang Sanhua Ecological Agriculture Co., Ltd	Executive Director, Manager	September 1, 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			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 1, 2017		No
Zhang Shaobo	Xinchang Private Financing Service Center Co., Ltd	Director			No
Zhang Shaobo	Hangzhou Fuxiang Property Management Co., Ltd	Chairman of the Board			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 and General Manager	June 1, 2021		No
Zhang Shaobo	Xinchang County United Investment Management Co., Ltd	Director			No
Zhang Shaobo	Shanghai Tihu Catering Co., Ltd	Director	September 1, 2017		No
Zhang Shaobo	Tianjin Minghao Management Consulting Co., Ltd	Executive Director, Manager	July 1, 2017		No
Zhang Shaobo	Hangzhou Zhiwo Investment Management Co., Ltd	General Manager			No
Zhang Shaobo	Xinchang County Sanhua Property Management Co., Ltd	Chairman of the Board			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
Bao Ensi	Aerospace Era Electronic Technology Co., Ltd	Independent Director	January 1, 2017		Yes
Bao Ensi	China Railway Trust Co., Ltd.	Independent Director	May 25, 2022		Yes
Shi Jianhui	Baimei Dikang Environmental Technology (Shanghai) Co., Ltd	Director			No
Shi Jianhui	Hangzhou Haomian Technology Co., Ltd	Chairman of the Board			No
Shi Jianhui	Shanghai Shijia Technology Co., Ltd	Director			No
Shi Jianhui	APICO Hitech Public Company Limited	Independent Director	June 1, 2022		Yes

Pan Yalan	Lin'an Rural Commercial Bank Co., Ltd	Independent Director	January 1, 2019		Yes
Pan Yalan	Zhejiang Daily Digital Culture Group Co., Ltd	Independent Director	December 22, 2021	September 14, 2023	Yes
Zhao Yajun	Xinchang Huaxin Industrial Co., Ltd	Director	March 1, 2017		No
Zhao Yajun	Ningbo Fuerda Intelligent Technology Co., Ltd	Supervisor	April 1, 2021		No
Zhao Yajun	Zhejiang Xiezhong Automobile New Energy Technology Development Co., Ltd	Supervisor			No
Zhao Yajun	Shanghai Fuyulong Automotive Technology Co., Ltd	Supervisor	December 1, 2021		No
Zhao Yajun	Xinchang Private Financing Service Center Co., Ltd	Supervisor			No
Zhao Yajun	Fuerda (Tianjin) Intelligent Technology Co., Ltd	Supervisor	March 1, 2020		No
Zhao Yajun	Zhejiang Haoyuan Technology Co., Ltd	Supervisor	May 1, 2018		No
Zhao Yajun	Hangzhou Tongchan Machinery Co., Ltd	Supervisor			No
Zhao Yajun	Shanghai Sanhua Electric Co., Ltd	Supervisor	June 1, 2021		No
Zhao Yajun	Wuhu ALDOC Technology Co., Ltd	Supervisor	July 1, 2018		No
Zhao Yajun	Xinchang County United Investment Management Co., Ltd	Supervisor			No
Yu Yingkui	Zhejiang Huateng Industrial Co., Ltd	Director			No
Yu Yingkui	Xinchang Private Financing Service Center Co., Ltd	Director	October 1, 2015		No
Yu Yingkui	Chongqing Tainuo Machinery Co., Ltd	Director			No
Yu Yingkui	Ningbo Jinlifeng Machinery Co., Ltd	Director	July 1, 2020		No

	Ltd				
Yu Yingkui	Sanhua Trading Singapore Private Limited	Director			No

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

☐ Applicable ☒ Not applicable

3. Remuneration of directors, supervisors and senior management personnel

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

Remuneration of directors, supervisors and senior management personnel

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Zhang Yabo	Director, Chairman, CEO	Male	49	Incumbent	267	No
Wang Dayong	Director, President	Male	54	Incumbent	365.1	No
Ren Jintu	Director	Male	61	Incumbent	0	Yes
Yu Shuli	Director	Male	75	Resigned	4	No
Ni Xiaoming	Director	Male	55	Incumbent	208.58	No
Chen Yuzhong	Director, chief engineer	Male	57	Incumbent	371.38	No
Zhang Shaobo	Director	Male	44	Incumbent	0	Yes
Bao Ensi	Independent director	Male	55	Incumbent	10.8	No
Shi Jianhui	Independent director	Male	51	Incumbent	10.8	No
Pan Yalan	Independent director	Female	58	Incumbent	10.8	No

Zhao Yajun	Convener of the board of supervisors	Male	52	Incumbent	0	Yes
Mo Yang	Supervisor	Male	47	Incumbent	0	Yes
Chen Xiaoming	Supervisor	Male	54	Incumbent	41.32	No
Hu Kaicheng	Vice president, Secretary of the board of directors	Male	48	Incumbent	139.18	No
Yu Yingkui	Vice president, CFO	Male	49	Incumbent	215.3	No
Total	--	--	--	--	1,644.26	--

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 23rd interim meeting of the 6th board of directors	January 10, 2022	January 11, 2022	http://www.cninfo.com.cn
The 1st interim meeting of the 7th board of directors	January 26, 2022	January 27, 2022	http://www.cninfo.com.cn
The 2nd meeting of the 7th board of directors	March 23, 2022	March 25, 2022	http://www.cninfo.com.cn
The 3rd interim meeting of the 7th board of directors	April 20, 2022	April 21, 2022	http://www.cninfo.com.cn
The 4th interim meeting of the 7th board of directors	May 9, 2022	May 10, 2022	http://www.cninfo.com.cn
The 5th interim meeting of the 7th board of directors	May 31, 2022	June 1, 2022	http://www.cninfo.com.cn
The 6th interim meeting of the 7th board of directors	July 28, 2022	July 29, 2022	http://www.cninfo.com.cn
The 7th interim meeting of the 7th board of directors	August 11, 2022	August 13, 2022	http://www.cninfo.com.cn
The 8th meeting of the 7th board of directors	October 26, 2022	October 27, 2022	http://www.cninfo.com.cn
The 9th interim meeting of the 7th board of directors	November 28, 2022	November 29, 2022	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 by telecommunication (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence of directors in general meetings (times)
Zhang Yabo	10	0	10	0	0	N/A	4
Wang Dayong	10	0	10	0	0	N/A	5
Ren Jintu	9	0	9	0	0	N/A	4
Yu Shuli	1	0	1	0	0	N/A	0
Ni Xiaoming	10	0	10	0	0	N/A	1
Chen Yuzhong	10	0	10	0	0	N/A	4
Zhang Shaobo	10	0	10	0	0	N/A	2
Bao Ensi	10	0	10	0	0	N/A	0
Shi Jianhui	10	0	10	0	0	N/A	0
Pan Yalan	10	0	10	0	0	N/A	2

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

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

☐ Yes ☒ No

4. Other details about the performance of duties by directors

Were there any suggestions 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, equity incentive, stock buyback and issuance of Global Depositary Receipts 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	March 13, 2022	1. Deliberation of the 2021 annual report and its abstract; 2. Specific report on annual deposit and actual use of raised funds in 2021; 3. Proposal on the prediction of the Company's daily related party transactions in 2022; 4. Proposal on engagement of the audit institution in 2022.			
			April 20, 2022	First quarter report in 2022			
			August 6, 2022	1. Semi-annual report in 2022; 2. Specific report on the annual deposit and actual use of the raised funds in the half year of 2022.			
			October 16, 2022	Third quarter report in 2022;			
			November 23, 2022	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			
Nomination Committee	Independent director Bao Ensi; Independent director Shi Jianhui; Director Zhang Yabo	1	January 5, 2022	1. Proposal on the election of non-independent directors for the Company's board of directors. 2. Proposal on the election of Independent Directors for the Company's board of directors			
Remuneration and Assessment Committee	Independent director Shi Jianhui; Independent director Bao Ensi; Director Yu	1	January 5, 2022	Proposal on the Remuneration and Allowances of the 7th Board of Directors of the Company			

	Shuli						
	Independent director Shi Jianhui; Independent director Bao Ensi; Director Ren Jintu	1	May 4, 2022	1. Proposal on adjusting the repurchase price of restricted stock incentive plan in 2020; 2. Proposal on the achievement of the unlocking conditions for the second vesting period of the Restricted stock incentive plan in 2020 ; 3. Proposal on Repurchase and Cancellation of Some Restricted stock ; 4. Proposal on the Incentive Plan for Restricted stock in 2022 of Zhejiang Sanhua Intelligent Controls Co., Ltd. (Draft) and its Abstract; 5. Proposal on the 2022 Stock Appreciation Rights Incentive Plan (Draft) of Zhejiang Sanhua Intelligent Controls Co., Ltd. and its Abstract; 6. Proposal on the Implementation and Assessment Management Measures for the 2022 Equity Incentive Plan of Zhejiang Sanhua Intelligent Controls Co., Ltd.			
Strategic Committee	Chairman of the Board Zhang Yabo; Director Wang Dayong; Director Ni Xiaoming; Director Chen Yuzhong; Independent director Shi Jianhui; Director Zhang Shaobo	1	March 13, 2022	Deliberation of the development plan of the Company in 2022.			

VIII. Performance of duties by the Supervisory Committee

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

☐ Yes ☒ No

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	3,382
Number of incumbent employees in major subsidiaries	11,478
Number of incumbent employees	14,860

Number of employees receiving salaries in current period	14,860
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	0
Professional structure	
Tier	Number of employees
Production staff	9,776
Sales staff	548
Technical staff	2,243
Financial staff	314
Administrative Staff	1,979
Total	14,860
Educational background	
Educational background	Number of employees
Master and above	543
Bachelor	3,245
College	3,283
Others	7,789
Total	14,860

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Bonus share issued per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	2.00
Total capital share basis for the distribution proposal (share)	3,584,860,398
Total cash dividend (RMB) (tax inclusive)	716,972,079.60

Cash dividend amount in other ways (such as share repurchase) (RMB)	104,563,062.00
Total cash dividends (including other ways) (RMB)	821,535,141.60
Distributable profits (RMB)	1,335,689,278.94
Percentage of cash dividends in the total distributed profit (%)	100%
Cash dividends	
Other	
Detailed description of profit distribution or capital reserves conversion plan	
Based on the provisional share capital of 3,584,860,398 shares on April 20, 2023, cash dividend of RMB 2.00 (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. A total of 716,972,079.60 yuan will be distributed, and the remaining undistributed profits of the Company will be carried forward to the next year.	
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.	
Note: As of April 20, 2023, the share capital of the Company was 3,590,869,858 shares, of which the number of repurchased shares is 6,009,460. 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.	

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 May 9, 2022, the Company held the 4th interim meeting of the 7th board of directors and the 4th interim meeting of the 7th board of supervisors respectively, in which *Proposal on adjusting the repurchase price of 2020 restricted stock incentive plan*, *Proposal on repurchase and cancellation of some restricted stocks* and *Proposal on the achievement of unlocking condition during the second vesting period of the restricted stock incentive plan in 2020* were approved. The listing date of the restricted shares was May 19, 2022. The number of shareholders qualified for unlocking condition was 844. A total of 4.4343 million shares were released, accounting for 0.1235% of the total share capital.
- (2) On May 25, 2022, the second extraordinary general meeting of shareholders in 2022 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 268,450 restricted shares held by unqualified incentive objects in the 2020 restricted stock incentive plan.

2. In 2022, the Company launched the 2022 restricted stock incentive plan and stock appreciation rights incentive plan, granting 10.33 million restricted shares to 1,366 incentive objects and granting 485,000 stock appreciation rights to 41 incentive objects. The grant date of this equity incentive plan was May 31, 2022. The grant price of restricted shares and stock appreciation rights was RMB 10 per share, and the listing date was June 30, 2022.

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 reporting 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, General manager								91,000	39,000	80,000	10	132,000
Chen Yuzhong	Director, chief engineer								91,000	39,000	80,000	10	132,000
Ni Xiaoming	Director								91,000	39,000	70,000	10	122,000
Hu Kaicheng	Vice president, Secretary of the board of directors								91,000	39,000	80,000	10	132,000
Yu Yingkui	Vice president, CFO								91,000	39,000	80,000	10	132,000
Total	--	0	0	0	0	--	0	--	455,0	195,0	390,0	--	650,0

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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 formulated the *Foreign Exchange Hedging Business Management System* to improve the safety of the Company's foreign exchange hedging business and reduce the impact of exchange rate fluctuations on the Company's daily operations.

Meanwhile, 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 full text of self-evaluation report on internal control	April 29, 2023	
Disclosure index of full text of self-evaluation report on internal control	Self-evaluation Report on Internal Control of the Company in 2022 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, 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. 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	Significant deficiency: The possibility of defects is high, which will significantly reduce the work efficiency or effect, or significantly increase the uncertainty of the effect, or make it significantly deviate from the expected goal. Important defects: Defects are more likely to occur, which will seriously reduce the work efficiency or effect, or seriously increase the uncertainty of the effect, or make it seriously deviate from the expected goal. General defects: The probability of defects is small, which will reduce the efficiency or effect, increase the uncertainty of the effect, or make it deviate from the expected goal.

	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. General deficiency: General defects other than the above-mentioned.	
Quantitative criteria	The quantitative standard is based on the percentage of potential misstatements of pre-tax profit. Significant deficiency: This defect alone or together with other defects may cause the misstatement of financial report to exceed 10% of the profit before tax. Important defects: This defect alone or together with other defects may cause the misstatement of financial report to exceed 5% but less than 10% of the profit before tax. General defects: This defect alone or together with other defects may cause the misstatement of financial report less than 5% of the profit before tax.	The quantitative standard is based on the percentage of potential misstatements of pre-tax profit. Significant deficiency: This defect alone or together with other defects may cause the misstatement of financial report to exceed 10% of the profit before tax. Important defects: This defect alone or together with other defects may cause the misstatement of financial report to exceed 5% but less than 10% of the profit before tax. General defects: This defect alone or together with other defects may cause the misstatement of financial report less than 5% of the profit before tax.
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 2022 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 internal control audit report	April 29, 2023
Disclosure index of full text of internal control audit report	2022 Internal Control Audit Report (www.cninfo.com.cn)
Internal control audit opinion	Standard unqualified audit opinion

Whether there are material weakness of non-financial report	No
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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)*, 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)*.

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 August 2020, the Company obtained the national emission permit.
2. Since 2013, Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. has invested in Xialiquan of Xinchang County, and has obtained 6 EIA permits. All the projects have passed. In July 2020, the Company obtained the national version of the pollution discharge license. In June 2022, it was relocated to the new factory of Daming City, and the production entity was changed to Zhejiang Sanhua Commercial Refrigeration Co., Ltd. The new company has obtained a pollution discharge permit.

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 Intelligent Controls Co., Ltd	Waste water	COD	Sewer system	1	North	≤ 500mg/L	The limitation of COD in GB8978-1996	45.19T	61.867 T/year	Not exceeding the standard

							<i>Integrated Wastewater Emission Standard is 500mg / L</i>			
Zhejiang Sanhua Intelligent Controls Co., Ltd	Waste water	Ammonia Nitrogen	Sewer system	1	North	$\leq 35\text{mg/L}$	The limitation listed in DB33/887-2013 <i>Indirect Emission Limits of Nitrogen and Phosphorus Pollutants from Industrial Wastewater</i> is 35mg / L	4.52T	6.186 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Waste gas	SO ₂	Direct emission	1	North	$\leq 50\text{mg/m}^3$	The limitation listed in GB13271-2014 Emission Standard of Air Pollutants for Boilers is 50mg/m ³	0.15T based on the test report	2.15 T /year	Not exceeding the standard
Zhejiang Sanhua Intelligent Controls Co., Ltd	Waste gas	Nitrogen Oxide	Direct emission	1	North	$\leq 50\text{mg/m}^3$	According to the low Nitrogen emission requirements of local government, the limit value of	0.84T based on the test report	10.06 T /year	Not exceeding the standard

							gas-fired boiler is 50mg / m ³			
Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd	Waste water	COD	Sewer system	1	South	$\leq$ 500mg/l	The limitation from GB8979-1996 is 500mg / L	5.235T	9.205 T /year	Not exceeding the standard
Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd	Waste water	Total Copper	Sewer system	1	South	$\leq$ 2.0mg/l	The limitation from GB8979-1996 is 2.0mg/l	0.052T	/	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.

1. In terms of waste water treatment, the Company responded to the construction of "five water treatment", "eliminating inferior V-type water" and "zero direct discharge of sewage" in the whole province. The Company renovated the rainwater and sewage outlets in the factory area, implemented the separation of rainwater and sewage, and installed cut-off valves and video monitoring equipment at the Company's rainwater discharge outlets, and collected and treated the early rainwater. There are two wastewater treatment stations in the factory. The sewage treatment stations have been equipped with standardized sewage outlets and set up discharge outlet signs. Online monitoring device, solenoid valve flowmeter and card swiping sewage system are installed at the discharge outlet, which has been connected with the environmental protection department. The monitoring indicators include pH, COD, total copper, total zinc and flow. Wastewater treatment: The Company has entrusted a third-party professional treatment unit for treatment. The discharge indicators of the Company's internal control wastewater are stricter than the environmental discharge standard. The final treated wastewater is discharged into the sewage collection pipe network of the industrial zone and sent to Shengxin sewage treatment plant for retreatment.
2. Waste gas treatment: The Company has acid pickling, electroplating waste gas, welding dust, ultrasonic cleaning and other waste gas. All kinds of waste gas discharge cylinders are equipped with corresponding waste gas treatment devices. The acid pickling and electroplating waste gas absorption and treatment tower is installed with automatic dosing system, and the waste gas is discharged to air after treatment. At the same time, in order to win the blue-sky defense activity, the Company carried out low Nitrogen emission transformation of the

Company's gas boilers in accordance with the requirements of relevant official departments in 2019. 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.

3. Solid waste and soil treatment: all kinds of hazardous waste of the Company are entrusted to the third qualified party for disposal, the general solid waste with utilization value is recycled, the domestic waste is cleared and transported by the environmental sanitation station, and the construction waste is cleaned and transported by the construction unit. 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.
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 April 2021, and filed with Xinchang Environmental Protection Bureau on June 10, 2021 (Record No. 330624-2021-06-M).
2. In order to manage environmental emergencies and reduce the environmental hazards caused by sudden environmental pollution accidents, Zhejiang Sanhua Climate & Appliance Controls Group Co.,Ltd. re-compiled *Emergency Response Plan for Environmental Pollution Accidents of Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (simplified version)* in October 2018, which was filed with Xinchang County Environmental Protection Bureau on October 29, 2018 (Record No. 3306242018013).

Environmental self-monitoring program

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

Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. has good pollutant emission monitoring and

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

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 19.4025 million yuan.

Measures and effects in reducing carbon emissions during the reporting period

☒ Applicable ☐ Not applicable

1. 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 recycled aluminum, etc.), recyclable materials, and miniaturized design while ensuring technical requirements.

2. 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. 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. 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. 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. 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, India, Hangzhou, Wuhu, Zhongshan, and other areas.

Administrative penalties for environmental problems during the reporting period

Not applicable

Other environmental information that should be disclosed

Not applicable

Other environmental information

Not applicable

II. Social responsibility

Please refer to the *2022 Social Responsibility 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 st 2005	Long term	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 th , 2009	Long term	Strict performance
	Zhang Daocai, controlling shareholder Sanhua Holding Group Co., Ltd.	Commitment on horizontal competition, related party transactions and capital occupation	Sanhua Holding Group promises: after the completion of this transaction, Sanhua Holding Group and Sanhua intelligent controls will sign an agreement according to law, perform legal procedures, fulfill the obligation of information disclosure and handle significant matters for approval in accordance with relevant laws, regulations, 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 th , 2009	Long term	Strict performance
	Zhang Daocai,	Commitment	In order to avoid horizontal competition with Sanhua	July 24 th ,	Long term	Strict

	Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd., Zhejiang Sanhua Lvneng Industrial Group Co., Ltd.	on horizontal competition, related party transactions and capital occupation	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: 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. 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. 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. 4. In case of breach of the above commitment, I (or the	2015		perform ance
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			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	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: 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; 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. 3. If there are necessary and unavoidable related party transactions, I (or the Company) and the controlled enterprises will sign agreements with Sanhua intelligent controls in accordance with the principles of fairness, follow legal procedures, and perform the information disclosure obligations in accordance with the requirements of relevant laws, regulatory documents and the articles of association. It shall also perform relevant internal decision-making and approval procedures to ensure that it will not conduct transactions with Sanhua intelligent controls on terms that are obviously unfair compared with the market price, and will not use such transactions to engage in any behavior that damages the legitimate rights and interests of Sanhua intelligent controls and other	July 24 th , 2015	Long term	Strict performance

			shareholders.			
	Zhang Daocai, Zhang Yabo, Zhang Shaobo, controlling shareholder Sanhua Holding Group Co., Ltd.	Other Commitment	Zhang Daocai, Zhang Yabo, Zhang Shaobo and Sanhua holding Group, the controlling shareholder of the Company, made the following commitments: after the completion of the transaction, Sanhua intelligent controls will continue to improve the corporate governance structure and independent operation of the Company management system in accordance with the requirements of relevant laws and regulations and the articles of Association, and continue to maintain the independence of Sanhua intelligent controls in business, assets, finance, institutions, personnel, etc. to protect the interests of all shareholders.	July 24 th , 2015	Long term	Strict performance
	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	1. I (or the Company) and the controlled enterprises will reduce the related party transactions with Sanhua intelligent controls as far as possible, and will not use the position as a shareholder of Sanhua intellectual controls to seek the superior rights for business cooperation with Sanhua intelligent controls compared with other third parties; 2. I (or the Company) will not use my position as a shareholder of Sanhua intellectual controls to seek for the priority right to cooperate with Sanhua intellectual controls; 3. If there are necessary and unavoidable related 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	September 18 th , 2017	Long term	Strict performance

			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	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. 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. 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	September 18 th , 2017	Long term	Strict performance

			opportunity within a reasonable period specified in the notice, it shall do its best to give the business opportunity to Sanhua intelligent controls. 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.	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 th , 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 th 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 commitments fulfilled on time	Yes					

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

☐ Applicable ☒ Not applicable

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

Changes in accounting policies caused by changes in corporate accounting standards

1. Starting from January 1, 2022, the Company has implemented the *Interpretation of Enterprise Accounting Standards No. 15* issued by the Ministry of Finance, which stipulates the accounting treatment of external sales of products or by-products produced by enterprises before or during the research and development process of fixed assets reaching their intended usable state. This accounting policy change has no impact on the Company's financial statements.

2. Since January 1, 2022, the Company has implemented the *Interpretation of Enterprise Accounting Standards No. 15* issued by the Ministry of Finance on the judgment of loss contracts. This accounting policy change has no impact on the Company's financial statements.

3. Since November 30, 2022, the Company has implemented the *Interpretation of Enterprise Accounting Standards No. 16* issued by the Ministry of Finance, which stipulates the accounting treatment for the income tax impact of dividends related to financial instruments classified as equity instruments by issuers. This accounting policy change

has no impact on the Company's financial statements.

4. Starting from November 30, 2022, the Company has implemented the *Interpretation of Enterprise Accounting Standards No. 16* issued by the Ministry of Finance, which stipulates that the accounting treatment for enterprises to modify cash settled share-based payments to equity settled share-based payments. This accounting policy change 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 of subsidiaries	Equity acquisition method	Date of equity acquisition	Actual capital contribution at the end of the period	Proportion of capital contribution
Sanhua New Energy Thermal Management Technology (Hangzhou) Co., Ltd.	Investment and establishment	2022-03-30	50,000,000.00	100%
Sanhua Heat Exchanger (Zhengzhou) Co., Ltd.	Investment and establishment	2022-04-12	7,000,000.00	100%
Zhejiang Sanhua Minshi Automotive Components Co., Ltd.	Investment and establishment	2022-08-30	51,000,000.00	51%
Tianjin Sanhua Automotive Components Co., Ltd.	Investment and establishment	2022-11-15	0.00	100%
Leaderway USA INC.	Investment and establishment	2022-09-19	0.00	100%
Sanhua Automotive Poland Sp.Zoo	Investment and establishment	2022-11-30	PLN 5,000.00	100%

2. Reduction in consolidation scope

Name of subsidiaries	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
SANHUA INTERNATIONAL LATAM SpA	Liquidation and cancellation	2022-9-20	-534,080.13	0.00

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)	267
Consecutive years of the audit service provided by the domestic CPA firm	22

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 4 consecutive years Zhang Xin has been in service for 2 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

1. 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 200,000 yuan.
2. From 2021 to 2022, due to the Company's issuance of convertible bonds, Zhejiang Securities Co., Ltd. was hired, and a total of 11 million yuan (tax inclusive) was paid during the period.

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 Their Execution

1. Matters on trusteeship, contracting, and leasing

(1) Trusteeship

☐Applicable ☒Not applicable

No such case in the reporting period.

(2) Contracting

☐Applicable ☒Not applicable

No such case in the reporting period.

(3) Leasing

√Applicable □ Not applicable

Illustration of lease

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 INTERNATIONAL SINGAPORE PTE. LTD.	April 3, 2019	132,000	July 5, 2019	11,134.35	Joint liability guarantee			2019.07.05-2022.06.20	Yes	No
SANHUA INTERNATIONAL, INC.	April 3, 2019	30,000	December 9, 2019	21,590.26	Joint liability guarantee			2019.12.09-2022.12.09	Yes	No

SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2020	150,000	June 12, 2020	7,500	Joint liability guarante e			2020.06. 12- 2022.12. 25	Yes	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	April 29, 2020	150,000	February 10, 2021	9,649.77	Joint liability guarante e			2021.02. 10- 2022.02. 10	Yes	No
SANHU A INTER NATIO NAL,IN C.	March 27, 2021	50,000	June 24, 2021	10,446.9	Joint liability guarante e			2021.06. 24- 2022.06. 16	Yes	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	March 27, 2021	180,000	Septemb er 14, 2021	7,422.9	Joint liability guarante e			2021.09. 14- 2022.08. 30	Yes	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	March 27, 2021	180,000	October 25, 2021	6,964.6	Joint liability guarante e			2021.10. 25- 2022.01. 25	Yes	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	October 26, 2021	180,000	Novemb er 2, 2021	7,422.9	Joint liability guarante e			2021.11. 02- 2022.04. 22	Yes	No
SANHU A INTER NATIO NAL SINGAP ORE	October 26, 2021	180,000	Novemb er 23, 2021	6,964.6	Joint liability guarante e			2021.11. 23- 2022.02. 22	Yes	No

PTE. LTD.										
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	October 26, 2021	180,000	November 24, 2021	6,964.6	Joint liability guarantee			2021.11. 24- 2022.02. 24	Yes	No
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	October 26, 2021	180,000	January 26, 2022	6,964.6	Joint liability guarantee			2022.01. 26- 2022.11. 24	Yes	No
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	October 26, 2021	180,000	February 11, 2022	9,649.77	Joint liability guarantee			2022.02. 11- 2023.02. 10	Yes	No
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	October 26, 2021	180,000	February 25, 2022	6,964.6	Joint liability guarantee			2022.02. 25- 2022.11. 24	Yes	No
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	No	No
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	March 25, 2022	230,000	April 23, 2022	6,964.6	Joint liability guarantee			2022.04. 23- 2022.05. 06	Yes	No
SANHUA	March 25, 2022	230,000	April 23, 2022	7,422.9	Joint liability			2022.04. 23-	Yes	No

INTER NATIO NAL SINGAP ORE PTE. LTD.					guarante e			2022.05. 06		
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	March 25, 2022	230,000	May 10, 2022	7,422.9	Joint liability guarante e			2022.05. 10- 2022.11. 10	Yes	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	March 25, 2022	230,000	May 10, 2022	3,711.45	Joint liability guarante e			2022.05. 10- 2023.05. 10	No	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	March 25, 2022	230,000	May 23, 2022	1,392.92	Joint liability guarante e			2022.05. 23- 2023.05. 23	Yes	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	March 25, 2022	230,000	May 23, 2022	5,571.68	Joint liability guarante e			2022.05. 23- 2023.05. 23	No	No
SANHU A INTER NATIO NAL,IN C.	March 25, 2022	50,000	June 17, 2022	10,446.9	Joint liability guarante e			2022.06. 17- 2023.06. 09	No	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	Septemb er 5, 2022	7,422.9	Joint liability guarante e			2022.09. 05- 2023.09. 04	No	No

SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	October 19, 2022	9,649.77	Joint liability guarante e			2022.10. 19- 2023.10. 18	No	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	October 21, 2022	5,196.03	Joint liability guarante e			2022.10. 21- 2023.10. 20	No	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	October 21, 2022	5,196.03	Joint liability guarante e			2022.10. 21- 2023.10. 20	No	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	October 26, 2022	4,453.74	Joint liability guarante e			2022.10. 26- 2023.10. 25	No	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	Novemb er 11, 2022	7,422.9	Joint liability guarante e			2022.11. 11- 2023.05. 10	No	No
SANHU A INTER NATIO NAL SINGAP ORE PTE. LTD.	August 13, 2022	240,000	Novemb er 21, 2022	7,422.9	Joint liability guarante e			2022.11. 21- 2023.11. 20	No	No
SANHU A INTER NATIO	August 13, 2022	240,000	Novemb er 21, 2022	6,964.6	Joint liability guarante e			2022.11. 21- 2023.11. 20	No	No

NAL SINGAPORE PTE. LTD.										
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	November 25, 2022	13,929.2	Joint liability guarantee			2022.11.25-2023.11.24	No	No
SANHUA INTERNATIONAL SINGAPORE PTE. LTD.	August 13, 2022	240,000	December 20, 2022	6,964.6	Joint liability guarantee			2022.12.20-2023.12.19	No	No
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)		413,000		Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2)		144,951.16				
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)		413,000		Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (B4)		98,168.87				
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)		413,000		Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)		144,951.16				
Total Amount of Guarantees Approved by the		413,000		Total Balance of Guarantees Actually Paid at the End of		98,168.87				

End of the Reporting Period (A3+B3+C3)		the Reporting Period (A4+B4+C4)	
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets			7.59%
Of which:			
Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)			10,446.9
Total Amount of the Above Three Guarantees (D+E+F)			10,446.9

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	20,000	10,000		
Total		20,000	10,000		

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 period	Actual recovery of profit and loss in the reporting period	Amount of provision for impairment (if any)	Through legal procedures or not	Future entrusted financial management plan or not	Event overview and relevant index (if any)
China Construction Bank Xinchang Branch	Bank	China Construction Bank Zhejiang Branch Customized Unit Structured Deposit, Phase 303, 2021	10,000	Own funds	July 2, 2021	June 30, 2022		Floating income with guarantee of principal	3.80%		313.7	313.70		Yes	-	
BNP Paribas (China) Limited Shanghai Branch	Bank	12 month maturity, RMB structured deposits linked to a basket of customized indices	5,000	Own funds	June 16, 2022	June 13, 2023		Floating income with guarantee of principal						Yes	-	
JP Morgan Chase Bank (China) Co., Ltd. Shanghai Branch	Bank	100% guaranteed structured deposits in the JPMorgan XRP index	5,000	Own funds	June 27, 2022	June 27, 2023		Floating income with guarantee of principal						Yes	-	
Bank of Communications	Bank	Structured deposit for 35	7,000	Own funds	July 1, 2022	August 5, 2022		Floating income with	3.33%		21.09	21.09		Yes	-	

Shaoxing Xinchang Branch		days						guarant ee of principa l								
Total			27,000 2								334.79					

Note 2: The accumulated financial management is 286.64 million yuan during the reporting period. The above mentioned are the specific circumstances of the single significant financial management (single amount of more than 50 million yuan)

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. Relocation of the Company's Xialiquan factory

Please refer to the Company's disclosure (2022-070) (2022-119) (2023-006) (2023-009) on CNINFO. We will closely follow the progress of the remaining funds and timely fulfill information disclosure obligations based on the progress.

2. Repurchase of shares of the Company

October 26, 2022, the 8th extraordinary meeting of the 7th board of directors deliberated and approved the *Proposal on share repurchase scheme of the Company*, which agreed the Company to buy back part of the Company's shares through centralized bidding through the secondary market with its own funds for subsequent implementation of equity incentive or employee stock ownership plan. The total capital of this repurchase shall not be less than 200 million yuan and not more than 400 million yuan, the repurchase price shall not exceed 36.00 yuan / share, and the repurchase period shall be within 12 months from the date approved by the board of directors of the Company. Please refer to the Company's disclosure on CNINFO on October 27, 2022.

By the end of the reporting period, the number of shares repurchased by the Company through the special securities account for stock repurchase through centralized bidding transaction was 1,395,400 shares, accounting for 0.0389% of the Company's current total share capital. The highest transaction price was 21.97 yuan / share, the lowest transaction price was 21.09 yuan / share, and the total value of was 29,993,731 yuan (excluding transaction fees).

3. Proposed to issue Global Depositary Receipts (GDR) and apply for listing on the Swiss Stock Exchange

In order to meet the needs of the Company's domestic and international business development, expand its international financing channels, and further promote its global development strategy, the Company proposed to issue Global Depositary Receipts (GDR) and apply for listing on the Swiss Stock Exchange. Please refer to the Company's disclosure on CNINFO on November 29, 2022.

XVII. Significant Events of the Company's Subsidiaries

☐ Applicable ☒ Not applicabl

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)	50,350,161	1.40%				12,916,180	12,916,180	63,266,341	1.76%
1) Shares held by states									
2) Shares held by state-owned enterprises									
3) Other domestic ownership	50,072,611	1.39%				12,970,730	12,970,730	63,043,341	1.75%
Of which: Shares held by domestic legal person									
Shares held by domestic natural person	50,072,611	1.39%				12,970,730	12,970,730	63,043,341	1.75%
4) Foreign ownership	277,550	0.01%				-54,550	-54,550	223,000	0.01%
Of which: Shares held by overseas legal person									
Shares held by overseas natural person	277,550	0.01%				-54,550	-54,550	223,000	0.01%
2. Shares without restriction	3,540,901,127	98.60%				-13,298,003	-13,298,003	3,527,603,124	98.24%
1) RMB common shares	3,540,901,127	98.60%				-13,298,003	-13,298,003	3,527,603,124	98.24%
3. Total	3,591,251,288	100.00%				-381,823	-381,823	3,590,869,465	100.00%

Reason for the changes in share capital

√ Applicable □ Not applicable

1. At the beginning of each year, the number of locked shares of the executives is re-calculated according to 75% of the total number of shares held by the executives.
2. According to the restricted stock incentive plan of the Company in 2022, the Company granted 17.585 million restricted stocks to 1,366 incentive objects. The shares came from the Company's repurchase account. Thus, the tradable shares were converted into restricted shares.
3. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects, totaling of 429,520.
4. On May 19, 2022, the second vesting period of restricted stock incentive plan in 2020 was mature. A total of 4.4343 million restricted stocks of 844 eligible incentive objects were listed and circulated.
5. From January 1, 2022 to December 31, 2022, the "Sanhua Convertible Bond" decreased by 1,022,200 yuan (10,222 pieces) due to equity conversion, with a total of 47,697 converted shares.

Approval for changes in share capital

√ Applicable □ Not applicable

1. On November 16, 2021, the 4th extraordinary general meeting of shareholders in 2021 was held, in which the *Resolution on repurchase and cancellation of some restricted stocks* was approved. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects, totaling of 161,070 shares.
2. According to the restricted stock incentive plan in 2022, the Company granted 17.585 million restricted stocks to 1,366 incentive objects at a grant price of 10 yuan per share. The grant date was May 31, 2022. The specific grant approval conditions are as follows:

(1). On May 9, 2022, the 4th extraordinary meeting of the 7th board of directors and the 4th extraordinary meeting of the 7th board of supervisors of the Company deliberated and approved the *Proposal on the 2022 Restricted stock Incentive Plan of Zhejiang Sanhua Intelligent Controls Co., Ltd. (Draft) and its abstract, Proposal on the Implementation and Assessment Management Measures for the 2022 Equity Incentive Plan of Zhejiang Sanhua Intelligent Controls Co., Ltd., Proposal on Requesting the General Meeting of shareholders to Authorize the Board of Directors to Handle Matters Related to the 2022 Equity Incentive Plan*, etc. The independent directors of the Company expressed clear independent opinions on matters related to this incentive plan. The board of supervisors verified the list of incentive recipients in this incentive plan and issued verification opinions.

(2). On May 20, 2022, the Company disclosed the *Verification Opinions on the Publicity of the List of Incentive Objects Granted in the 2022 Equity Incentive Plan by the Supervisory Board*.

(3). On May 25, 2022, the 2nd extraordinary general meeting of shareholders in 2022 deliberated and approved the *Proposal on the 2022 Restricted stock Incentive Plan of Zhejiang Sanhua Intelligent Controls Co., Ltd. (Draft) and its abstract, Proposal on the Implementation and Assessment Management Measures for the 2022 Equity Incentive Plan of Zhejiang Sanhua Intelligent Controls Co., Ltd., and Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to the 2022 Equity Incentive Plan*.

(4). On May 31, 2022, the 5th extraordinary meeting of the 7th board of directors and the 5th extraordinary meeting of the 7th board of supervisors of the Company deliberated and approved *Proposal on Adjusting Matters Related to the Incentive Plan of Restricted stock in 2022, Proposal on Granting Restricted stock to Incentive Objects of the Company's Restricted stock Incentive Plan in 2022*. Independent directors expressed independent opinions on the above adjustments and granting matters. The Board of Supervisors verified the relevant adjustment items and the list of incentive objects granted restricted stocks.

3. On May 9, 2022, the 4th extraordinary meeting of the 7th board of directors and the 4th extraordinary meeting of the 7th board of supervisors of the Company deliberated and approved *Proposal on Adjusting the Repurchase Price*

of Restricted stock Incentive Plan in 2020 and Proposal on the Achievement of Unlocking Conditions for the Second Vesting Period of the Restricted Stock Incentive Plan in 2020. The number of shareholders eligible for unlocking is 844, and the number of unlocked shares is 4.4343 million

4. On May 25, 2022, the 2nd extraordinary general meeting of shareholders in 2022 deliberated and approved the *Proposal on Repurchase and Cancellation of Some Restricted stock*. The Company repurchased and cancelled all or part of the restricted stocks held by unqualified incentive objects, totaling 268,450 shares.

5. On 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 day (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 2022, the Company repurchased 429,520 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	0	39,023,400	Comply with the relevant provisions of executives shares management	Comply with the relevant provisions of executives shares management
Wang Dayong	192,562	80,000	0	272,562	Comply with relevant provisions of equity incentive	Comply with relevant provisions of equity incentive

					and executive shares management.	and executive shares management.
Ni Xiaoming	192,562	70,000	0	262,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Chen Yuzhong	192,562	80,000	0	272,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Hu Kaicheng	192,562	80,000	0	272,562	Comply with relevant provisions of equity incentive and executive shares management.	Comply with relevant provisions of equity incentive and executive shares management.
Yu Yingkui	216,042	80,000	0	296,042	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	10,321,220	17,195,000	4,668,820	22,847,400	Comply with relevant provisions of equity incentive	Comply with relevant provisions of equity incentive
Total	50,350,161	17,585,000	4,668,820	63,266,341	--	--

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. On November 16, 2021, the 4th extraordinary general meeting of shareholders in 2021 deliberated and passed the *Proposal on Repurchase and Cancellation of Some Restricted stock*. The Company repurchased and cancelled all or part of the restricted stock held by unqualified incentive objects, totaling 161,070 shares.
2. According to the 2022 restricted stock incentive plan, the Company granted 17.585 million restricted stocks to 1,366 incentive objects at a price of 10 yuan per share on May 31, 2022.
3. On May 25, 2022, the 2nd extraordinary general meeting of shareholders in 2022 was held, in which *Proposal on repurchase and cancellation of some restricted shares* was approved. The Company repurchased and cancelled 268,450 restricted shares held by unqualified incentive objects.
4. On 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 day (December 7, 2021) after six months from June 7, 2021 (end of issuance), to the maturity date of the convertible bond (May 31, 2027). From January 1, 2022 to December 31, 2022, the "Sanhua Convertible Bond" decreased by 1,022,200 yuan (10,222 pieces) due to equity conversion, with a total of 47,697 converted shares.

3. Existent shares held by internal staff of the Company

□ Applicable √ Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total Number of Common Shareholders at the End of the Reporting Period	66,015	Total number of common shareholders at the end of previous month before the disclosure date of the annual report	59,753	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							

Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of common shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or frozen	
							Status	Amount
Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	27.26%	978,865,785	-78,379,964		978,865,785	Pledged	76,076,052
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	Domestic non-state-owned corporation	20.57%	738,587,954	-4,160,000		738,587,954		
Hong Kong Central Clearing Limited	Overseas corporation	15.25%	547,638,889	-266,958,565		547,638,889		
Zhang Yabo	Domestic Individual	1.09%	39,024,200	-13,007,000	39,023,400	800		
Hangzhou Zhichun Investment Management Co., Ltd. - Zhichun Selected Phase I Private Equity Securities Investment Fund	Others	1.04%	37,326,162	37,326,162		37,326,162		
#Fang Deji	Domestic Individual	0.97%	34,952,926	34,952,926		34,952,926		
Industrial and Commercial Bank of China Limited - GF Multi Factor Flexible Allocation Hybrid Securities Investment Fund	Others	0.87%	31,406,574	31,406,574		31,406,574		
Abu Dhabi Investment Authority	Overseas corporation	0.62%	22,298,982	-1,864,578		22,298,982		

China Merchants Bank Corporation - Quanguo Xuyuan Three Year Holding Period Hybrid Securities Investment Fund	Others	0.59%	21,298,042	21,298,042		21,298,042		
Fang Wenjun	Domestic Individual	0.57%	20,362,377	20,362,377		20,362,377		
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.	978,865,785					RMB common stock	978,865,785	
Zhejiang Sanhua Lvneng Industrial Group Co., Ltd	738,587,954					RMB common stock	738,587,954	
Hong Kong Central Clearing Limited	547,638,889					RMB common stock	547,638,889	
Hangzhou Zhichun Investment Management Co., Ltd. - Zhichun Selected Phase I Private Equity Securities Investment Fund	37,326,162					RMB common stock	37,326,162	
#Fang Deji	34,952,926					RMB common stock	34,952,926	
Industrial and Commercial Bank of China Limited - GF Multi Factor Flexible Allocation	31,406,574					RMB common stock	31,406,574	

Hybrid Securities Investment Fund			
Abu Dhabi Investment Authority	22,298,982	RMB common stock	22,298,982
China Merchants Bank Corporation - Quanguo Xuyuan Three Year Holding Period Hybrid Securities Investment Fund	21,298,042	RMB common stock	21,298,042
Fang Wenjun	20,362,377	RMB common stock	20,362,377
Kuwait Investment Authority	19,019,504	RMB common stock	19,019,504
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)	Fangdeji holds 18,304,526 shares through ordinary securities account, and 16,648,400 shares through customer credit transaction guarantee securities account of Guotai Jun'an Securities Co., Ltd., with a total of 34,952,926 shares.		

Note: On April 14, 2023, Zhejiang Sanhua Lvneng Industrial Group Co., Ltd. pledged 150 million shares due to the issuance of exchangeable corporate bonds.

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	911330624720002522J	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

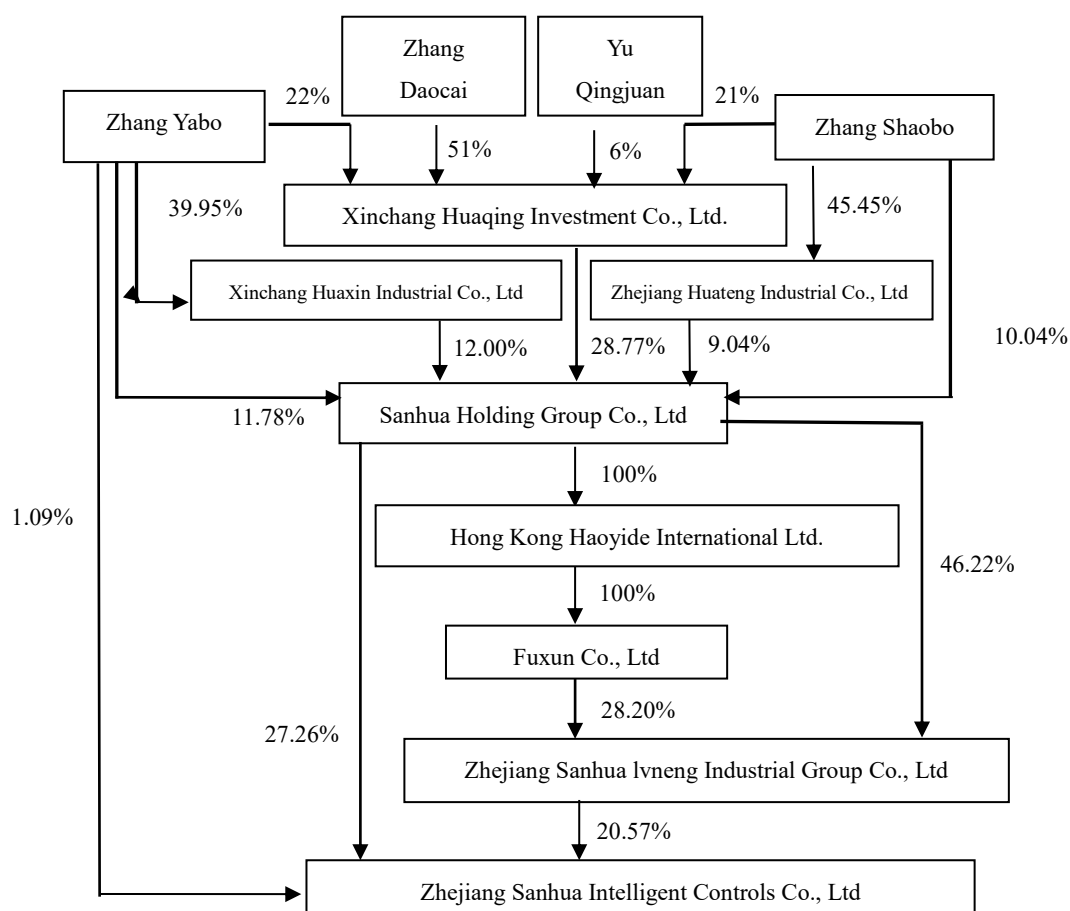
Name of the actual controller	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Zhang Daocai	Himself	China	No
Zhang Yabo	Himself	China	No
Zhang Shaobo	Himself	China	No
Main occupation and position	Mr. Zhang Daocai: Chinese 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. Mr. Zhang Yabo: Chinese nationality, CPC member, born in 1974, graduated from Shanghai Jiaotong University, received a master's degree in Business Administration from CEIBS. At present, he is the chairman of the board of the Company, Secretary of the Party committee of Sanhua holding group, vice chairman and director of the board of Sanhua Holding Group Co., Ltd. He has successively won Zhejiang outstanding young private entrepreneurs, Zhejiang operation and management masters, Senior economist, Shaoxing labor model, Shaoxing top ten outstanding young people, Shaoxing mayor award, Changjiang River Delta top ten outstanding young businessmen, Fengyun Zhejiang businessmen, Zhejiang outstanding entrepreneurs, glorious Zhejiang businessman, etc. He served as a representative to the 14th National People's Congress, the 13th Executive Committee Member of the China Federation of Industry and Commerce member of the 12th Zhejiang Provincial Committee of the Chinese people's Political Consultative Conference, Party Representative of the 15th Zhejiang Provincial Party Congress, vice chairman of Zhejiang Youth Federation, President of Zhejiang Youth Entrepreneurs Association, Vice President of Zhejiang Chamber of Commerce and Chairman Supervisor of the Zhejiang Chamber of Commerce. 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., General Manager and Director of Zhejiang Sanhua Lvneng Industrial Group Co., Ltd., General Manager of Hangzhou Sanhua International Building Co., Ltd., and executive director and General Manager of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd.		
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 is 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 Lveng 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
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				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.)
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6. Particulars on shareholding decrease restrictions for the controlling shareholders, actual controller, restructuring 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	Period to be repurchased	Repurchase purpose	Quantity repurchased (shares)	Proportion of repurchased shares in equity incentive plan shares (if any)
July 17, 2021	6,666,666-13,333,333	0.19%-0.37%	200 million yuan - 400 million yuan	July 17, 2021 - July 16, 2022	For equity incentive plan or employee stock ownership plan	12,415,964	100.00%
October 27, 2022	5,555,555-11,111,110	0.15%-0.31%	200 million yuan - 400 million yuan	October 27, 2022-October 26, 2023	For equity incentive plan or employee stock ownership plan	1,395,400	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 existed preferred shares for the Company during the current reporting period.

Section IX Bonds

√Applicable ☐ Not applicable

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

☐ Applicable √ Not applicable

II. Corporate bond

☐ Applicable √ Not applicable

III. Debt financing instruments of non-financial enterprises

☐ Applicable √ Not applicable

IV. Convertible bond

√ Applicable ☐ Not applicable

1. Previous Adjustments of Stock Conversion Price

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.

2. Share Conversions (Accumulative)

√Applicable ☐ Not applicable

Abbreviation of convertible bonds	Period of conversion	Total issued amount (piece)	Total issued amount	Cumulative amount of converted shares (yuan)	Cumulative number of converted shares (shares)	Proportion of the number of converted shares to the total issued shares of the	Amount of shares not yet converted (yuan)	Proportion of the amount of non-converted shares in the total amount of issuance
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						Company before the date of conversion		
Sanhua Convertible Bond	December 7, 2021 to May 31, 2027	30,000,000	3,000,000,0 00.00	1,554,300.0 0	72,307	0.00%	2,998,445,7 00.00	99.95%

3. Top 10 Holders of the Convertible Bond

Unit: Share

	Name of convertible bond holder	Nature of convertible bond holders	Number of convertible bonds held at the end of the reporting period (share)	Amount of convertible bonds held at the end of the reporting period (yuan)	Proportion of convertible bonds held at the end of the reporting period
1	Sanhua Holding Group Co., Ltd.	Domestic non-state-owned corporation	5,944,192	594,419,200.00	19.82%
2	Industrial and Commercial Bank of China Limited - Huitianfu Convertible Bond Securities Investment Fund	Others	1,179,909	117,990,900.00	3.94%
3	China Postal Savings Bank Co., Ltd. - Golden Eagle Endurance Yield Increasing Bond Securities Investment Fund (LOF)	Others	635,935	63,593,500.00	2.12%
4	Agricultural Bank of China Limited - Penghua Convertible Bond Securities Investment Fund	Others	626,411	62,641,100.00	2.09%
5	Fuguo Fuyi Enterprise Fixed Income Pension Product - Industrial and Commercial Bank of China Limited	Others	555,245	55,524,500.00	1.85%
6	China Minsheng Bank Co., Ltd. - Golden Eagle Min'an Return One Year Fixed Open Hybrid Securities Investment Fund	Others	479,868	47,986,800.00	1.60%
7	Industrial and Commercial Bank of China Limited - China National Offshore Environmental Protection New Energy Theme Flexible Allocation Hybrid Securities Investment Fund	Others	469,849	46,984,900.00	1.57%
8	Kunlun Health Insurance Co., Ltd. - Traditional Insurance Product 1	Others	375,008	37,500,800.00	1.25%
9	Industrial and Commercial Bank of China Limited - Golden Eagle Yuanfeng Bond Securities Investment Fund	Others	360,425	36,042,500.00	1.20%
10	Fangyuan Fund Management (Hong Kong) Limited - Fangyuan Enhanced Income Fund	Overseas corporation	329,580	32,958,000.00	1.10%

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

During the reporting period, CSCI Pengyuan issued the *Tracking Rating Report on the Public Issuance of Convertible Corporate Bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd. in 2022* on May 23, 2022, 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.

Please refer “Section IX Bond” for more details.

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	1.98	1.98	0.00%
Asset liability ratio	53.08%	52.36%	0.72%
Quick ratio	1.53	1.55	-1.29%
	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Net profit after deducting non-recurring profit and loss	229,145.05	148,749.13	54.05%
EBITDA total debt ratio	43.52%	33.77%	9.75%

Times interest earned ratio	14.08	15.08	-6.63%
Cash interest guarantee times	23.46	20.99	11.77%
EBITDA Time interest earned ratio	16.84	18.88	-10.81%
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 27, 2023
Name of audit firm	Pan-China Certified Public Accountants LLP
Document number of audit report	PCCPAAR [2023] No. 5878
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, 2022, 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, 2022, 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 (24), V (2) 1 and XIV (1) 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 2022, the amount of operating income of the Company is RMB 21.3475497 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;
- (8) We checked whether information related to operating revenue had been presented appropriately in the financial statements.

(II) Impairment of inventories

1. Matters description

Please refer to section III (10) and V (1) 8 of the notes to the financial statements for details.

As of December 31, 2022, the book balance of the Company's inventories amounted to RMB 4.4625207 billion, with provision for decline in value of inventories was RMB 127.6454 million.

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

2. Responsive audit procedures

Our main audit procedures for impairment of inventories are as follows:

- (1) We reviewed the design and execution of internal controls related to inventories;
- (2) We reviewed and evaluated the appropriateness of specific methods for provision for decline in value of inventories reserves;
- (3) We implemented on-site inventories inspection procedures and paid attention to the current status of inventories;
- (4) We checked the inventories accounts and identified the list of stagnant inventories through inventories age, turnover rate, and gross profit margin;
- (5) We obtained the calculation table for provision for decline in value of inventories reserves, and reviewed inventories impairment testing and procedures, and evaluated the reasonableness of provision for decline in value of inventories reserves.

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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the

financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant: Luo Xun chao

(Engagement Partner)

Hangzhou · China

Chinese Certified Public Accountant: Zhang Xin

Date of Report: April 27, 2023

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, 2022

Unit: RMB

Items	December 31,2022	January 1, 2022
Current asset:		
Cash and Bank Balances	5,878,243,652.55	6,707,721,861.13
Settlement funds		
Loans to other banks		
Held-for-trading financial assets	100,025,980.08	109,383,374.74
Derivative financial assets	8,938,874.05	54,640,365.03
Notes receivable	2,203,948,983.83	2,144,193,032.32
Accounts receivable	5,228,117,225.57	3,516,292,868.39
Receivable financing		
Advances paid	117,887,007.07	93,884,245.02
Premium receivable		
Reinsurance accounts receivable		
Reinsurance reserves receivable		
Other receivables	726,641,478.35	121,135,343.85
Including: Interest receivable		
Dividends receivable		
Repurchasing of financial assets		
Inventories	4,334,875,287.86	3,637,853,809.47
Contract assets		
Assets held for sales		
Non-current assets due within one year		
Other current assets	157,025,076.05	185,985,696.06
Total current assets	18,755,703,565.41	16,571,090,596.01
Non-current assets:		
Loans and advances paid		
Debt investments		
Other debt investments		
Long-term receivable	3,712,290.00	3,608,561.00
Long-term equity investments	32,438,204.13	22,680,930.51
Other equity instrument investments		
Other non-current financial assets		
Investment property	8,204,266.97	8,531,303.62
Fixed assets	6,374,896,070.41	4,232,706,801.07

Construction in progress	1,032,505,633.51	1,343,528,875.40
Productive biological assets		
Oil & gas assets		
Right-of-use assets	284,277,365.32	215,324,024.26
Intangible assets	727,263,351.69	696,390,544.36
Development expenditures		
Goodwill	7,591,830.61	7,591,830.61
Long-term prepayments	56,157,277.16	36,640,828.07
Deferred tax assets	221,158,674.48	153,262,506.84
Other non-current assets	457,305,626.59	328,609,958.16
Total non-current assets	9,205,510,590.87	7,048,876,163.90
Total assets	27,961,214,156.28	23,619,966,759.91
Current liabilities:		
Short-term borrowings	1,294,083,319.58	738,190,910.54
Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities	3,500,000.00	
Derivative financial liabilities	45,171,373.81	
Notes payable	2,580,274,767.64	1,891,526,333.48
Accounts payable	3,884,603,370.16	3,214,698,131.59
Advances received		
Contract liabilities	57,955,080.60	79,816,249.22
Selling of repurchased financial assets		
Absorbing deposit and interbank deposit		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee benefits payable	475,157,429.15	371,773,987.76
Taxes and rates payable	190,789,559.16	113,404,466.20
Other payables	354,255,114.06	172,923,251.10
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	568,126,341.67	1,763,342,887.58
Other current liabilities	2,007,578.03	5,276,677.78
Total current liabilities	9,455,923,933.86	8,350,952,895.25
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	1,801,574,166.67	801,461,958.89
Bonds payable	2,776,763,361.83	2,652,035,619.50
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	202,028,482.09	157,981,678.16

Long-term payables	4,831,202.13	
Long-term employee benefits payable		
Provisions		
Deferred income	254,044,715.64	156,831,834.71
Deferred tax liabilities	288,757,921.37	172,910,149.31
Other non-current liabilities	57,990,181.87	75,202,015.36
Total non-current liabilities	5,385,990,031.60	4,016,423,255.93
Total liabilities	14,841,913,965.46	12,367,376,151.18
Equity:		
Share capital	3,590,869,465.00	3,591,090,218.00
Other equity instruments	409,544,970.41	409,684,602.93
Including: Preferred shares		
Perpetual bonds		
Capital reserve	282,602,695.98	373,419,775.02
Less: Treasury shares	330,022,975.53	411,949,612.90
Other comprehensive income	-8,543,048.33	-129,410,847.39
Special reserve		
Surplus reserve	863,523,059.01	701,784,529.70
General risk reserve		
Undistributed profit	8,133,336,242.88	6,615,689,606.07
Total equity attributable to the parent Company	12,941,310,409.42	11,150,308,271.43
Non-controlling interest	177,989,781.40	102,282,337.30
Total equity	13,119,300,190.82	11,252,590,608.73
Total liabilities & equity	27,961,214,156.28	23,619,966,759.91

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

2. Parent Company Balance Sheet

Unit: RMB

Items	December 31, 2022	January 1, 2022
Current assets:		
Cash and bank balances	3,453,268,955.31	3,392,202,314.60
Held-for-trading financial assets	100,025,980.08	101,020,675.59
Derivative financial assets	3,754,234.25	794,800.00
Notes receivable	1,108,678,741.44	1,081,856,992.97
Accounts receivable	804,258,235.12	575,659,433.91
Receivables financing		
Advances paid	9,470,841.56	10,590,428.30
Other receivables	650,791,643.96	389,775,386.82
Including: Interest Receivable		
Dividends Receivable		19,000,000.00
Inventories	719,679,218.08	731,722,817.30
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		

Other current assets		
Total current assets	6,849,927,849.80	6,283,622,849.49
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivable	420,000.00	
Long-term equity investments	7,542,658,709.77	6,428,786,880.28
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	1,593,110,699.80	1,526,603,446.11
Construction in progress	36,026,798.77	73,592,261.61
Productive biological assets		
Oil & gas assets		
Right-of-use assets	11,493,242.24	
Intangible assets	142,723,611.23	153,726,187.34
Development expenditures		
Goodwill		
Long-term prepayments	2,396,803.91	2,526,712.00
Deferred tax assets	33,318,204.92	27,736,717.51
Other non-current assets	40,289,058.97	42,826,333.80
Total non-current assets	9,402,437,129.61	8,255,798,538.65
Total assets	16,252,364,979.41	14,539,421,388.14
Current liabilities:		
Short-term borrowings	199,743,666.65	
Held-for-trading financial liabilities		
Derivative financial liabilities	11,750.00	
Notes payable	510,877,753.94	588,779,423.55
Accounts payable	1,384,664,289.76	1,428,940,784.60
Advances received		
Contract liabilities	154,996.96	213,590.21
Employee benefits payable	111,391,004.02	107,620,422.34
Taxes and rates payable	45,225,803.58	20,645,647.29
Other payables	1,852,846,536.99	1,215,554,441.77
Including: interest payable		
Dividends Payable		
Liabilities classified as held for sale		
Non-current liabilities due within one year	503,606,063.10	1,431,477,411.53
Other current liabilities		
Total current liabilities	4,608,521,865.00	4,793,231,721.29
Non-current liabilities:		
Long-term borrowings	1,801,574,166.67	800,824,388.89
Bonds payable	2,776,763,361.83	2,652,035,619.50
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	8,472,484.42	
Long-term payables		

Long-term employee benefits payable		
Provisions		
Deferred income	49,178,671.24	35,807,671.23
Deferred tax liabilities	85,516,449.61	59,345,035.23
Other non-current liabilities		
Total non-current liabilities	4,721,505,133.77	3,548,012,714.85
Total liabilities	9,330,026,998.77	8,341,244,436.14
Equity:		
Share capital	3,590,869,465.00	3,591,090,218.00
Other equity instruments	409,544,970.41	409,684,602.93
Including: Preferred shares		
Perpetual bonds		
Capital reserve	1,180,826,355.13	1,267,607,857.61
Less: treasury shares	330,022,975.53	411,949,612.90
Other comprehensive income		
Special reserve		
Surplus reserve	735,430,886.69	573,097,357.38
Undistributed profit	1,335,689,278.94	768,646,528.98
Total equity	6,922,337,980.64	6,198,176,952.00
Total liabilities & equity	16,252,364,979.41	14,539,421,388.14

3. Consolidated Income statement

Unit: RMB

Items	Year 2022	Year 2021
I. Total operating revenue	21,347,549,741.00	16,020,809,805.52
Including: Operating revenue	21,347,549,741.00	16,020,809,805.52
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	18,482,154,912.56	14,151,191,300.33
Including: Operating cost	15,781,099,181.30	11,907,350,969.11
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	110,067,650.98	83,563,529.99
Selling expenses	512,599,257.66	449,226,532.55
Administrative expenses	1,266,974,971.99	875,802,861.33
R&D expenses	988,954,495.90	751,138,559.24
Financial expenses	-177,540,645.27	84,108,848.11
Including: Interest expenses	233,211,546.41	146,890,397.95
Interest income	188,127,427.03	163,144,645.89
Add: Other income	125,193,412.16	122,787,760.00

Investment income (or less: losses)	-84,748,419.92	141,572,602.13
Including: Investment income from associates and joint ventures	7,732,273.62	7,011,313.83
Gains from derecognition of financial assets at amortized cost	-894,817.78	-1,533,698.47
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)	-107,344,289.86	3,221,397.38
Credit impairment loss (or less: losses)	-97,762,426.98	-56,834,285.92
Assets impairment loss (or less: losses)	-93,592,437.64	-93,213,670.21
Gains on asset disposal (or less: losses)	459,760,649.40	-387,648.44
III. Operating profit (or less: losses)	3,066,901,315.60	1,986,764,660.13
Add: Non-operating revenue	6,780,118.95	4,792,550.68
Less: Non-operating expenditures	22,424,214.17	14,928,195.40
IV. Profit before tax (or less: total loss)	3,051,257,220.38	1,976,629,015.41
Less: Income tax expense	443,205,596.36	271,804,477.77
V. Net profit (or less: net loss)	2,608,051,624.02	1,704,824,537.64
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or less: net loss)	2,608,051,624.02	1,704,824,537.64
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)	2,573,344,179.92	1,684,044,407.47
2. Net profit attributable to non-controlling shareholders (or less: net loss)	34,707,444.10	20,780,130.17
VI. Other comprehensive income after tax	120,867,799.06	-39,785,884.78
Items attributable to the owners of the parent Company	120,867,799.06	-39,785,884.78
(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	120,867,799.06	-39,785,884.78
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	120,867,799.06	-39,785,884.78
7. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	2,728,919,423.08	1,665,038,652.86
Items attributable to the owners of the parent Company	2,694,211,978.98	1,644,258,522.69
Items attributable to non-controlling shareholders	34,707,444.10	20,780,130.17
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.72	0.47
(II) Diluted EPS (yuan per share)	0.72	0.47

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

4. Income statement of the Parent Company

Unit: RMB

Items	Year 2022	Year 2021
I. Operating revenue	6,133,372,192.60	5,177,254,561.82
Less: Operating cost	4,690,817,575.37	3,999,539,505.73
Taxes and surcharges	34,478,215.83	32,253,209.34
Selling expenses	41,424,684.51	30,588,887.74
Administrative expenses	252,968,198.30	245,562,330.87
R&D expenses	279,691,985.86	243,661,101.29
Financial expenses	46,058,576.01	65,705,083.81
Including: Interest expenses	208,134,702.45	131,726,916.21
Interest income	108,419,319.10	84,424,936.52
Add: Other income	17,853,503.82	37,994,497.58
Investment income (or less: losses)	860,886,523.39	128,686,271.39

Including: Investment income from associates and joint ventures	7,043,506.52	6,438,328.13
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)	1,577,988.74	-4,340,698.97
Credit impairment loss (or less: losses)	-66,279.41	-1,940,041.81
Assets impairment loss (or less: losses)	-1,885,559.31	-1,595,901.84
Gains on asset disposal (or less: losses)	66,064,875.35	140,600.00
II. Operating profit (or less: losses)	1,732,364,009.30	718,889,169.39
Add: Non-operating revenue	647,594.43	1,115,178.89
Less: Non-operating expenditures	737,165.26	2,008,942.30
III. Profit before tax (or less: total loss)	1,732,274,438.47	717,995,405.98
Less: Income tax expense	108,939,145.40	79,826,243.65
IV. Net profit (or less: net loss)	1,623,335,293.07	638,169,162.33
(I) Net profit from continuing operations (or less: net loss)	1,623,335,293.07	638,169,162.33
(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	1,623,335,293.07	638,169,162.33

5. Consolidated Cash Flow Statement

Unit: RMB

Items	Year 2022	Year 2021
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	20,872,917,738.46	15,665,586,228.21
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	622,285,533.37	449,675,718.06
Other cash receipts related to operating activities	275,140,313.95	310,303,052.27
Subtotal of cash inflows from operating activities	21,770,343,585.78	16,425,564,998.54
Cash payments for goods purchased and services received	15,301,115,799.05	11,715,511,301.72
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	2,745,851,492.25	2,250,992,731.15

employees		
Cash payments for taxes and rates	622,332,714.28	421,980,964.22
Other cash payments related to operating activities	591,377,089.64	481,260,898.16
Subtotal of cash outflows from operating activities	19,260,677,095.22	14,869,745,895.25
Net cash flows from operating activities	2,509,666,490.56	1,555,819,103.29
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	1,250,000.00	
Cash receipts from investment income	4,682,003.17	17,973,512.65
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	84,636,447.31	24,621,563.92
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	293,240,000.00	763,227,138.45
Subtotal of cash inflows from investing activities	383,808,450.48	805,822,215.02
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	2,941,806,763.96	1,952,005,483.09
Cash payments for investments	5,938,072.83	1,950,000.00
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units		28,000,000.00
Other cash payments related to investing activities	107,377,453.79	3,873,524,969.01
Subtotal of cash outflows from investing activities	3,055,122,290.58	5,855,480,452.10
Net cash flows from investing activities	-2,671,313,840.10	-5,049,658,237.08
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	224,850,000.00	3,000,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments	224,850,000.00	3,000,000.00
Cash receipts from borrowings	3,001,232,279.95	4,374,592,836.66
Other cash receipts related to financing activities	48,847,167.15	53,683,640.26
Subtotal of cash inflows from financing activities	3,274,929,447.10	4,431,276,476.92
Cash payments for the repayment of borrowings	2,670,214,365.21	380,944,246.34
Cash payments for distribution of dividends or profits and for interest expenses	1,021,597,287.64	982,548,138.98
Including: Cash paid by	8,000,000.00	18,202,402.64

subsidiaries to non-controlling shareholders as dividend or profit		
Other cash payments related to financing activities	179,992,099.61	244,300,886.48
Subtotal of cash outflows from financing activities	3,871,803,752.46	1,607,793,271.80
Net cash flows from financing activities	-596,874,305.36	2,823,483,205.12
IV. Effect of foreign exchange rate changes on cash & cash equivalents	118,848,031.58	-39,785,884.78
V. Net increase in cash and cash equivalents	-639,673,623.32	-710,141,813.45
Add: Opening balance of cash and cash equivalents	2,690,002,225.09	3,400,144,038.54
VI. Closing balance of cash and cash equivalents	2,050,328,601.77	2,690,002,225.09

6. Cash Flow Statement of the Parent Company

Unit: RMB

Items	Year 2022	Year 2021
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	5,367,245,758.43	4,552,593,960.07
Receipts of tax refund	111,835,579.64	91,032,428.31
Other cash receipts related to operating activities	37,286,693.99	148,753,935.08
Subtotal of cash inflows from operating activities	5,516,368,032.06	4,792,380,323.46
Cash payments for goods purchased and services received	4,083,441,935.71	3,390,162,593.35
Cash paid to and on behalf of employees	522,088,529.80	489,699,623.10
Cash payments for taxes and rates	127,349,235.37	101,139,657.54
Other cash payments related to operating activities	81,209,792.50	192,477,373.76
Subtotal of cash outflows from operating activities	4,814,089,493.38	4,173,479,247.75
Net cash flows from operating activities	702,278,538.68	618,901,075.71
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	1,250,000.00	
Cash receipts from investment income	882,489,350.91	79,458,560.23
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	22,329,052.30	5,236,022.97
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	64,159,339.81	282,769,383.03
Subtotal of cash inflows from investing activities	970,227,743.02	367,463,966.23

Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	233,324,050.58	141,993,812.89
Cash payments for investments	1,067,688,900.00	1,869,460,500.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	641,733,853.66	1,991,561,492.47
Subtotal of cash outflows from investing activities	1,942,746,804.24	4,003,015,805.36
Net cash flows from investing activities	-972,519,061.22	-3,635,551,839.13
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowings	2,299,092,500.00	3,850,000,000.00
Other cash receipts related to financing activities	853,356,135.83	356,883,274.78
Subtotal of cash inflows from financing activities	3,152,448,635.83	4,206,883,274.78
Cash payments for the repayment of borrowings	2,030,000,000.00	20,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses	976,048,229.99	951,587,071.48
Other cash payments related to financing activities	258,895,668.90	642,469,365.41
Subtotal of cash outflows from financing activities	3,264,943,898.89	1,614,056,436.89
Net cash flows from financing activities	-112,495,263.06	2,592,826,837.89
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-382,735,785.60	-423,823,925.53
Add: Opening balance of cash and cash equivalents	1,379,413,954.98	1,803,237,880.51
VI. Closing balance of cash and cash equivalents	996,678,169.38	1,379,413,954.98

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Items	Year 2022														
	Equity Attributable to parent Company													Non-controlli ng interest	Total equity
	Share Capita l	Other equity instruments			Capital reserve	Less: treasury shares	Other compre hensive income	Spe cial rese rve	Surplus reserve	Gen eral risk reser ve	Undistrib uted profit	Oth ers	Subtotal		
Prefe rred share s		Perpe tual bond s	Oth ers												
I. Balance at the end of prior year	3,591, 090,2 18.00			409, 684, 602. 93	373,419, 775.02	411,949, 612.90	- 129,410 ,847.39		701,784, 529.70		6,615,68 9,606.07		11,150,30 8,271.43	102,282, 337.30	11,252,590,6 08.73
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	3,591, 090,2 18.00			409, 684, 602. 93	373,419, 775.02	411,949, 612.90	- 129,410 ,847.39		701,784, 529.70		6,615,68 9,606.07		11,150,30 8,271.43	102,282, 337.30	11,252,590,6 08.73
III. Current period increase (or less: decrease)	- 220,7 53.00			- 139, 632. 52	- 90,817,0 79.04	- 81,926,6 37.37	120,867 ,799.06		162,333, 529.31		1,517,05 1,636.81		1,791,002 ,137.99	75,707,4 44.10	1,866,709,58 2.09
(I) Total comprehensiv							120,867 ,799.06				2,573,34 4,179.92		2,694,211, 978.98	34,707,4 44.10	2,728,919,42 3.08

e income															
(II) Capital contributed or withdrawn by owners	- 220,753.00			- 139,632.52	- 90,817,079.04	- 81,926,637.37							- 9,250,827.19	49,000,000.00	39,749,172.81
1. Ordinary shares contributed by owners					- 149,824,200.00	- 149,824,200.00								49,000,000.00	49,000,000.00
2. Capital contributed by holders of other equity instruments	47,697.00			- 139,632.52	1,020,868.77								928,933.25		928,933.25
3. Amount of share-based payment included in equity					59,586,627.19								59,586,627.19		59,586,627.19
4. Others	- 268,450.00				- 1,600,375.00	67,897,562.63							- 69,766,387.63		- 69,766,387.63
(III) Profit distribution									162,333,529.31		- 1,056,292,543.11		- 893,959,013.80	- 8,000,000.00	- 901,959,013.80
1. Appropriation of surplus reserve									162,333,529.31		- 162,333,529.31				
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	3,590,869.4			409,544,	282,602,695.98	330,022,975.53	-8,543,0		864,118,059.01		8,132,741,242.88		12,941,310,409.42	177,989,781.40	13,119,300,190.82

current period	65.00			970.41			48.33								
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Amount of Previous Period

Unit: RMB

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

of current year	,46 8.0 0														
III. Current period increase (or less: decrease)	- 511 ,25 0.0 0			409,684, 602.93	58,002,3 40.80	130,465, 871.56	- 39,785,8 84.78		63,816,9 16.23		724,772, 898.24		1,085,513, 751.86	14,324,0 85.84	1,099,837 ,837.70
(I) Total comprehensive income							- 39,785,8 84.78				1,684,04 4,407.47		1,644,258, 522.69	20,780,1 30.17	1,665,038 ,652.86
(II) Capital contributed or withdrawn by owners	- 511 ,25 0.0 0			409,684, 602.93	58,002,3 40.80	130,465, 871.56							336,709,8 22.17	3,000,00 0.00	339,709,8 22.17
1. Ordinary shares contributed by owners														3,000,00 0.00	3,000,000 .00
2. Capital contributed by holders of other equity instruments	24, 610 .00			409,684, 602.93	518,108. 87								410,227,3 21.80		410,227,3 21.80
3. Amount of share-based payment included in equity					60,225,0 70.93	- 69,573,6 42.50							129,798,7 13.43		129,798,7 13.43
4. Others	- 535 ,86 0.0 0				- 2,740,83 9.00	200,039, 514.06							- 203,316,2 13.06		- 203,316,2 13.06
(III) Profit distribution									63,816,9 16.23		- 959,271, 509.23		- 895,454,5 93.00	- 18,202,4 02.64	- 913,656,9 95.64

1. Appropriation of surplus reserve									63,816,916.23		-63,816,916.23				
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners											-895,454,593.00	-895,454,593.00	-18,202,402.64	-913,656,995.64	
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													8,746,358.31	8,746,358.31	
IV. Balance at the end of current period	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

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

Amount of this 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 withdrawn by owners	-220,753.00			-139,632.52	-86,781,502.48	-81,926,637.37						-5,215,250.63
1. Ordinary shares contributed by owners					-149,824,200.00	-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	67,897,562.63						-69,766,387.63
(III) Profit distribution									162,333,529.31	-1,056,292,543.11		-893,959,013.80

1. Appropriation of surplus reserve									162,333,529.31	- 162,333,529.31		
2. Appropriation of profit to owners										- 893,959,013.80		- 893,959,013.80
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

Amount of Previous Period

Unit: RMB

Items	Year 2021											
	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	3,591,601,468.00				1,198,721,706.52	281,483,741.34			509,280,441.15	1,089,748,875.88		6,107,868,750.21
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	3,591,601,468.00				1,198,721,706.52	281,483,741.34			509,280,441.15	1,089,748,875.88		6,107,868,750.21
III. Current period increase (or less: decrease)	-511,250.00			409,684,602.93	68,886,151.09	130,465,871.56			63,816,916.23	-321,102,346.90		90,308,201.79
(I) Total comprehensive income										638,169,162.33		638,169,162.33

(II) Capital contributed or withdrawn by owners	511,250.00	-		409,684,602.93	68,886,151.09	130,465,871.56						347,593,632.46
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments	24,610.00			409,684,602.93	518,108.87							410,227,321.80
3. Amount of share-based payment included in equity					71,108,881.22	69,573,642.50						140,682,523.72
4. Others	535,860.00	-			2,740,839.00	200,039,514.06						203,316,213.06
(III) Profit distribution									63,816,916.23	959,271,509.23	-	895,454,593.00
1. Appropriation of surplus reserve									63,816,916.23	63,816,916.23	-	
2. Appropriation of profit to owners										895,454,593.00	-	895,454,593.00
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	3,591,090,218.00			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. 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 3,590,869,465.00 yuan, total share of 3,590,869,465 shares (each with par value of one yuan). The Company's shares were listed at Shenzhen Stock Exchange.

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

The financial statements have been approved by the board of directors of the Company and disclosed on April 27, 2023.

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

IV. Preparation basis of the financial statements

1. Preparation basis

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

2. Going concern

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

V. Significant accounting policies and estimates

Tips on specific accounting policies and accounting estimates:

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

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

2.Accounting period

The accounting 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.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.

6. Compilation method of consolidated financial statements

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

7. Recognition criteria of cash and cash equivalents

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

8. Foreign currency translation

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate 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.

9. 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

(1) Measurement and accounting treatment

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.

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

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with ages	Ages	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 12-month or lifetime expected credit loss rate.

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

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Notes receivable-Bank acceptance receivable	Bank acceptance	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	Trade acceptance	
Accounts receivable – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate , so as to calculate expected credit loss.

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

Ages	Expected credit loss rate (%)
Within 1 year (inclusive, the same hereinafter)	5%
1-2 years	10%
2-3 years	30%
Over 3 years	50%

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, 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.

10. 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 calculated by actual cost, inventories dispatched from storage are accounted for with weighted average method or specific identification method at the end of each month. Inventories calculated by planned cost, the company carry forward cost differences simultaneously at the end of the month.

3. Basis for determining net realizable value

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

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.

11. Contract costs

Assets related to contract costs including costs of obtaining a contract and costs to fulfil 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 fulfil 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 original provision for asset impairment shall be reversed and included in the current profit and 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.

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.

16. Borrowing costs

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

17. Intangible assets

(1) Valuation method, service life, impairment testing

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. Amortization method

Categories	Amortization method	Amortization period (years)
Land use rights	Straight-line method	Contractual service life
Application software	Straight-line method	1-4
Intellectual property	Straight-line method	5-10

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. 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. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: (1) service cost; (2) net interest on the net liability or net assets of other long-term employee benefits; and (3) changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

21. Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

22. Share-based payment

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment terms and conditions

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

(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

Accounting policies adopted for revenue recognition and measurement

1. Revenue recognition principles

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

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

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress.

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. 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.

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.

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. 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.

28. 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.

29. 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.

30. 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).

31. Changes in significant accounting policies and accounting estimates

Changes in accounting policies arising from changes in CASBEs

1. The Company has adopted the regulations about accounting for sales of products or by-products produced by fixed assets before intended use or during the R&D process as stipulated the “Interpretation of China Accounting Standards for Business Enterprises No. 15” issued by the Ministry of Finance since January 1, 2022, such change in accounting policies has no impact on the Company’s financial statements.

2. The Company has adopted the regulations about judgment on onerous contracts in the “Interpretation of China Accounting Standards for Business Enterprises No. 15” issued by the Ministry of Finance since January 1, 2022, such change in accounting policies has no impact on the Company’s financial statements.

3. The Company has adopted the regulations about accounting for income tax consequences of dividends on a financial instrument classified by the issuer as an equity instrument in the “Interpretation of China Accounting Standards for Business Enterprises No. 16” issued by the Ministry of Finance since November 30, 2022, such change in accounting policies has no impact on the Company’s financial statements.

4. The Company has adopted the regulations about accounting for modifications of share-based payment transactions from cash-settled to equity-settled in the “Interpretation of China Accounting Standards for Business Enterprises No. 16” issued by the Ministry of Finance since November 30, 2022, and makes adjustments on transactions occurring between January 1, 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
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%
Enterprise income tax	Taxable income	15%,25%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Zhejiang Sanhua Intelligent Controls Co., Ltd	15%
Zhejiang Sanhua Climate and Appliance Controls Group Co., Ltd	15%
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

In 2022, the company and several subsidiaries can enjoy tax incentives for high-tech enterprises. The income tax expenses for 2022 are temporarily calculated at a preferential tax rate of 15%.

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

3. Others

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

VII. Notes to Items in the Consolidated Financial Statements

1. Cash and bank balances

Unit: RMB

Items	Closing balance	Opening balance
Cash on hand	329,823.40	214,611.31
Cash in bank	5,790,429,124.91	6,602,049,617.99
Other cash and bank balances	87,484,704.24	105,457,631.83
Total	5,878,243,652.55	6,707,721,861.13
Including: Deposited overseas	425,176,344.58	294,941,970.98
The amount of cash with restrictions on use due to mortgage, pledge, or freezing	297,309,316.79	81,437,216.06

Other remarks:

As of December 31, 2022, bank deposits containing large deposit certificates with fixed interest rates amounted to 3740.4324 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	109,383,374.74
Including:		
Bank financial products	100,025,980.08	109,383,374.74
Including:		
Total	100,025,980.08	109,383,374.74

3. Derivative Financial Assets

Unit: RMB

Items	Closing balance	Opening balance
Foreign exchange tool	3,320,177.30	50,103,815.20
Futures tools	5,618,696.75	4,536,549.83
Total	8,938,874.05	54,640,365.03

4. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance	2,191,911,978.85	2,131,097,187.89
Trade acceptance	12,037,004.98	13,095,844.43
Total	2,203,948,983.83	2,144,193,032.32

Unit: RMB

Category	Closing balance	Opening balance
----------	-----------------	-----------------

es	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	2,204,582,510.42	100.00%	633,526.59	0.03%	2,203,948,983.83	2,144,882,287.29	100.00%	689,254.97	0.03%	2,144,193,032.32
Including :										
Bank acceptance	2,191,911,978.85	99.43%			2,191,911,978.85	2,131,097,187.89	99.36%			2,131,097,187.89
Trade acceptance	12,670,531.57	0.57%	633,526.59	5.00%	12,037,004.98	13,785,099.40	0.64%	689,254.97	5.00%	13,095,844.43
Total	2,204,582,510.42	100.00%	633,526.59	0.03%	2,203,948,983.83	2,144,882,287.29	100.00%	689,254.97	0.03%	2,144,193,032.32

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	2,191,911,978.85		
Trade acceptance portfolio	12,670,531.57	633,526.59	5.00%
Total	2,204,582,510.42	633,526.59	--

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

☒ Applicable ☐ Not Applicable

	Phase I	Phase II	Phase III	
--	---------	----------	-----------	--

Provision for bad debt	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	Subtotal
Balance on January 1, 2022	689,254.97			689,254.97
The balance as of January 1, 2022 is in the current period	—	—	—	—
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	-55,728.38			-55,728.38
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Balance on December 31, 2022	633,526.59			633,526.59

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of this period				Closing balance
		Accrual	Recovered or reversed	Write off	Others	
Provision for bad debt made on a collective basis	689,254.97	-55,728.38				633,526.59
Total	689,254.97	-55,728.38				633,526.59

Including significant provision for bad debt recovered or reversed amount:

☐ Applicable ☒ Not Applicable

(3) Pledged notes at the balance sheet date

Unit: RMB

Items	Closing balance of pledged notes
Bank acceptance	2,015,272,320.99
Total	2,015,272,320.99

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

Unit: RMB

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	67,914,673.90	
Total	67,914,673.90	

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

Unit: RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Receivables with provision made on an individual basis	4,641,982.82	0.08%	4,641,982.82	100.00%	0.00	1,066,059.26	0.03%	1,066,059.26	100.00%	0.00
Including:										

Receivables with provision made on a collective basis	5,504,204,109.60	99.92%	276,086,884.03	5.02%	5,228,117,225.57	3,702,620,878.17	99.97%	186,328,009.78	5.03%	3,516,292,868.39
Including:										
Total	5,508,846,092.42	100.00%	280,728,866.85	5.10%	5,228,117,225.57	3,703,686,937.43	100.00%	187,394,069.04	5.06%	3,516,292,868.39

Provision made on an individual basis:

Unit: RMB

Debtors	Closing balance			
	Book balance	Provision for bad debts	Accrued proportion	Reasons
Nanjing Zhixing Electric Vehicle Co., Ltd	2,921,871.93	2,921,871.93	100.00%	
Beijing Baowo Automobile Co., Ltd	560,808.07	560,808.07	100.00%	
Brilliance Automobile Group Holding Co., Ltd	488,550.18	488,550.18	100.00%	
Others	670,752.64	670,752.64	100.00%	
Total	4,641,982.82	4,641,982.82	--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for bad debt	Accrued proportion
Within 1 year	5,497,131,885.31	274,833,270.57	5.00%
1 to 2 years	5,221,354.61	522,135.46	10.00%
2 to 3 years	969,784.25	290,935.28	30.00%
Over 3 years	881,085.43	440,542.72	50.00%
Total	5,504,204,109.60	276,086,884.03	--

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

√Applicable □ Not Applicable

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, 2022	186,328,009.78		1,066,059.26	187,394,069.04
The balance as of January 1, 2022 is in the current period	—	—	—	—

--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	90,036,140.44		3,575,923.56	93,612,064.00
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period	277,266.19			277,266.19
Other changes				
Balance on December 31, 2022	276,086,884.03		4,641,982.82	280,728,866.85

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year	5,497,261,560.39
1 to 2 years	7,808,747.90
2 to 3 years	2,798,610.70
Over 3 years	977,173.43
Total	5,508,846,092.42

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on an individual basis	1,066,059.26	3,575,923.56				4,641,982.82
Receivables with provision made on a collective basis	186,328,009.78	90,036,140.44		277,266.19		276,086,884.03
Total	187,394,069.04	93,612,064.00		277,266.19		280,728,866.85

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

In current period, the Company write-off a total of small sporadic accounts 277,266.19 yuan.

(4) Other remarks

1. Closing balance of top 5 debtors totaled 2618.3193 million yuan, accounting for 47.53% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 131.0719 million yuan.

2. 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 discount financing or transfer payment. When the

company uses these debt vouchers for discount financing or transfer payment, the company has not terminated the recognition of accounts receivable before the actual arrival of funds.

3. As of December 31, 2022, the company had 618.6054 million yuan of digital and electronic debt vouchers in hand, 146.9364 million yuan of digital and electronic debt vouchers that had been endorsed and paid but not expired, and 149.7147 million yuan of digital and electronic debt vouchers that had been used for factoring financing but not expired, and the total is 915.1565 million yuan.

6. Advances paid

(1) Advances paid by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year (including 1 year)	111,759,824.57	94.80%	90,174,287.14	96.05%
1 to 2 years	3,542,204.41	3.01%	2,441,003.70	2.60%
2 to 3 years	1,425,109.32	1.21%	649,786.02	0.69%
Over 3 years	1,159,868.77	0.98%	619,168.16	0.66%
Total	117,887,007.07	--	93,884,245.02	--

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

Closing balance of top 5 debtors totaled 13,475,278.53 yuan, accounting for 11.43% of the total closing balance .

7. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Other receivables	726,641,478.35	121,135,343.85
Total	726,641,478.35	121,135,343.85

(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	123,916,253.13	61,621,187.53
Guarantee deposits	36,247,343.32	38,950,699.99
Others	25,467,213.32	23,872,426.88
Total	731,847,399.77	124,444,314.40

2) Provision of bad debt

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2022	1,461,164.06	573,821.76	1,273,984.73	3,308,970.55
The balance as of January 1, 2022 is in the current period	—	—	—	—
--Transferred to phase II	-463,917.44	463,917.44		
--Transferred to phase III		-848,908.48	848,908.48	
Provision made in the current period	693,708.74	739,004.16	464,237.97	1,896,950.87
Balance on December 31, 2022	1,690,955.36	927,834.88	2,587,131.18	5,205,921.42

Loss provisions for significant changes in book balances in current period

☐ Applicable ☒ Not Applicable

Disclose by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	704,067,052.73
1 to 2 years	10,965,046.27
2 to 3 years	4,366,231.62
Over 3 years	12,449,069.15
Total	731,847,399.77

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

Provision for bad debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	3,308,970.55	1,896,950.87				5,205,921.42
Total	3,308,970.55	1,896,950.87				5,205,921.42

4) Details of the top 5 debtors with largest balances

Unit: RMB

Items	Nature of receivables	Closing balance	Ages	Proportion to the total balance of other receivables	Provision for bad debt at the end of the period
Xinchang County Land Consolidation and Reserve Center and	Compensation for land	546,216,590.00	Within 1 year	74.64%	

Xinchang County Qixing Street Office					
Tax refund receivables	Tax refund	123,916,253.13	Within 1 year	16.93%	
US Customs	Customs deposit	5,224,146.46	1 to 2 years	0.71%	
Shanghai Yingheng Electronics Co., Ltd	Performance bond	3,000,000.00	1 to 2 years	0.41%	300,000.00
Xinchang County Land Transfer Fee Financial Special Account	Performance bond	2,856,000.00	Over 3 years	0.39%	
Total	--	681,212,989.59	--	93.08%	300,000.00

5) Other receivables related to Government grants

Unit: RMB

Items	Government grant	Closing balance	Ages	Estimated receipt time, amount and basis
Local finance and taxation departments	VAT refund of civil welfare enterprises	2,583,360.00	Within 1 year	Expected to be fully received from January to April 2023, based on the tax refund application form.

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	1,050,007,307.69	59,101,594.10	990,905,713.59	988,227,079.33	33,309,247.33	954,917,832.00
Work-in-progress	711,592,586.63	2,028,013.70	709,564,572.93	475,907,400.34	1,451,381.52	474,456,018.82

Finished goods	2,696,034,401.13	66,515,797.40	2,629,518,603.73	2,231,635,847.92	45,599,140.84	2,186,036,707.08
Others	4,886,397.61		4,886,397.61	22,443,251.57		22,443,251.57
Total	4,462,520,693.06	127,645,405.20	4,334,875,287.86	3,718,213,579.16	80,359,769.69	3,637,853,809.47

(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	33,309,247.33	34,166,844.36	47,927.28	8,422,424.87		59,101,594.10
Work-in-progress	1,451,381.52	1,420,894.11		844,261.93		2,028,013.70
Finished goods	45,599,140.84	58,004,699.17		37,088,042.61		66,515,797.40
Total	80,359,769.69	93,592,437.64	47,927.28	46,354,729.41		127,645,405.20

The determination of the net realizable value of the excess & obsolete inventories of metal materials at the end of the period is the scrap metal recovery price. The determination of the net realizable value of the excess & obsolete inventories of electronic components is RMB 0.

9. Other current assets

Unit: RMB

Items	Closing balance	Opening balance
Deductible input tax	133,303,058.03	154,807,049.35
Prepaid Enterprise income tax	22,470,498.36	30,197,003.59
Others	1,251,519.66	981,643.12
Total	157,025,076.05	185,985,696.06

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	3,712,290.00		3,712,290.00	3,608,561.00		3,608,561.00	
Total	3,712,290.00		3,712,290.00	3,608,561.00		3,608,561.00	--

Loss provisions for significant changes in book balances in current period

☐ Applicable ☒ Not Applicable

11. Long-term equity investments

Unit: RMB

Investee s	Opening balance	Increase/Decrease								Closing balance	Closing balance of provisio n for impairment
		Investm ents increase d	Investm ents decrease d	Investm ent income recogniz ed under equity method	Adjustm ent in other compreh ensive income	Changes in other equity	Cash dividend / Profit declared for distribut ion	Provisio n for impairm ent	Others		
1. Associates											
2. Joint ventures											
Guochu ang Energy Internet Innovati on Center (Guangd ong) Co., Ltd.	1,540,33 9.99	3,500,00 0.00		38,125.1 3						5,078,46 5.12	
Chongqi ng Tainuo Machine ry Co., Ltd.	13,659,1 35.38			4,471,28 8.89			2,000,00 0.00			16,130,4 24.27	
Nancha ng Sanhua Jinlifeng Machine ry Co., Ltd.	1,513,98 8.70		1,250,00 0.00	- 38,988.7 0			225,000. 00				
Ningbo Jinlifeng Machine ry Co., Ltd.	1,512,15 1.41			629,752. 63						2,141,90 4.04	
Qingdao Sanhua Jinlifeng Machine ry Co., Ltd.	439,804. 26	2,000,00 0.00		2,706,76 4.29						5,146,56 8.55	
Zhongsh an Xuanyi Pipe Manufa cturing Co., Ltd.	2,181,14 5.70			12,076.0 2						2,193,22 1.72	
Xinchan g zhejiang	1,834,36 5.07			- 86,744.6 4						1,747,62 0.43	

energy sanhua compreh ensive energy co. LTD											
Subtotal	22,680,930.51	5,500,000.00	1,250,000.00	7,732,273.62			2,225,000.00			32,438,204.13	
Total	22,680,930.51	5,500,000.00	1,250,000.00	7,732,273.62			2,225,000.00			32,438,204.13	

12. Investment property

(1) Investment property measured by cost method

√ Applicable □ Not Applicable

Unit: RMB

Items	Buildings and structures	Land use right and Overseas land ownership	Construction in progress	Total
I. Original Carrying amount				
1. Opening balance	11,514,530.95	3,183,887.70		14,698,418.65
2. Increase in current period	481,143.94	89,611.20		570,755.14
(1) Acquisition				
(2) Transferred in from inventory\fixed assets\ construction in progress				
(3) Acquisition				
(4) Converted difference in Foreign Currency Statements	481,143.94	89,611.20		570,755.14
3. Decrease in current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	11,995,674.89	3,273,498.90		15,269,173.79
II. Accumulated depreciation and amortization				
1. Opening balance	6,167,115.03			6,167,115.03
2. Increase in current period	897,791.79			897,791.79
(1) Accrual or amortization	689,991.13			689,991.13
(2) Converted	207,800.66			207,800.66

difference in Foreign Currency Statements				
3.Decrease in current period				
(1) Disposal				
(2) Other transfer out				
4.Closing balance	7,064,906.82			7,064,906.82
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	4,930,768.07	3,273,498.90		8,204,266.97
2.Opening balance	5,347,415.92	3,183,887.70		8,531,303.62

(2) Investment property measured by fair value measurement model

□Applicable √ Not Applicable

13. Fixed assets

Unit: RMB

Items	Closing balance	Opening balance
Fixed assets	6,374,896,070.41	4,232,706,801.07
Total	6,374,896,070.41	4,232,706,801.07

(1) Fixed assets

Unit: RMB

Items	Buildings and structures	Machinery and equipment	Measurement analysis equipment	Transportation vehicles	Office and other equipment	Total
I. Original book value:						
1.Opening balance	2,260,940,388.77	4,383,699,834.97	114,088,079.02	36,024,771.09	253,136,091.18	7,047,889,165.03
2. Increase	1,289,778,459.	1,481,925,680.	31,215,104.81	9,820,216.76	35,731,822.08	2,848,471,284.

in current period	91	55				11
(1) Acquisition		521,101,718.73	27,207,125.99	9,528,209.30	33,515,973.72	591,353,027.74
(2) Transferred in from construction in progress	1,268,022,029.00	901,447,974.20		14,207.44	800,895.35	2,170,285,105.99
(3) Business combination						
(4) Transferred in from investment property	21,756,430.91	59,375,987.62	4,007,978.82	277,800.02	1,414,953.01	86,833,150.38
3. Decrease in current period	190,222,462.36	164,366,206.93	9,924,500.79	3,514,701.21	33,251,287.28	401,279,158.57
(1) Disposal or scrap	190,222,462.36	164,366,206.93	9,924,500.79	3,514,701.21	33,251,287.28	401,279,158.57
(2) Other decrease						
4. Closing 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
II. Accumulated depreciation						
1. Opening balance	660,956,999.83	1,917,864,567.58	46,144,827.70	28,168,250.52	149,922,333.22	2,803,056,978.85
2. Increase in current period	95,871,306.35	433,433,316.32	12,987,432.25	4,099,337.69	18,431,379.50	564,822,772.11
(1) Accrual	92,969,057.61	409,635,950.26	11,944,366.06	3,977,011.03	17,853,124.31	536,379,509.27
(2) Transferred in from investment property	2,902,248.74	23,797,366.06	1,043,066.19	122,326.66	578,255.19	28,443,262.84
3. Decrease in current period	139,539,204.32	85,710,978.94	4,681,580.06	2,964,693.57	26,566,277.18	259,462,734.07
(1) Disposal or scrap	139,539,204.32	85,710,978.94	4,681,580.06	2,964,693.57	26,566,277.18	259,462,734.07
4. Closing balance	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
III. Provision for impairment						
1. Opening balance		11,698,671.50			426,713.61	12,125,385.11
2. Increase in current period						

(1) Accrual						
3. Decrease in current period		357,181.84				357,181.84
(1) Disposal or scrap		357,181.84				357,181.84
4. Closing balance		11,341,489.66			426,713.61	11,768,203.27
IV. Carrying amount						
1. Closing 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. Opening balance	1,599,983,388.94	2,454,136,595.89	67,943,251.32	7,856,520.57	102,787,044.35	4,232,706,801.07

(2) Fixed assets leased out through operating leases

Unit: RMB

Item	Closing balance
Buildings and structures	12,847,391.04

(3) Fixed assets with certificate of titles being unsettled

Unit: RMB

Item	Carrying amount	Reasons for unsettlement
Sitong factory	64,090,288.08	New assets, the certificate of title to be processed uniformly after the overall completion
13-15# factory in Meizhu North district	148,027,560.57	New assets, the certificate of title to be processed uniformly after the overall completion
Meizhu North District finished product and class A warehouse	31,862,851.17	New assets, the certificate of title to be processed uniformly after the overall completion
Commercial refrigeration factory (phase I and phase II projects)	489,857,397.01	New assets, the certificate of title to be processed uniformly after the overall completion
Wuhu Sanhua Automatic Control dormitory	68,400,466.73	New assets, the certificate of title to be processed uniformly after the overall completion
Subtotal	802,238,563.56	New assets, the certificate of title to be processed uniformly after the overall completion

14. Construction in progress

Unit: RMB

Items	Closing balance	Opening balance
Construction in progress	1,032,505,633.51	1,343,528,875.40
Total	1,032,505,633.51	1,343,528,875.40

(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 65 million sets of commercial refrigeration and air conditioning intelligent control components construction project	224,972,262.4 ₂		224,972,262.4 ₂	284,815,371.3 ₃		284,815,371.3 ₃
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project				6,939,814.05		6,939,814.05
Annual production of 7.3 million sets of new energy vehicle thermal management system components project	225,840.24		225,840.24	1,406,087.14		1,406,087.14
Annual production of 1.5 million sets of new energy thermal management components project	108,269,402.4 ₁		108,269,402.4 ₁	181,228,255.8 ₃		181,228,255.8 ₃
Annual output of 11 million sets of new energy vehicles high efficiency heat exchanger assembly project	139,499,206.9 ₄		139,499,206.9 ₄	93,731,401.89		93,731,401.89
Annual output of 14 million	62,488,698.25		62,488,698.25			

sets cooling parts of new energy vehicles technical transformation project						
Annual output of 3 million sets thermal management parts of new energy vehicles technical transformation project	29,805,708.02		29,805,708.02	118,637,568.31		118,637,568.31
Annual output of 11 million sets of parts and components technical transformation project	94,275,393.24		94,275,393.24			
Annual production of 3 million sets of plate heat exchanger technical transformation project and 2 million sets of EXV electronic expansion valve components technical transformation project	5,808,045.04		5,808,045.04	7,569,035.77		7,569,035.77
Annual production of 4 million sets of new energy vehicles technical transformation project of heat pump components	7,109,389.23		7,109,389.23	34,615,615.96		34,615,615.96
Vietnam industrial plant project				92,246,267.70		92,246,267.70
Mexico industrial plant project	3,725,739.80		3,725,739.80	53,528,222.79		53,528,222.79
Others	356,325,947.92		356,325,947.92	468,811,234.63		468,811,234.63

Total	1,032,505,633.51		1,032,505,633.51	1,343,528,875.40		1,343,528,875.40
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(2) Changes of significant construction in progress in current period

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 intelligent control components construction project	1,780,550,000.00	284,815,371.33	565,641,207.76	625,484,316.67		224,972,262.42	51.40%					Raised funds
Annual output of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project	785,570,000.00	6,939,814.05	68,564,955.72	75,504,769.77			18.36%					Raised funds
Annual production of 50.5 million sets of high efficiency and energy saving refrigeration and air conditioning control components project	468,600,000.00	1,406,087.14	8,741,231.47	9,921,478.37		225,840.24	89.53%					Raised funds

on of 7.3 million sets of new energy vehicle thermal management system components project	00											
Annual production of 1.5 million sets of new energy thermal management components project	650,500,000.00	181,228,255.83	392,219,585.19	465,178,438.61		108,269,402.41	119.76%					self-raised funds
Annual output of 11 million sets of new energy vehicles high efficiency heat exchanger assembly project	760,000,000.00	93,731,401.89	269,880,087.66	224,112,282.61		139,499,206.94	53.92%					self-raised funds
Annual output of 14 million sets cooling parts of new energy vehicles technical transformation project	217,781,500.00		112,082,386.73	49,593,688.48		62,488,698.25	51.47%					self-raised funds
Annual output	206,290,400.00	118,637,568.31	43,465,999.01	132,297,859.3		29,805,708.02	88.47%					self-raised

of 3 million sets thermal management parts of new energy vehicles technical transformation project	00			0								funds
Annual output of 11 million sets of parts and components technical transformation project	228,600,000.00		114,633,817.53	20,358,424.29		94,275,393.24	50.15%					self-raised funds
Annual production of 3 million sets of plate heat exchanger technical transformation project and 2 million sets of EXV electronic expansion valve components technical transformation project	195,500,000.00	7,569,035.77	459,538.30	2,220,529.03		5,808,045.04	13.78%					self-raised funds
Annual production of 4	161,254,500.00	34,615,615.96	29,011,452.39	56,517,679.12		7,109,389.23	91.22%					self-raised funds

million sets of new energy vehicles technical transformation project of heat pump components												
Vietnam industrial plant project	\$28,000,000.00	92,246,267.70	3,143,676.53	95,389,944.23			51.98%					self-raised funds
Mexico industrial plant project	\$39,745,600.00	53,528,222.79	152,841,875.61	202,644,358.60			3,725,739.80	80.28%				self-raised funds
Total		874,717,640.77	1,760,685,813.90	1,959,223,769.08			676,179,685.59					

15. Right of use assets

Unit: RMB

Items	Houses and buildings	Vehicle	Total
I. Original Carrying amount			
1. Opening balance	282,929,660.31	2,858,999.54	285,788,659.85
2. Increased in current period	146,106,430.91	2,692,121.44	148,798,552.35
(1) Rent	134,371,960.94	2,488,229.70	136,860,190.64
(2) Effect of Foreign Currency Translation	11,734,469.97	203,891.74	11,938,361.71
3. Decreased in current period	12,838,371.61		12,838,371.61
4. Closing balance	416,197,719.61	5,551,120.98	421,748,840.59
II. Accumulated amortization			
1. Opening balance	68,642,542.87	1,822,092.72	70,464,635.59
2. Increased in current period	73,783,429.28	99,251.83	73,882,681.11
(1) Accrual	68,510,278.88	45,701.68	68,555,980.56
(2) Converted difference in Foreign Currency Statements	5,273,150.40	53,550.15	5,326,700.55
3. Decreased in current period	6,875,841.43		6,875,841.43
(1) Disposal			
4. Closing balance	135,550,130.72	1,921,344.55	137,471,475.27

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	280,647,588.89	3,629,776.43	284,277,365.32
2. Opening balance	214,287,117.44	1,036,906.82	215,324,024.26

16. Intangible Assets

(1) Details of intangible assets

Unit: RMB

Items	Land use right	Patent right	Non-patent technology	Overseas land ownership	Application software	Intellectual property	Total
I. Original Carrying amount							
1. Opening balance	709,989,748.52			62,267,484.11	38,713,375.01	61,702,140.36	872,672,748.00
2. Increased in current period	70,285,019.53			21,595,556.50	5,815,874.82	3,922,800.00	101,619,250.85
(1) Acquisition	67,495,900.00			14,368,899.58	5,242,514.06	3,922,800.00	91,030,113.64
(2) Internal research and development							
(3) Business combination							
(4) Translation difference of foreign currency statements	2,789,119.53			7,226,656.92	573,360.76		10,589,137.21
	66,554,159.5						66,554,159.5

3. Decreased in current period	0						0
(1) Disposal							
4. Closing balance	713,720,608.55			83,863,040.61	44,529,249.83	65,624,940.36	907,737,839.35
II. Accumulated amortization							
1. Opening balance	113,128,036.40			426,740.20	28,026,223.16	30,927,067.08	172,508,066.84
2. Increased in current period	15,577,140.22			169,792.90	4,902,689.78	8,064,320.86	28,713,943.76
(1) Accrual	15,628,038.72				4,431,552.22	8,064,320.86	28,123,911.80
(2) Translation difference of foreign currency statements	-50,898.50			169,792.90	471,137.56		590,031.96
3. Decreased in current period	24,870,262.90						24,870,262.90
(1) Disposal							
4. Closing balance	103,834,913.72			596,533.10	32,928,912.94	38,991,387.94	176,351,747.70
III. Provision for impairment							
1. Opening balance				3,774,136.80			3,774,136.80
2. Increased in current period				348,603.16			348,603.16
(1) Accrual							
(2) Translation difference of				348,603.16			348,603.16

foreign currency statements							
3. Decreased in current period							
(1) Disposal							
4. Closing balance				4,122,739.96			4,122,739.96
IV. Carrying amount							
1. Closing balance	609,885,694.83			79,143,767.55	11,600,336.89	26,633,552.42	727,263,351.69
2. Opening balance	596,861,712.12			58,066,607.11	10,687,151.85	30,775,073.28	696,390,544.36

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
Zhejiang Sanhua plate Exchange Technology Co., Ltd	7,591,830.61					7,591,830.61
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
Total	31,959,091.60					31,959,091.60

18. Long-term prepayments

Unit: RMB

Items	Opening balance	Increased in current period	Amortization	Other decreases	Closing balance
Rental housing construction and transformation expenditure	27,502,950.13	25,841,085.13	7,673,139.73		45,670,895.53
Compensated use fee for emission rights	2,526,712.00	3,138,240.20	786,542.88		4,878,409.32
Others	6,611,165.94	396,504.06	1,399,697.69		5,607,972.31
Total	36,640,828.07	29,375,829.39	9,859,380.30		56,157,277.16

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	195,934,543.92	39,038,062.56	122,506,455.16	23,438,581.33
Provision for inventory write-down	68,011,211.82	11,412,992.83	46,952,738.86	8,222,942.54
Unrealized profit from internal transactions	332,697,154.63	32,810,835.04	258,273,537.27	32,617,712.51
Deductible losses	380,148,112.81	58,645,816.34	173,493,878.13	26,364,728.72
Deferred income-government grants	253,297,140.86	42,600,561.83	155,568,312.27	25,652,746.86
Provision for fixed assets impairments	9,930,453.59	1,533,546.13	12,125,385.11	1,818,807.78
The share-paid remuneration without pre-tax deduction calculated according to the accounting standard	71,597,367.25	11,139,948.95	59,634,274.87	9,190,479.70
The expected additional deductible share-based remuneration in the future period calculated according to the tax standard	46,031,824.12	7,065,126.85	98,930,228.80	15,271,454.24
Difference between accounting cost and tax cost of convertible corporate bonds	108,793,134.67	16,318,970.20	71,233,687.74	10,685,053.16

Floating loss of derivative instruments	3,949,625.00	592,813.75		
Total	1,470,390,568.67	221,158,674.48	998,718,498.21	153,262,506.84

(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	11,345,644.73	1,701,846.71	16,689,933.82	2,503,490.07
Accelerated depreciation of equipment	1,688,493,838.12	263,941,331.71	1,076,829,976.01	161,524,496.34
Floating gain on derivatives	5,585,129.25	1,048,679.39	14,280,622.90	2,142,093.44
Accrued interest of certificate of deposit	142,322,188.53	22,066,063.56	43,518,763.17	6,586,968.05
Floating gain on financial products			1,020,675.59	153,101.41
Total	1,847,746,800.63	288,757,921.37	1,152,339,971.49	172,910,149.31

(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		221,158,674.48		153,262,506.84
Deferred tax liabilities		288,757,921.37		172,910,149.31

(4) Details of unrecognized deferred tax assets

Unit: RMB

Items	Closing balance	Opening balance
Provision for bad debt	90,633,770.94	68,885,839.40
Provision for inventory write-down	59,634,193.38	33,407,030.83
Deductible losses of subsidiaries	137,111,606.69	119,908,522.27
Investment losses recognized by the equity method	14,838,204.13	9,330,930.51
Floating loss on derivatives	44,721,748.81	
Deferred income-government grants	747,574.78	

Total	347,687,098.73	231,532,323.01
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(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	1,176,424.56	1,176,424.56	
Year 2026	673,774.12	676,929.68	
Year 2027	20,123,335.62		
Year 2028	10,478,078.42	10,478,078.42	
Year 2029	7,488,066.67	7,488,066.67	
Year 2030	16,606,149.99	31,604,893.55	
Year 2031	66,879,893.60	68,484,129.39	
Year 2032	13,685,883.71		
Total	137,111,606.69	119,908,522.27	

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	457,305,626.59		457,305,626.59	328,609,958.16		328,609,958.16
Total	457,305,626.59		457,305,626.59	328,609,958.16		328,609,958.16

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

Unit: RMB

Items	Closing balance	Opening balance
Credit borrowings	100,000,000.00	
Overseas loan under domestic guarantee	943,525,006.00	588,918,308.44
Bill discount financing	99,642,500.00	98,796,666.66
Factoring financing	149,714,725.37	49,685,762.67
Pledge and guaranteed loan	220,000.00	

Accrued interest	981,088.21	790,172.77
合计	1,294,083,319.58	738,190,910.54

22. Trading financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
Trading financial liabilities	3,500,000.00	
Including:		
Contingent consideration for business combination not under common control	3,500,000.00	
Including:		
Total	3,500,000.00	

23. Derivative financial liabilities

Unit: RMB

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

24. Notes payable

Unit: RMB

Categories	Closing balance	Opening balance
Bank acceptance	2,580,274,767.64	1,891,526,333.48
Total	2,580,274,767.64	1,891,526,333.48

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

Unit: RMB

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	3,851,682,948.05	3,165,267,168.95
1 to 2 years	18,716,087.91	40,604,444.51
2 to 3 years	7,655,237.97	4,647,692.76
Over 3 years	6,549,096.23	4,178,825.37
Total	3,884,603,370.16	3,214,698,131.59

26. Contract liabilities

Unit: RMB

Items	Closing balance	Opening balance
Advance payment for sales	57,955,080.60	79,816,249.22
Total	57,955,080.60	79,816,249.22

27. 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	363,181,196.47	2,756,846,097.63	2,655,363,276.84	464,664,017.26
II. Post-employment benefits - defined contribution plan	5,755,023.95	89,013,059.89	87,927,616.73	6,840,467.11
III. Termination benefits	2,837,767.34	6,988,775.86	6,173,598.42	3,652,944.78
Total	371,773,987.76	2,852,847,933.38	2,749,464,491.99	475,157,429.15

(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	331,565,586.62	2,108,268,322.44	2,013,679,292.06	426,154,617.00
2. Employee welfare fund	68,350.93	120,246,402.16	119,791,954.86	522,798.23
3. Social insurance premium	11,627,329.24	131,943,064.14	130,579,733.50	12,990,659.88
Including: Medicare premium	3,206,405.72	50,380,797.15	49,843,470.00	3,743,732.87
Occupational injuries premium	153,771.13	4,183,063.00	4,071,199.46	265,634.67
Maternity premium	39,567.42	185,113.77	187,499.57	37,181.62
Overseas social security contributions	8,227,584.97	77,194,090.22	76,477,564.47	8,944,110.72
4. Housing provident fund	6,578.00	50,285,704.93	48,962,840.53	1,329,442.40
5. Trade union fund and employee education fund	1,273,619.01	14,890,973.35	15,031,209.90	1,133,382.46
Dispatching remuneration	18,639,732.67	325,994,330.63	327,318,245.99	17,315,817.31
Cash stock appreciation option		5,217,299.98		5,217,299.98
Total	363,181,196.47	2,756,846,097.63	2,655,363,276.84	464,664,017.26

(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	5,560,767.57	86,092,349.91	85,043,896.29	6,609,221.19

premium				
2. Unemployment insurance premium	194,256.38	2,920,709.98	2,883,720.44	231,245.92
Total	5,755,023.95	89,013,059.89	87,927,616.73	6,840,467.11

28. Taxes and rates payable

Unit: RMB

Items	Closing balance	Opening balance
Enterprise income tax	71,995,026.46	36,989,257.51
VAT	18,411,585.20	5,117,020.20
Urban maintenance and construction tax	4,291,676.87	1,552,749.69
Education surcharge	2,043,785.75	918,423.85
Local education surcharge	1,362,523.90	545,284.63
Housing property tax	18,812,611.09	14,977,035.38
Land use tax	12,197,167.13	10,576,760.58
Local foundation for water works	497,420.79	64,041.47
Individual income tax	9,417,459.50	3,761,673.11
Overseas tax	46,713,362.21	38,338,920.32
Others	5,046,940.26	563,299.46
Total	190,789,559.16	113,404,466.20

29. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	354,255,114.06	172,923,251.10
Total	354,255,114.06	172,923,251.10

(1) Other payables

1) Other payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Restricted shares repo obligations	214,659,660.00	75,490,047.50
Compensation for product quality loss	15,270,978.03	18,981,355.60
Guarantee deposit	13,673,464.47	10,645,357.68
Rent and property fee	4,859,929.85	5,524,510.45
Collection of talent awards	4,592,661.00	2,355,610.90
Shareholding transfer payment	3,500,000.00	
Others	97,698,420.71	59,926,368.97
Total	354,255,114.06	172,923,251.10

30. Non-current liabilities due within one year

Unit: RMB

Items	Closing balance	Opening balance
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Guaranteed borrowings	500,000,000.00	1,430,000,000.00
Overseas loan under domestic guarantee		294,046,008.86
Accrued interest	465,277.78	1,723,095.18
Lease liabilities	67,661,063.89	37,573,783.54
Total	568,126,341.67	1,763,342,887.58

31. Other current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Output tax to be written off	2,007,578.03	5,276,677.78
Total	2,007,578.03	5,276,677.78

32. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
Guaranteed borrowings	1,800,000,000.00	800,000,000.00
Overseas loan under domestic guarantee		637,570.00
Accrued interest	1,574,166.67	824,388.89
Total	1,801,574,166.67	801,461,958.89

33. Bonds payable

(1) Bonds payable

Unit: RMB

Items	Closing balance	Opening balance
Sanhua Convertible bonds	2,776,763,361.83	2,652,035,619.50
合计	2,776,763,361.83	2,652,035,619.50

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

单位：元

Bond name	Par value	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 instruments	Current interest payable	Ending balance
Sanhua Convertible bonds	100.00	Jun, 2021	6 years	3,000,000,000.00	2,652,035,619.50		9,500,000.00	122,155,207.58		-928,933.25	5,998,532.00	2,776,763,361.83
Total	--	--	--	3,000,000,000.00	2,652,035,619.50		9,500,000.00	122,155,207.58		-928,933.25	5,998,532.00	2,776,763,361.83

				00,000.	35,619.		.00	.58			32.00	763,36
				00	50							1.83

(3) 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. 24,610 shares were transferred in the prior period and 47,697 in the current period, for a total of 72,307 shares.

34. Leased liabilities

Unit: RMB

Items	Closing balance	Opening balance
Leased liabilities	269,689,545.98	195,555,461.70
Less: Leased liabilities due within 1 year	-67,661,063.89	-37,573,783.54
Total	202,028,482.09	157,981,678.16

35. Long-term payables

Unit: RMB

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

(1) Long-term payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Stock appreciation rights deposit	4,831,202.13	

36. Deferred income

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance	Reasons for balance
Government grants	156,831,834.71	127,123,340.00	29,910,459.07	254,044,715.64	Related to assets
Total	156,831,834.71	127,123,340.00	29,910,459.07	254,044,715.64	--

37. Other non-current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Engineering agent construction	23,729,805.25	28,782,218.09

fund		
Long-term employee rights protection payment	34,260,376.62	46,419,797.27
Total	57,990,181.87	75,202,015.36

38. Share capital

Unit: RMB

	Opening balance	Changed amount of current period (+/-)					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	3,591,090,218.00				-220,753.00	-220,753.00	3,590,869,465.00

Other remarks:

In the current period, 47,697 shares were increased due to the conversion of "Sanhua convertible bonds", and 268,450 shares were reduced due to the repurchase and cancellation of restricted shares.

39. Other equity instruments

(1) Basic information of preferred shares, perpetual bonds and other financial instruments issued at the end of the period

Relevant details please see the introduction of other important matters in Section X (XVI) of this financial report for reference.

(2) 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	29,994,679.00	409,684,602.93			10,222.00	139,632.52	29,984,457.00	409,544,970.41
Total	29,994,679.00	409,684,602.93			10,222.00	139,632.52	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, 139,632.52 yuan of equity instruments was decreased.

40. Capital reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Capital premium (Share premium)	191,059,600.24	40,724,908.77	149,824,200.00	81,960,309.01
Other capital reserve	182,360,174.78	66,803,074.87	48,520,862.68	200,642,386.97
Total	373,419,775.02	107,527,983.64	198,345,062.68	282,602,695.98

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

Reasons for the change of increase or decrease in current period:①The capital premium decreased RMB 149,824,200.00 yuan due to restricted stock granted to employees from Treasury stock repurchased by the company on the secondary market;②Equity Incentive Restricted Shares unlock 4,434,300 shares this period, the corresponding accumulative compensation paid by shares is RMB 39,704,040.00, a premium on the share capital transferred in such amount from other capital reserves;③The capital stock premium increased by 1,020,868.77 Yuan due to the debt to equity swap of "Sanhua convertible bonds";④Repo and cancellation of equity incentive restricted shares that have granted but not met the unlock condition, share premium decreased RMB 1,600,375.00; ⑤Other capital reserve increased RMB 66,803,074.87 due to the confirmation of share-based payment remuneration; ⑥The available income tax benefit, due to the expected tax cost of equity incentive restricted shares that are no unlockable is lower than accounting cost, the closing balance was RMB 7,216,447.68 lower than the opening balance, other capital reserve and deferred tax assets decreased such amount.

41. Treasury shares

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Restricted shares	75,490,047.50	175,850,000.00	36,680,387.50	214,659,660.00
Repo shares	336,459,565.40	104,577,950.13	325,674,200.00	115,363,315.53
Total	411,949,612.90	280,427,950.13	362,354,587.50	330,022,975.53

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

Restricted shares

①In current period, the company grants 17,585,000 restricted stocks to incentive objects with treasury shares, the grant price per share is 10.00 yuan, and reduces treasury stocks by RMB 175,850,000.00. Among them, the deduction of Treasury stock 325,674,200.00 yuan, the capital reserve is reduced by 149,824,200.00 yuan. These restricted stock units have not yet met the unlock conditions, and the Company also accounts for them as Treasury stock and recognizes the related liability for the repurchase obligation.

②Unlock 4,434,300 restricted shares of equity incentive granted in 2020. The grant price per share after ex rights and ex dividend is 6.9615 yuan, and the unlocking amount is 30,869,550.00 yuan; Treasury shares and repurchase obligations payable shall be reduced by the same amount.

③April 2022, the company implemented the 2021 annual equity distribution, and the dividend of RMB 1,592,272.50 for the unlocked part of the restricted shares of equity incentives will be temporarily withheld by the company. At the same time, the treasury shares and repo obligations payable were reduced by the same amount.

④September 2022, the company implemented the 2022 annual equity distribution, and the dividend of RMB 2,349,740.00 for the unlocked part of the restricted shares of equity incentives will be temporarily withheld by the

company. At the same time, the treasury shares and repo obligations payable were reduced by the same amount.

⑤Repo and cancellation of equity incentive restricted shares that have not met the unlock condition, treasury shares offset against RMB 1,868,825.00.

Repurchase share

①In current period, the Company repurchased 5,517,600 shares through collective bidding, and paid a total share repurchase amount of 104,577,950.13 yuan;

②In current period, the company grants 17,585,000 restricted stocks to incentive objects with treasury shares, and reduces treasury stocks by RMB 325,674,200.00.

42. Other comprehensive income (OCI)

Unit: RMB

Items	Opening balance	Changed amount of the current period						Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: OCI carried forward transferred to undistributed profit	Less: income tax expense	Attributable to the parent Company after tax	Attributable to Non-controlling interest after tax	
Items to be reclassified subsequently to profit or loss	- 129,410,847.39	120,867,799.06				120,867,799.06		- 8,543,048.33
Converted difference in Foreign	- 129,410,847.39	120,867,799.06				120,867,799.06		- 8,543,048.33
Other comprehensive income in total	- 129,410,847.39	120,867,799.06				120,867,799.06		- 8,543,048.33

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

The translation differences of foreign currency statements belong to the parent company and have no impact on corporate income tax.

43. Surplus reserve

Unit: RMB

Items	Opening balance	Increased in current period	Decreased in current period	Closing balance
Statutory surplus reserve	675,289,473.12	161,738,529.31		837,028,002.43
Discretionary surplus reserve	8,681,137.20			8,681,137.20

Reserve fund	17,813,919.38			17,813,919.38
Total	701,784,529.70	161,738,529.31		863,523,059.01

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

This period increased by RMB 161,738,529.31, according to the parent company's current net profit 10% of the statutory surplus reserve.

44. Undistributed profit

Unit: RMB

Items	Current period	Previous period
Balance before adjustment at the end of the previous period	6,615,689,606.07	5,890,916,707.83
Balance after adjustment at the end of the previous period	6,615,689,606.07	5,890,916,707.83
Add: Net profit attributable to shareholders of the parent Company for current year	2,573,344,179.92	1,684,044,407.47
Less: Appropriation of statutory surplus reserve	161,738,529.31	63,816,916.23
Payable dividends on ordinary shares	893,959,013.80	895,454,593.00
Closing balance	8,133,336,242.88	6,615,689,606.07

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.

45. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	20,494,502,732.61	14,967,335,446.87	15,320,159,124.37	11,239,932,600.42
Other operations	853,047,008.39	813,763,734.43	700,650,681.15	667,418,368.69
Total	21,347,549,741.00	15,781,099,181.30	16,020,809,805.52	11,907,350,969.11

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

☐ Applicable ☒ Not Applicable

Other remarks:

Breakdown of revenue generated by contracts with customers by major categories

- 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
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Recognition of revenue at a certain point in time	21,337,361,339.43	16,011,597,055.08
Total	21,337,361,339.43	16,011,597,055.08

46. Taxes and surcharges

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	31,612,152.21	23,550,102.70
Education surcharge	16,437,746.25	12,271,122.11
Local education surcharge	10,958,497.49	8,180,748.10
Housing property tax	22,290,882.13	18,012,809.29
Land use tax	8,169,260.25	9,829,194.63
Stamp duty	13,239,684.94	5,612,844.37
Local foundation for water works	995,943.11	704,457.11
Overseas taxes and fees	6,280,593.23	5,321,358.38
Others	82,891.37	80,893.30
Total	110,067,650.98	83,563,529.99

47. Selling expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	269,411,821.59	230,870,245.85
Warehousing, freight and miscellaneous charges	97,821,539.87	80,729,629.97
Entertainment expense	52,943,592.53	41,824,687.72
Travel expense	26,483,360.78	18,099,214.71
Market maintenance fee	20,192,786.24	50,166,361.46
Advertising expense	17,666,279.17	12,059,349.62
Others	28,079,877.48	15,477,043.22
Total	512,599,257.66	449,226,532.55

48. Administrative expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	715,760,569.17	494,243,600.32
Share-based payment remuneration	63,796,510.49	47,453,874.76
Depreciation and amortization expense	129,839,251.84	114,268,657.76
Office expense	174,159,668.47	105,050,490.36
Intermediary organ expense	65,491,200.20	56,124,341.11
Relocation payment	32,137,262.51	
Entertainment expense	14,669,991.91	16,099,578.20
Vehicle expense	14,899,276.85	11,544,975.21
Sporadic renovation expense in the park	24,954,126.54	17,843,375.87
Security fund for the disabled	3,287,378.79	3,157,345.53

Others	27,979,735.22	10,016,622.21
Total	1,266,974,971.99	875,802,861.33

49. R&D expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Labor cost	498,865,837.12	403,228,674.30
Direct input expense	348,796,355.72	231,465,729.15
Depreciation and amortization expense	39,471,888.97	35,351,729.36
Mold manufacturing expense	68,578,613.77	60,978,249.32
Royalties	10,654,860.81	9,131,467.11
Outsourcing R&D expense	5,365,574.72	665,969.71
Others	17,221,364.79	10,316,740.29
Total	988,954,495.90	751,138,559.24

50. Financial expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Interest expense	233,211,546.41	146,890,397.95
Including: bond payable interest	132,562,707.58	74,733,687.74
Interest on lease liabilities	1,333,741.11	216,112.22
Interest income	-188,127,427.03	-163,144,645.89
Exchange gains or losses	-228,843,448.26	95,990,142.26
Others	6,218,683.61	4,372,953.79
Total	-177,540,645.27	84,108,848.11

51. Other income

Unit: RMB

Source of the other income	Current period cumulative	Preceding period comparative
Government subsidies related to assets	29,910,459.07	24,211,916.58
Government subsidies related to revenue	93,837,638.51	97,810,169.09
Handling fees for withholding individual income tax	1,445,314.58	765,674.33
Total	125,193,412.16	122,787,760.00

52. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	7,732,273.62	7,011,313.83
Business combination not under common control contingent	-3,500,000.00	

considerations		
Gains and losses on bank financial products	3,532,582.76	16,473,512.65
Gains and losses on exchange rate derivatives	-88,736,858.29	84,019,324.41
Gains and losses on futures derivatives	-6,800,191.82	35,602,149.71
Bill discount interest	-894,817.78	-1,533,698.47
Advance payment gains	3,918,591.59	
Total	-84,748,419.92	141,572,602.13

53. Gains or losses on changes in fair value

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Floating income of bank financing products	-1,117,394.66	-596,487.04
Floating income of futures contracts	372,665.94	-4,153,975.59
Floating income of foreign exchange contract	-103,099,561.14	7,971,860.01
Contingent consideration payment for business combination	-3,500,000.00	
Total	-107,344,289.86	3,221,397.38

54. Credit impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Provision for bad debt	-97,762,426.98	-56,834,285.92
Total	-97,762,426.98	-56,834,285.92

55. Assets impairment loss

Unit: RMB

Items	Current period cumulative	Preceding period comparative
II. Inventory write-down loss and contract performance cost impairment loss	-93,592,437.64	-51,825,230.13
V. Impairment loss of fixed assets		-9,429,348.48
XI. Goodwill impairment loss		-31,959,091.60
Total	-93,592,437.64	-93,213,670.21

56. Gains on asset disposal

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Gains on disposal of assets	459,760,649.40	-387,648.44

57. Non-operating revenue

Unit: RMB

Items	Current period cumulative	Preceding period comparative	Amount recorded into the current non-recurring profit and loss
Exempted payment	2,316,719.90	1,663,567.85	2,316,719.90
Compensation and penalty income	2,360,757.64	2,232,754.09	2,360,757.64
Gains from retirement of fixed assets	148,387.39	208,668.30	148,387.39
Others	1,954,254.02	687,560.44	1,954,254.02
Total	6,780,118.95	4,792,550.68	6,780,118.95

58. 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	14,540,776.90	6,985,178.47	14,540,776.90
Litigation for damages	6,137,932.54	4,971,711.20	6,137,932.54
Donation expenditures	214,168.85	495,026.83	214,168.85
Others	1,531,335.88	2,476,278.90	1,531,335.88
Total	22,424,214.17	14,928,195.40	22,424,214.17

59. Income tax expenses

(1) Income tax expenses

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	404,677,979.49	254,222,957.91
Deferred income tax expenses	38,527,616.87	17,581,519.86
Total	443,205,596.36	271,804,477.77

(2) Reconciliation of accounting profit to income tax expenses

Unit: RMB

Items	Current period cumulative
Income before tax	3,051,257,220.38
Income tax expense calculated at the applicable tax rate	576,319,021.72
Adjustment of preliminary income tax expense settlement and payment	1,535,707.30
Plus deduction of R&D expenses	-134,810,112.81
Equipment depreciation plus deduction	-30,760,408.14
Others	30,921,388.29
Income tax expenses	443,205,596.36

60. Other comprehensive income

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

61. Notes to items of the consolidated cash flow statement**(1) Other cash receipts related to operating activities**

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Government grants	190,317,245.39	195,905,022.49
Interest income	69,627,397.60	89,862,225.91
Net change in restricted funds		11,123,000.00
Rental income	3,129,586.41	9,785,805.55
Guarantee deposit	7,751,072.89	
Insurance indemnities	2,360,757.64	2,050,150.25
Other	1,954,254.02	1,576,848.07
Total	275,140,313.95	310,303,052.27

Other remarks:

(2) Other cash payments related to operating activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Guarantee deposit	3,403,135.50	8,149,646.85
Expense payments for the period	587,973,954.14	473,111,251.31
Total	591,377,089.64	481,260,898.16

(3) Other cash receipts related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Redemption of bank financing products	8,240,000.00	642,245,000.00
Income from Foreign exchange contract derivatives settlement		84,019,324.41
Income from Futures contract derivatives settlement		36,962,814.04
Redemption of certificates of deposit	285,000,000.00	
Total	293,240,000.00	763,227,138.45

(4) Other cash payments related to investing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Subscription of large certificates of deposit		3,839,000,000.00
Net change in restricted funds	11,540,191.45	34,524,969.01
Loss on exchange rate derivatives instrument settlement	89,037,070.52	
Loss on futures derivatives settlement	6,800,191.82	
Total	107,377,453.79	3,873,524,969.01

(5) Other cash receipts related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Net change in restricted funds	44,015,965.02	6,147,618.22
Restricted stock subscription		47,536,022.04
Deposit of Stock appreciation right	4,831,202.13	
Total	48,847,167.15	53,683,640.26

(6) Other cash payments related to financing activities

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Repo shares expenses	104,577,950.13	200,011,001.49
Restricted stock repurchase expenses	1,868,825.00	3,276,699.00
Rental expenses	63,525,409.50	26,860,033.64
Convertible bond issuance service fee, etc		14,153,152.35
Net change in restricted funds	10,019,914.98	
Total	179,992,099.61	244,300,886.48

62. 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	2,608,051,624.02	1,704,824,537.64
Add: Provision for assets impairment loss	191,354,864.62	150,047,956.13
Depreciation of fixed assets, oil and gas assets, productive biological assets	537,069,500.40	457,645,498.88
Amortization of right-of-use assets	68,555,980.56	45,187,192.39
Amortization of intangible assets	28,123,911.80	22,412,446.76
Amortization of Long-term prepayments	9,859,380.30	7,468,836.52
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-459,760,649.40	387,648.44
Loss on retirement of fixed assets (Less: gains)	14,392,389.51	6,776,510.17
Losses on changes in fair value (Less: gains)	107,344,289.86	-3,221,397.38
Financial expenses (Less: gains)	131,751,392.89	76,990,021.45
Investment losses (Less: gains)	83,653,602.14	-143,106,300.60

Decrease of deferred tax assets (Less: increase)	-67,896,167.64	-6,925,779.23
Increase of deferred tax liabilities (Less: decrease)	115,847,772.06	42,131,964.83
Decrease of inventories (Less: increase)	-790,661,843.32	-1,379,357,747.06
Decrease of operating receivables (Less: increase)	-1,896,835,512.76	-1,130,326,675.79
Increase of operating payables (Less: decrease)	1,762,012,880.65	1,653,187,167.54
Others	66,803,074.87	51,697,222.60
Net cash flows from operating activities	2,509,666,490.56	1,555,819,103.29
2. Significant investing and financing activities not related to cash receipts and payments:	--	--
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
3. Net changes in cash and cash equivalents:	--	--
Cash at the end of the period	2,050,328,601.77	2,690,002,225.09
Less: Cash at the beginning of the period	2,690,002,225.09	3,400,144,038.54
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	-639,673,623.32	-710,141,813.45

(2) Composition of cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
I. Cash	2,050,328,601.77	2,690,002,225.09
Including: Cash on hand	329,823.40	214,611.31
Cash in bank that can be readily drawn on demand	2,049,996,724.25	2,689,767,198.01
Other monetary funds that can be readily for payment	2,054.12	20,415.77
III. Cash and cash equivalents at end of year	2,050,328,601.77	2,690,002,225.09

Other remarks:

On December 31, 2022, monetary funds include RMB 3,740,432,400.66 of principal and interest of CDS and time deposits, RMB 16,303,609.84 of margin deposits and RMB 71,179,040.28 of futures contract deposits, totals RMB 3,827,915,050.78. Such monetary funds do not belong to cash and cash equivalents.

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

Items	Current period cumulative	Preceding period comparative
Endorsed acceptance and digital electronic debt vouchers	153,096,073.61	213,080,551.18
Including: Payment for operating activities	152,360,373.61	212,391,551.18
Payment for investment activities	735,700.00	689,000.00

63. Assets with restriction on ownership or use rights

Unit: RMB

Items	Carrying amount at the end of the period	Cause of restriction
Cash and Bank Balances	87,482,650.12	Guarantee deposit
Cash and Bank Balances	209,826,666.67	Pledge financing
Notes receivable	2,015,272,320.99	Pledge financing
Accounts receivable	296,551,088.70	Digital and electronic debt vouchers that have been endorsed or discounted but are not due
Total	2,609,132,726.48	--

64 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	53,913,890.38	6.9646	375,488,680.93
EUR	24,344,172.83	7.4229	180,704,360.49
HKD			
Other currencies			81,612,958.04
Subtotal			637,805,999.46
Accounts receivable	--	--	
Including: USD	235,507,440.06	6.9646	1,640,215,117.05
EUR	61,969,387.19	7.4229	459,992,564.19
HKD			
Other currencies			69,436,903.93
Subtotal			2,169,644,585.17
Long-term borrowings	--	--	
Including: USD			
EUR			
HKD			
Subtotal			
Derivative financial assets			
Including: USD	56,137.00	6.9646	390,971.75
Other currencies			2,575,879.02

Subtotal			2,966,850.77
Other receivables			
Including: USD	1,717,722.80	6.9646	11,963,252.21
EUR	259,288.20	7.4229	1,924,670.38
Other currencies			59,169,757.11
Subtotal			73,057,679.70
Long-term receivable			
Including: EUR	100,000.00	7.4229	742,290.00
Subtotal			742,290.00
Short-term borrowings			
Including: USD	63,035,000.00	6.9646	439,013,561.00
EUR	68,000,000.00	7.4229	504,757,200.00
Subtotal			943,770,761.00
Derivative financial liabilities			
Including: USD	6,419,607.56	6.9646	44,709,998.81
Subtotal			44,709,998.81
Accounts payable			
Including: USD	22,825,838.53	6.9646	158,972,835.03
EUR	9,956,415.38	7.4229	73,905,475.71
Other currencies			42,419,266.59
Subtotal			275,297,577.33
Other payables			
Including: USD	3,673,087.83	6.9646	25,581,587.47
EUR	1,856,563.86	7.4229	13,781,087.87
Other currencies			7,975,702.51
Subtotal			47,338,377.85
Non-current liabilities due within one year			
Including: USD	1,972,616.77	6.9646	13,738,486.76
EUR	1,121,416.87	7.4229	8,324,165.28
Subtotal			22,062,652.04
Lease liabilities			
Including: USD	7,777,917.85	6.9646	54,170,086.66
EUR	10,524,133.49	7.4229	78,119,590.48
Other currencies			114,873.45
Subtotal			132,404,550.59

(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.

65. Government grants

(1) Details

1) Government grants related to assets

Unit: RMB

Items	Opening balance of deferred income	Increase in current period	Amortization in the current period	Closing balance of deferred income	Current amortization financial reporting items
Grant for innovation ability construction project of National Enterprise Technology Center	2,500,000.20		624,999.96	1,875,000.24	Other income
Grant for construction project of 25 million sets of new energy-saving and environmental protection variable frequency air conditioning expansion valve	204,000.20		135,999.96	68,000.24	Other income
Intelligent factory technological transformation project based on the Internet of things technology	3,125,000.00		500,000.04	2,624,999.96	Other income
Annual production of 3 million self-circulating superconducting plates technology project	618,750.00		99,000.00	519,750.00	Other income
Grant for comprehensive upgrading and technical transformation project of intelligent manufacturing of refrigeration components	4,971,300.00		828,549.96	4,142,750.04	Other income
Grant for technical transformation project of 30 million sets of high efficiency energy saving refrigeration and air conditioning control components	5,600,000.00		800,000.04	4,799,999.96	Other income
Grant for technical transformation project for the high efficiency and energy saving refrigeration and air conditioning control components with an annual output of 30 million sets	10,803,522.50		1,211,610.00	9,591,912.50	Other income
Grant for an annual output of 50.5 million sets of technical transformation of high-efficiency and energy-saving refrigeration and air conditioning control components	7,985,098.33	11,903,800.00	1,332,640.03	18,556,258.30	Other income
Grant for an annual production of 1 million sets of efficient and energy-saving plate heat exchangers project		7,000,000.00		7,000,000.00	Other income
Grant for pollution source treatment project	989,591.67		989,591.67		Other income
Grant for intelligent manufacturing technology transformation project of 6 million sets of commercial refrigeration components per year	2,271,220.00		2,271,220.00		Other income
Grant for technical transformation project for the commercial refrigeration control components with an annual output of 12 million sets	4,281,862.54		4,281,862.54		Other income
Grant for project of an intelligent factory with an annual output of 35 million sets of commercial refrigeration and air conditioning intelligent control components		4,092,300.00	102,307.50	3,989,992.50	Other income
Special fund grant for multistory factory buildings of small and medium-sized enterprises	4,771,280.34		221,919.96	4,549,360.38	Other income

Technical transformation project for the production line of energy-saving residential air-conditioning control components with an annual output of 50 million sets	370,192.52		126,923.04	243,269.48	Other income
Industrial transfer projects and single equipment investment grant	162,037.42		120,561.41	41,476.01	Other income
Four-way reversing valve optimization project	413,333.48		159,999.96	253,333.52	Other income
Comprehensive award and compensation for investment in technological transformation of industrial enterprises	1,668,919.70		269,020.94	1,399,898.76	Other income
New industrialization fund subsidy	1,774,085.63		224,848.44	1,549,237.19	Other income
Grant for technical renovation equipment		1,878,400.00	62,613.30	1,815,786.70	Other income
Grant for affordable rental housing		7,581,000.00	21,058.33	7,559,941.67	Other income
Industrial transformation and upgrading, technological transformation and industrial investment	1,210,409.56		202,424.89	1,007,984.67	Other income
Grant for an annual output of 2 million sets of high-efficiency energy-saving inverter controllers	1,263,522.44		515,947.64	747,574.80	Other income
Grant for technical transformation project of newly increased 800000 sets of heat exchanger per year	1,516,000.00		758,000.00	758,000.00	Other income
Technical transformation project of annual output of 100000 large heat exchangers	4,214,050.00		842,810.00	3,371,240.00	Other income
Grant for commercial machine micro-channel heat exchanger technical transformation project	553,650.00		553,650.00		Other income
Technical transformation project of large heat exchanger with annual output of 700,000 sets	5,355,600.00		669,450.00	4,686,150.00	Other income
Grant for the technical transformation project with an annual output of 2 million sets of air-conditioning parts	1,656,000.00	3,100,800.00	1,172,160.00	3,584,640.00	Other income
Grant for 1 million sets of air-conditioning thermal sensor technology transformation of new energy vehicle	4,576,750.32		915,349.95	3,661,400.37	Other income
Grant for an annual output of 7.3 million sets of new energy vehicle thermal management system components technical transformation	36,342,000.00		4,038,000.00	32,304,000.00	Other income
Grant for the annual production of 11.5 million sets of new energy auto parts project	19,663,661.78	66,016,540.00	4,847,998.79	80,832,202.99	Other income
Grant for an annual output of 11 million sets of new energy vehicles high efficiency heat exchanger assembly project	23,175,000.00	23,175,000.00	290,091.53	46,059,908.47	Other income

Comprehensive investment award for technological transformation of industrial enterprises in Wuhu City	2,627,360.00		357,888.00	2,269,472.00	Other income
Policy grant for Wuhu City's strong industrial base and manufacturing strong province	615,000.00		90,000.00	525,000.00	Other income
Grant for equipment of New technological transformation for industrialization	1,141,937.28		131,762.04	1,010,175.24	Other income
Grant for promoting new industrialization and support technological transformation of enterprises	408,765.00		41,220.00	367,545.00	Other income
Grant for technological transformation investment in manufacturing enterprises		2,375,500.00	98,979.15	2,276,520.85	Other income
Total	156,831,834.71	127,123,340.00	29,910,459.07	254,044,715.64	

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

Unit: RMB

Items	Current period cumulative	Financial Report Items
VAT refund on software products in excess of tax burden	19,784,967.70	Other income
VAT refund of civil welfare enterprises	12,304,080.00	Other income
Award of enterprise R&D investment	11,245,037.84	Other income
Awards for investment in major industrial projects	10,525,246.00	Other income
Talent introduction and job stabilization subsidies	9,880,499.31	Other income
Government rent subsidies	5,416,352.00	Other income
Award of industry support fund	4,723,233.00	Other income
Specialized, refined, and innovative subsidies	3,670,200.00	Other income
Patent subsidy for enterprises	3,156,293.96	Other income
Enterprise operation development reward	2,551,500.00	Other income
Open economy incentive fund	1,804,099.00	Other income
Special reward for the integration of industrialization	1,700,000.00	Other income
Subsidy for the development of new manufacturing industry	1,406,600.00	Other income
Innovation and Development Award	1,198,000.00	Other income
Major industrial project investment rewards	1,000,705.50	Other income
Other	3,470,824.20	Other income
Subtotal	93,837,638.51	

(2)The amount of government grant included in the profit or loss statement in the current period

Items	Current period cumulative
Related to assets	29,910,459.07
Related to income	93,837,638.51
Total	123,748,097.58

The government subsidies included in the current profit and loss are presented in the "other income" item.

VIII. Interest in other entities

1. Interest in subsidiaries

(1) Composition of enterprise group

Subsidiary name	Main operating place	Place of registration	Business nature	Holding proportion		Acquisition method
				Direct	Indirect	
Zhejiang Sanhua Climate and Appliance Controls Group Co., Ltd.	Zhejiang	Zhejiang	Refrigeration components	74.00%	26.00%	Business combination under common control
Zhejiang Sanhua Automotive Components Co., Ltd.	Zhejiang	Zhejiang	Automotive components	100.00%		Business combination under common control
Sanhua (hangzhou) Micro Channel Heat Exchanger Co., Ltd.	Zhejiang	Zhejiang	Refrigeration components	100.00%		Business combination under common control
Zhejiang Sanhua Trading Co., Ltd.	Zhejiang	Zhejiang	Refrigeration components	100.00%		Establishment
Zhejiang Sanhua Commercial Refrigeration Co. Ltd.	Zhejiang	Zhejiang	Refrigeration components	100.00%		Establishment

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

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

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

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

Other remarks:

2. Interest in joint venture or associates

(1) Aggregated financial information of insignificant joint ventures and associates

Items	Closing balance/Current period cumulative	December 31, 2020/Preceding period comparative
Joint ventures	--	--
Total of the following items calculated by	--	--

Items	Closing balance/Current period cumulative	December 31, 2020/Preceding period comparative
shareholding ratio		
Associates	--	--
Total book value of investment	32,438,204.13	22,680,930.51
Total of the following items calculated by shareholding ratio	--	--
-Net profit	7,732,273.62	7,011,313.83
-Total comprehensive income	7,732,273.62	7,011,313.83

Other remarks:

IX. 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.

(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. 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. As of December 31, 2022, the Company had certain credit concentration risks.

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	1,294,083,319.58	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

(Continued)

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Short-term borrowings	738,190,910.54	741,497,623.23	741,497,623.23		
Notes payable	1,891,526,333.48	1,891,526,333.48	1,891,526,333.48		
Accounts payable	3,214,698,131.59	3,214,698,131.59	3,214,698,131.59		
Other payable	172,923,251.10	172,923,251.10	172,923,251.10		
Non-current liabilities due within one year	1,763,342,887.58	1,788,496,608.56	1,788,496,608.56		
Long-term borrowings	801,461,958.89	852,116,486.66		852,116,486.66	
Bonds payable	2,652,035,619.50	3,434,390,745.50	5,998,935.80	29,994,679.00	3,398,397,130.70
Lease liabilities	157,981,678.16	157,981,678.16	14,779,459.15	71,465,390.94	71,736,828.07
Subtotal	11,392,160,770.84	12,253,630,858.28	7,829,920,342.91	953,576,556.60	3,470,133,958.77

(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

The Company's interest risk in cash flows relates mainly to bank borrowings with floating interest rate. The Company's cash flow interest risks arise from floating-rate financial instruments, while 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 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.

X. Disclosure of Fair Values

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

Unit: RMB

Item Name	Fair value as of the balance sheet date			
	Level 1	Level 2	Level 3	Total
I. Constant measurement at fair value	--	--	--	--
1. Held-for-trading financial assets	6,254,306.00	102,710,548.13		108,964,854.13
(1) Debt instrument investments		100,025,980.08		100,025,980.08
(2) Equity instrument investments	6,254,306.00	2,684,568.05		8,938,874.05
Total amount of assets constantly measured at their fair values	6,254,306.00	102,710,548.13		108,964,854.13
6. Held-for-trading liabilities	461,375.00	44,709,998.81	3,500,000.00	48,671,373.81
Derivative financial liabilities	461,375.00	44,709,998.81		45,171,373.81
Contingent payment consideration of business combination			3,500,000.00	3,500,000.00
Total amount of liabilities constantly measured at their fair values	461,375.00	44,709,998.81	3,500,000.00	48,671,373.81
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.

XI. Related party relationships and transactions

1. Parent Company

Parent Company	Place of registration	Business nature	Registered capital	Holding proportion over the Company	Voting right proportion over the Company
Sanhua Holding Group Co., Ltd	Zhejiang Province	Industrial Investment	730 million yuan	47.83%	47.83%

Remarks on the parent Company:

As of December 31, 2022, Sanhua Holding Group Co., Ltd. (Hereinafter referred to as SHG) directly holds 27.26% of the Company's shares, and indirectly holds 20.57% of the shares through its subsidiaries, for a total of 47.83% of the shares. The final controllers of the Company are Mr Zhang Daocai, Mr Zhang Yabo and Zhang Shaobo.

Other remarks:

2. Information about the Company's subsidiaries

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

3. Joint ventures and associates of the Company

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

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

4. Other related parties of the Company

Other related parties of the Company	Relationship with the Company	Abbreviation of associate
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 Smartech 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

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	117,481.65	39,500,000.00		1,167,603.70
ZSGE	Services	5,067,869.97	39,500,000.00		3,324,915.22
HTM	Goods				4,648,299.74
HTM	Services				28,601.77
HSRI	Goods	405,850.00	30,000,000.00		22,229.77
HSRI	Services	115,504.52	39,500,000.00		123,689.42
NFS	Goods	32,409,031.07	30,000,000.00		
ZXPM	Goods	16,665,387.16	30,000,000.00		20,702,956.31
ZHT	Services	1,392,002.29	39,500,000.00		1,129,125.33
QSJM	Goods	2,214,292.50	2,500,000.00		
WAT	Goods	21,522.13	50,000.00		82,035.40
HLNE	Services	309,962.61	39,500,000.00		
XCSP	Services	18,867.92	39,500,000.00		

Sale of goods and rendering of services

Unit: RMB

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
SHG	Goods	20,895.46	447,493.03
SHG	Services	1,684,018.87	1,684,018.88
ZSGE	Services		3,547.17
HFMT	Services	148,754.72	148,754.72
ZHT	Services		396.10
QSJM	Goods	1,379,123.17	952,156.49
HLNE	Goods	21,470,743.61	
CTMC	Goods	299,624.26	74,647.80
HSRI	Goods	6,310,833.15	4,260,641.75
HSRI	Services		23,063.51
WAT	Services	100,310.67	102,949.51
WAT	Goods		1,726.07
ZSZR	Goods	7,893.80	9,734.51
HTM	Services		4,943.40

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 limit of 30 million yuan and a purchase rent, equipment lease, property management, water and electricity power, and service fee limit of 39.50 million yuan.

(2) Related party leases

The Company as the lessor:

Unit: RMB

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
SHG	Office building	5,309,339.45	5,309,339.44
HFMT	Plant	300,342.85	300,342.85
WAT	Plant	937,100.88	507,964.54

The Company as the lessee:

Unit: RMB

Lessor	Types of asset leased	Lease income for current period	Lease income for the preceding period
HSRI	Office building	1,252,457.14	1,125,600.00
ZSGE	Dormitory	2,247,283.42	3,184,967.59
	Plant	2,883,371.65	2,862,761.88

(3) Related party guarantees

Unit: RMB

The Company as guaranteed parties

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
SHG	RMB 2,300,000,000.00	September 28, 2021	October 13, 2025	No

Remarks of related party guarantees

The information in the table does not include related guarantees within the scope of consolidation, nor related guarantees that have been performed.

The above guarantee amount is the total data. The guarantee starting date is the earliest guarantee starting date, and the guarantee expiration date is the latest guarantee expiration date.

(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
NFS	Package assets		37,215,093.41
HTM	Equipment	517,522.13	47,965,923.63
SHG	Equipment		32,800.96
HSIB	Vehicle		44,247.79
HSRI	Equipment	205,309.73	791,304.59
HLNE	Equipment	1,537,099.74	

(5) Key management's emoluments

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	16,442,600.00	10,562,300.00

(6) Other related party transactions

Unit: RMB

Abbreviation of associate	Content of transaction	Current period cumulative	Preceding period comparative
ZSGE	Water and electricity payment	9,961,116.87	5,012,738.23
ZHT	Water and electricity payment	12,960,193.58	10,960,870.64
SHG	Water and electricity collection	853,994.99	749,941.39
HFMT	Water and electricity collection	898,625.43	630,478.74
HSRI	Water and electricity collection	1,694,581.23	980,985.87
WAT	Water and electricity collection	363,426.93	209,829.94
ZSGE	Water and electricity collection	693,341.07	780,198.27
ZHT	Water and electricity collection	166,623.55	137,126.85
HTM	Water and electricity collection		20,530.64

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 RMB810,703.20.

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	577,932.65	28,896.63	4,254,623.49	212,731.17
Accounts receivable	HLNE	9,075,252.25	453,762.61		
Accounts receivable	WAT	6,139.97	307.00		
Accounts receivable	QSJM			68,818.81	3,440.94
Accounts receivable	CTMC			84,352.01	4,217.60
Other receivables	ZHT	670,000.00	51,475.00	670,000.00	33,500.00

(2) Payables

Unit: RMB

Items	Related parties	Closing balance	Opening Balance
Accounts payable	HTM		6,737,074.50
Accounts payable	QSJM	380,902.10	
Accounts payable	ZXPM	14,415,289.63	5,977,186.49
Accounts payable	ZHT	352,333.66	316,422.06
Accounts payable	HSRI	719,760.50	261,150.00
Accounts payable	HFMT	100,000.00	100,000.00

Other payables	HSRI	20,000.00	
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XII. Share-based payment

1. Overall information

√ Applicable □ Not applicable

Unit: Shares

Total equity instruments granted in current period	18,070,000.00
Total equity instruments exercised in current period	4,434,300.00
Total equity instruments retired in current period	268,450.00
The range of exercise prices of share options outstanding at the end of the period and the remaining contractual life	The adjusted restricted stock grant price is RMB 9.85, which will be unlocked in batches within 12 months after 12 months, 24 months, and 36 months from the grant date.
The range of exercise prices of other equity instruments at the end of the period and the remaining contractual life	2020 Restricted Stock Incentive Plan: The adjusted restricted stock grant price is RMB 6.8615, which will be unlocked in batches within 12 months after 36 months from the grant date. 2022 Restricted Stock Incentive Plan: The adjusted restricted stock grant price is RMB 9.85, which will be unlocked in batches within 12 months after 12 months, 24 months, and 36 months from the grant date.

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 half of year 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 6.8615.

(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 half of year 2022 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 9.85.

2. Equity-settled share-based payment

√ Applicable □ Not applicable

Unit: RMB

Determination method for grant-date fair value of equity instruments	Calculated based on the closing price of the stock on the grant date minus the grant price of the restricted stock.
Determination method for the number of equity instruments expected to vest	[Note]
Reasons for significant difference between the estimates in current period and preceding period	Not applicable
Capital reserve accumulated due to equity-settled share-based payment	215,744,185.65
Total expenses incurred due to equity-settled share-based payment	66,803,074.87

Other remarks

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. In 2022, the company initially granted 17.5850 million 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

√ Applicable □ Not applicable

Determination method for 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	5,217,299.98
Total expenses incurred due to cash-settled share-based payment	5,217,299.98

XIII. Commitments and contingencies

1. Significant commitments

Significant contingencies existing on the balance sheet date

(1) Significant commitments

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
Annual production of 65 million sets of commercial refrigeration and air conditioning	1487 million yuan

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	698 million yuan

2. Contingencies

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

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

(2) 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

XIV. Events after the balance sheet date

1. Notes of other events after the balance sheet date

In December 2022, the China Securities Regulatory Commission accepted our company's application to issue Global Depositary Receipts (GDRs) and list them on the Swiss Stock Exchange. In January 2023, the Swiss Stock Exchange Regulatory Authority approved the listing of GDRs issued by the company on the Swiss Stock Exchange after meeting customary conditions. At present, the company's issuance of GDR is in progress.

According to the profit distribution plan of 2022 approved by the board of directors of the company on April 27, 2023, cash dividends of 2 yuan (including tax) for every 10 shares will be distributed to all shareholders based on 3,584,860,398 shares (total share capital minus repurchased shares of the company) on April 20, 2023. The profit distribution plan has yet to be considered and approved by the general meeting of shareholders.

XV. 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	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

Items	2021			
	Operating revenue	Operating cost	Total assets	Total liabilities
Refrigeration and air-conditioning electrical parts business	1,121,832.09	825,020.97	1,750,747.33	983,989.10
Auto parts business	480,248.89	365,714.13	611,249.35	252,748.52
Total	1,602,080.98	1,190,735.10	2,361,996.68	1,236,737.62

2. Other important transactions and events that affect investor make decisions**(1) Major transaction**

In December 2022, the Company and Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd signed the "State-owned Land Use Right Reserve Contract of Xinchang County" with the Land Arrangement and Reserve Center of Xinchang County, and signed the "Currency Compensation Agreement for the building" with the Qixing Sub-district Office of Xinchang County. According to the contract, the Land consolidation and Reserve Center of Xinchang County shall purchase and store the land, real estate, above-ground buildings (structures) and related ancillary facilities of Xialiquan Factory in Xinchang. The contract consideration includes the compensation for purchase and storage and the compensation for relocation, with a total amount of 546,216,590.00 yuan. As of the date of this report, 316,480,955.00 yuan has been received.

(2) Leases

1. The company as the lessor

(1) Operating lease

1) Lease income

Items	Current period cumulative	Preceding period comparative
Lease income	10,188,401.57	9,212,750.44
Including: Income relating to variable lease payments not included in the measurement of the lease liabilities		

2) Assets leased out under operating leases

Items	Closing balance	December 31,2021
Fixed assets	12,847,391.04	14,527,457.64
Intangible assets	6,511,950.93	6,726,701.01
Investment property	8,204,266.97	8,531,303.62
Subtotal	27,563,608.94	29,785,462.27

3) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining years	Closing balance	December 31,2021
Within 1 year	7,972,292.40	8,046,080.00
1-2 years		7,972,292.40
Total	7,972,292.40	16,018,372.40

XVI. Notes to items of parent Company financial statements

1. Accounts receivable

(1) Disclosure of accounts receivable by categories

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Receivables with provision made on an individual basis	605,744,200.07	74.35 %			605,744,200.07	379,079,112.37	64.69 %			379,079,112.37
Including:										
Receivables with provision made on a collective basis	208,963,287.00	25.65 %	10,449,251.95	5.00 %	198,514,035.05	206,926,654.25	35.31 %	10,346,332.71	5.00 %	196,580,321.54
Including:										

ng:										
Total	814,707,487.07	100.00%	10,449,251.95	1.28%	804,258,235.12	586,005,766.62	100.00%	10,346,332.71	1.77%	575,659,433.91

Provision made on an individual basis:

Unit: RMB

Name	Closing balance			
	Book balance	Provision for bad debt	Accrued proportion	Accrued reason
Several subsidiaries	605,744,200.07		0.00%	
Total	605,744,200.07		--	--

Provision made on a collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Book balance	Book balance
Within 1 year	208,941,535.00	10,447,076.75	5.00%
1 to 2 year	21,752.00	2,175.20	10.00%
Total	208,963,287.00	10,449,251.95	--

The remarks of determination of a collective basis:

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

√ Applicable □ Not applicable

Provision for bad debt	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2022	10,346,332.71			10,346,332.71
The balance as of January 1, 2022 is in the current period	—	—	—	—
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	102,919.24			102,919.24
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Balance on December 31, 2022	10,449,251.95			10,449,251.95

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	814,685,735.07
1 to 2 year	21,752.00
Total	814,707,487.07

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

Provision for bad debt accrued in current period:

Unit: RMB

Category	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	10,346,332.71	102,919.24				10,449,251.95
Total	10,346,332.71	102,919.24				10,449,251.95

Including significant provision for bad debt recovered or reversed amount:

(3) Assets and liabilities arising from transferred but still involved accounts receivable

Other remarks:

Closing balance of top 5 debtors totaled 610,507,608.30 yuan, accounting for 74.94% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 2,810,396.83 yuan.

2. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Dividend receivable		19,000,000.00
Other receivables	650,791,643.96	370,775,386.82
Total	650,791,643.96	389,775,386.82

(1) Dividend receivable

Classification of dividends receivable

Items	Closing balance	Opening balance
Wuhu Sanhua Automatic Control Components Co., Ltd		12,000,000.00
Zhongshan Sanhua Refrigeration Components Co., Ltd		7,000,000.00
Total		19,000,000.00

(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	532,760,000.00	341,107,339.69
Land accounts receivable	90,383,016.00	
Tax refund receivable	18,982,883.07	15,563,784.83
Guarantee deposit	5,300,385.80	9,827,285.00
Others	3,703,706.53	4,651,964.58

Total	651,129,991.40	371,150,374.10
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2) Provision for bad debt

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Total
	Next 12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2022	207,341.18	17,652.30	149,993.80	374,987.28
Balance in current period on January 1, 2022	—	—	—	—
--Transferred to phase II	-50,003.26	50,003.26		
--Transferred to phase III		-15,304.60	15,304.60	
Provision made in current period	3,737.09	47,655.57	-88,032.50	-36,639.84
Balance on December 31, 2022	161,075.01	100,006.53	77,265.90	338,347.44

Loss provisions for significant changes in book balances in current period

☐ Applicable ☒ Not Applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	645,347,399.32
1 to 2 years	1,000,065.28
2 to 3 years	76,523.00
Over 3 years	4,706,003.80
Total	651,129,991.40

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

Provision for bad debt accrued in current period:

Unit: RMB

Category	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Write off	Others	
Receivables with provision made on a collective basis	374,987.28	- 36,639.84				338,347.44
Total	374,987.28	- 36,639.84				338,347.44

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	Provision for bad debt at the end of the
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				other receivables	period
Zhejiang Sanhua Commercial Refrigeration Co. Ltd	Financial aid	164,250,000.00	Within 1 year	25.23%	
Xinchang County Land Consolidation and Reserve Center and Xinchang County Qixing Street Office	Compensation for land collection and storage	90,383,016.00	Within 1 year	13.88%	
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	Financial aid	70,000,000.00	Within 1 year	10.75%	
Hangzhou Leaderway Electronics Co., Ltd	Financial aid	67,530,000.00	Within 1 year	10.37%	
Sanhua (Jiangxi) Self-control Components Co., Ltd	Financial aid	50,000,000.00	Within 1 year	7.68%	
Total	--	442,163,016.00	--	67.91%	

3. Long-term equity investments

Unit: RMB

Investees	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	7,513,700,369.50		7,513,700,369.50	6,408,397,046.53		6,408,397,046.53
Investments in associates and joint ventures	28,958,340.27		28,958,340.27	20,389,833.75		20,389,833.75
Total	7,542,658,709.77		7,542,658,709.77	6,428,786,880.28		6,428,786,880.28

(1) Investments in subsidiaries

Unit: RMB

Investees	Opening balance(Carrying amount)	Changed amount of the current period				Closing balance (Carrying amount)	Closing balance of provision for impairment
		Investments increased	Investments decreased	Provision for impairment	Others		
Zhejiang Sanhua Automotive Components	2,005,901,956.05	716,567,912.46				2,722,469,868.51	

ts Co., Ltd.							
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd	650,983,520.9 1	6,073,668.90				657,057,189.8 1	
Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd	324,897,848.0 5	3,678,544.68				328,576,392.7 3	
Sanhua Internation al Inc.	307,031,006.8 4	508,166.95				307,539,173.7 9	
Sanhua Internation al Singapore Pte. Ltd	947,959,917.2 3	2,902,109.04				950,862,026.2 7	
Wuhu Sanhua Automatic Control Componen ts Co., Ltd	151,881,654.0 5	109,855,977.0 8				261,737,631.1 3	
Sanhua (Jiangxi) Self - control Componen ts Co., Ltd	93,770,008.81	254,583.00				94,024,591.81	
Xinchang Sitong Electrical and Mechanica l Co., Ltd	47,453,367.13	1,098,102.42				48,551,469.55	
Zhejiang Sanhua Commerci al Refrigerati on Co. Ltd	1,649,290,894. 37	3,867,923.32				1,653,158,817. 69	
Zhejiang Sanhua Trading Co. Ltd	55,572,473.00	2,271,354.50				57,843,827.50	
Changzhou Lanke four-way valve co., LTD	62,541,614.60					62,541,614.60	
Hangzhou	53,215,278.51	2,392,117.67				55,607,396.18	

Leaderway Electronics Co., Ltd							
Shaoxing Shangyu Sanli Copper Industry Co., Ltd	32,945,551.72	423,772.52				33,369,324.24	
Zhongshan Sanhua Air conditioning Refrigeration Components Co., Ltd	5,295,293.38	261,013.39				5,556,306.77	
Wuhan Sanhua Refrigeration Components Co., Ltd	4,562,011.92	397,849.03				4,959,860.95	
Zhongshan Sanhua Refrigeration Components Co., Ltd	6,231,666.65	355,855.15				6,587,521.80	
Suzhou Sanhua Air-Conditioner Parts Co.,Ltd	8,862,983.31	216,405.74				9,079,389.05	
Sanhua AWECO Appliance Systems (Wuhu) Co., Ltd.		152,877,775.96				152,877,775.96	
Zhejiang Sanhua Minshi Automotive Components Co., Ltd		51,000,000.00				51,000,000.00	
Sanhua New Energy Thermal Management Technology (Hangzhou		50,300,191.16				50,300,191.16	

) Co., Ltd							
Total	6,408,397,046.53	1,105,303,322.97				7,513,700,369.50	

(2) Investments in associates and joint ventures

Unit: RMB

Investee s	Openin g balance (Carryi ng amount)	Changed amount of the current period								Closing balance (Carryi ng amount)	Closi ng balan ce of provis ion for impai rment
		Invest ments increas ed	Invest ments decrea sed	Invest ment incom e recogn ized under equity metho d	Adjust ment in other compre hensive income	Cha nges in othe r equi ty	Cash dividen d/profit declare d for distribu tion	Provi sion for impai rment	Ot her s		
I. Joint ventures											
II. Associates											
Guochu ang Energy Internet Innovati on Center (Guang dong) Co., Ltd.	1,540,339.99	3,500,000.00		38,125.13						5,078,465.12	
Chongq ing Tainuo Machin ery Co., Ltd.	13,659,135.38			4,471,288.89			2,000,000.00			16,130,424.27	
Nancha ng Sanhua Jinlifeng Machin ery Co., Ltd.	1,513,988.70		1,250,000.00	-38,988.70			225,000.00				
Ningbo Jinlifeng Machin ery Co., Ltd	1,512,151.41			629,752.63						2,141,904.04	
Qingda o Sanhua Jinlifeng	329,853.20	1,500,000.00		2,030,073.21						3,859,926.41	

Machinery Co., Ltd.											
Xinchang zhejiang energy sanhua comprehensive energy co. LTD	1,834,365.07			-86,744.64						1,747,620.43	
Subtotal	20,389,833.75	5,000,000.00	1,250,000.00	7,043,506.52			2,225,000.00			28,958,340.27	
Total	20,389,833.75	5,000,000.00	1,250,000.00	7,043,506.52			2,225,000.00			28,958,340.27	

(3) Other remarks

Due to the implementation of the enterprise group share payment transactions, the company as a settlement enterprise, according to the fair value of the granted entity instrument. Confirm equity investments in subsidiaries (service receivers). At the same time, increase capital reserves 42,614,422.97yuan.

4. Operating revenue and Operating cost

Unit: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	5,741,546,510.68	4,327,000,541.95	4,795,178,915.97	3,636,339,329.61
Other operations	391,825,681.92	363,817,033.42	382,075,645.85	363,200,176.12
Total	6,133,372,192.60	4,690,817,575.37	5,177,254,561.82	3,999,539,505.73

5. Investment income

Unit: RMB

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	7,043,506.52	6,438,328.13
Gains on disposal of long-term equity investments	845,000,000.00	77,805,606.15
Investment income of bank financing products	3,347,850.67	6,621,422.44
Gains and losses on settlement of futures contracts	-7,145,679.04	15,104,176.44
Gains and losses on settlement of foreign exchange contract	-1,483,174.62	10,185,206.59
Income of fund using fee	13,281,902.31	12,531,531.64
Others	842,117.55	
Total	860,886,523.39	128,686,271.39

6. Others

R&D expenses

Unit: RMB

Items	2022	2021
Labor cost	131,725,103.43	124,637,638.62
Material and power expense	127,572,484.24	100,401,887.14
Depreciation and amortization expense	8,852,856.39	8,889,868.09
Mold manufacturing expense	3,498,334.01	5,162,383.68
Royalties	3,624,114.79	2,206,448.58
Outsourcing R&D expense	1,855,912.87	611,969.71
Others	2,563,180.13	1,750,905.47
Total	279,691,985.86	243,661,101.29

XVII. 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	445,368,259.89	
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)	91,659,049.88	
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	-198,263,945.31	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 2022, the futures loss was 6.4275 million yuan and the foreign exchange loss was 191.8364 million yuan; In 2021, the futures income was 31.4482 million yuan and the foreign exchange income was 91.9912 million yuan. Meanwhile, the exchange income was 228.8434 million yuan in 2022, the exchange loss was 95.9901 million yuan in 2021. 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	-1,251,705.71	
Other profit or loss satisfying the definition of non-recurring profit or loss	1,445,314.58	

Gains and losses arising from contingencies unrelated to the normal operation of the company	-7,000,000.00	
Less: Enterprise income tax affected	46,164,566.99	
Non-controlling interest affected	3,898,679.86	
Total	281,893,726.48	--

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	21.38%	0.72	0.72
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	19.04%	0.64	0.64

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