



天健國際會計師事務所有限公司

Confucius International CPA Limited

Certified Public Accountants

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**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED**

***Introduction***

We report on the historical financial information of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-121, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2022, 2023 and 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-121 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 June 2025 (the "Prospectus") in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

***Directors' Responsibility for the Historical Financial Information***

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### ***Reporting Accountant's Responsibility***

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the Company's and the Group's financial position as at December 31, 2022, 2023 and 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

*Confucius International CPA Ltd.*  
Confucius International CPA Limited  
Certified Public Accountants  
Hong Kong  
13 June 2025

## **I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

### **Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**the Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Revenue	5	21,347,550	24,557,802	27,947,165
Cost of revenue	8	<u>(15,885,938)</u>	<u>(17,822,314)</u>	<u>(20,326,346)</u>
<b>Gross profit</b>		<b>5,461,612</b>	<b>6,735,488</b>	<b>7,620,819</b>
General and administrative expenses	8	(1,383,996)	(1,621,891)	(1,946,785)
Selling and marketing expenses	8	(496,334)	(601,409)	(726,437)
Research and development expenses	8	(988,954)	(1,096,834)	(1,351,799)
Net impairment losses on financial assets	3.2	(97,762)	(51,478)	(56,379)
Other income	6	260,185	291,162	292,301
Other gains/(losses), net	7	<u>471,310</u>	<u>63,585</u>	<u>(83,795)</u>
<b>Operating profit</b>		<b><u>3,226,061</u></b>	<b><u>3,718,623</u></b>	<b><u>3,747,925</u></b>
Finance income	10	53,136	56,238	67,221
Finance costs	10	<u>(235,671)</u>	<u>(229,583)</u>	<u>(132,384)</u>
Finance costs, net		<u>(182,535)</u>	<u>(173,345)</u>	<u>(65,163)</u>
Share of profit or loss of investments accounted for using the equity method	14	<u>7,732</u>	<u>7,986</u>	<u>8,925</u>
<b>Profit before income tax</b>		<b>3,051,258</b>	<b>3,553,264</b>	<b>3,691,687</b>
Income tax expenses	11	<u>(443,206)</u>	<u>(619,549)</u>	<u>(579,961)</u>
<b>Profit for the year</b>		<b><u>2,608,052</u></b>	<b><u>2,933,715</u></b>	<b><u>3,111,726</u></b>
Attributable to:				
– Owners of the Company		2,573,344	2,920,993	3,099,165
– Non-controlling interests		<u>34,708</u>	<u>12,722</u>	<u>12,561</u>
		<b><u>2,608,052</u></b>	<b><u>2,933,715</u></b>	<b><u>3,111,726</u></b>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>				
• Basic	13	0.72	0.81	0.84
• Diluted	13	0.72	0.81	0.84

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Profit for the year</b>	<u>2,608,052</u>	<u>2,933,715</u>	<u>3,111,726</u>
<b>Other comprehensive income/(expenses)</b>			
<i>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</i>			
– Currency translation differences of foreign operations	<u>120,868</u>	<u>123,300</u>	<u>(253,120)</u>
<b>Other comprehensive income/(expenses) for the year, net of tax</b>	<u>120,868</u>	<u>123,300</u>	<u>(253,120)</u>
<b>Total comprehensive income for the year</b>	<u><b>2,728,920</b></u>	<u><b>3,057,015</b></u>	<u><b>2,858,606</b></u>
Attributable to:			
– Owners of the Company	2,694,212	3,044,293	2,846,045
– Non-controlling interests	<u>34,708</u>	<u>12,722</u>	<u>12,561</u>
	<u><b>2,728,920</b></u>	<u><b>3,057,015</b></u>	<u><b>2,858,606</b></u>



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	16	7,532,216	9,944,907	12,274,558
Investment properties	19	8,204	8,166	7,053
Right-of-use assets	17	894,163	1,023,826	1,205,331
Deferred tax assets	21	221,159	156,432	112,699
Intangible assets	18	45,826	52,954	36,520
Investments accounted for using the equity method	14	32,438	37,924	40,600
Other non-current assets	23	471,504	594,836	376,825
<b>Total non-current assets</b>		<b>9,205,510</b>	<b>11,819,045</b>	<b>14,053,586</b>
<b>Current assets</b>				
Inventories	24	4,334,875	4,600,729	5,280,442
Prepayments and other receivables	23	844,529	361,586	417,039
Trade and notes receivables	22	7,432,066	8,250,831	9,628,337
Financial assets at fair value through profit or loss	3.6	108,965	22,636	6,237
Term deposits and restricted cash	25	3,827,915	2,959,729	1,805,065
Cash and cash equivalents	25	2,050,329	3,624,955	3,443,503
Other current assets	23	157,025	251,074	1,720,540
<b>Total current assets</b>		<b>18,755,704</b>	<b>20,071,540</b>	<b>22,301,163</b>
<b>Total assets</b>		<b>27,961,214</b>	<b>31,890,585</b>	<b>36,354,749</b>

		As at December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	26	4,578,338	1,030,801	2,045,773
Lease liabilities	17	202,028	221,295	237,913
Deferred tax liabilities	21	288,758	307,511	258,264
Other non-current liabilities	29	316,866	448,425	659,851
Total non-current liabilities		5,385,990	2,008,032	3,201,801
Current liabilities				
Borrowings	26	1,794,549	2,583,346	2,053,766
Trade and notes payables	27	6,464,878	7,866,652	9,777,262
Contract liabilities	5	57,955	51,789	49,462
Lease liabilities	17	67,661	68,898	90,574
Current income tax liabilities		115,276	262,732	174,168
Financial liabilities at fair value through profit or loss	3.6	48,671	14,219	79,678
Accruals and other payables	28	904,926	969,109	1,407,120
Other current liabilities	29	2,008	2,100	1,274
Total current liabilities		9,455,924	11,818,845	13,633,304
Total liabilities		14,841,914	13,826,877	16,835,105
EQUITY				
Equity attributable to owner of the Company				
– Share capital	30	3,590,869	3,732,616	3,732,390
– Other reserves	34	1,137,583	4,582,315	4,296,916
– Treasury shares	31	(330,023)	(423,469)	(381,848)
– Equity reserves – convertible bonds	26	409,545	–	–
– Retained earnings	33	8,133,336	10,002,942	11,650,312
		12,941,310	17,894,404	19,297,770
Non-controlling interests		177,990	169,304	221,874
TOTAL EQUITY		13,119,300	18,063,708	19,519,644
TOTAL LIABILITIES AND EQUITY		27,961,214	31,890,585	36,354,749



# COMPANY'S STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	<b>As at December 31,</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	16	1,629,639	1,679,037	1,754,409
Right-of-use assets	17	142,126	136,623	128,793
Deferred tax assets	21	33,318	5,587	–
Intangible assets	18	12,091	14,878	22,812
Investments accounted for using the equity method	14	28,958	33,316	34,628
Investments in subsidiaries	15	7,513,700	8,846,817	9,121,409
Other non-current assets	23	42,604	114,000	80,435
<b>Total non-current assets</b>		<b>9,402,436</b>	<b>10,830,258</b>	<b>11,142,486</b>
<b>Current assets</b>				
Inventories	24	719,679	772,429	1,109,270
Prepayments and other receivables	23	660,263	2,277,093	551,294
Trade and notes receivables	22	1,912,937	1,997,098	1,184,885
Financial assets at fair value through profit or loss	3.6	103,780	1,463	6,237
Term deposits and restricted cash	25	2,456,612	1,961,904	1,077,255
Cash and cash equivalents	25	996,657	1,793,207	204,567
Other current assets	23	–	–	1,318,633
<b>Total current assets</b>		<b>6,849,928</b>	<b>8,803,194</b>	<b>5,452,141</b>
<b>Total assets</b>		<b>16,252,364</b>	<b>19,633,452</b>	<b>16,594,627</b>

	<i>Notes</i>	As at December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	26	4,578,338	1,030,801	2,045,773
Lease liabilities		8,472	5,571	1,719
Deferred tax liabilities	21	85,516	81,604	40,768
Other non-current liabilities	29	49,179	47,332	56,310
<b>Total non-current liabilities</b>		<b>4,721,505</b>	<b>1,165,308</b>	<b>2,144,570</b>
<b>Current liabilities</b>				
Borrowings	26	700,209	1,573,580	1,132,674
Trade and notes payables	27	1,895,542	2,024,802	1,768,810
Contract liabilities		155	121	224
Lease liabilities		3,141	2,072	1,613
Current income tax liabilities		23,782	13,501	–
Financial liabilities at fair value through profit or loss	3.6	12	–	446
Accruals and other payables	28	1,985,681	4,541,608	1,151,050
<b>Total current liabilities</b>		<b>4,608,522</b>	<b>8,155,684</b>	<b>4,054,817</b>
<b>Total liabilities</b>		<b>9,330,027</b>	<b>9,320,992</b>	<b>6,199,387</b>
<b>EQUITY</b>				
– Share capital	30	3,590,869	3,732,616	3,732,390
– Other reserves	34	1,916,257	5,235,099	5,207,773
– Treasury shares	31	(330,023)	(423,469)	(381,848)
– Equity reserves – convertible bonds	26	409,545	–	–
– Retained earnings	33	1,335,689	1,768,214	1,836,925
<b>TOTAL EQUITY</b>		<b>6,922,337</b>	<b>10,312,460</b>	<b>10,395,240</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,252,364</b>	<b>19,633,452</b>	<b>16,594,627</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to owners of the Company					
	Share capital RMB'000 (Note 30)	Treasury shares RMB'000 (Note 31)	Other reserves RMB'000 (Note 34)	Equity reserves – convertible bonds RMB'000	Retained earnings RMB'000 (Note 33)	Sub-total RMB'000
					Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at January 1, 2022</b>	<b>3,591,090</b>	<b>(411,950)</b>	<b>945,793</b>	<b>409,685</b>	<b>6,615,690</b>	<b>11,150,308</b>
Profit for the year	-	-	-	-	2,573,344	2,573,344
Other comprehensive income	-	-	120,868	-	-	120,868
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>120,868</b>	<b>-</b>	<b>2,573,344</b>	<b>2,694,212</b>
Capital injection	-	-	-	-	-	49,000
Appropriations to statutory reserves	-	-	161,739	-	(161,739)	-
Conversion of convertible bonds (Note 26)	48 (269)	-	1,021 (91,838)	(140)	-	929
Share-based payment (Note 34)	-	186,505	-	-	-	94,398
Dividends declared (Note 12)	-	-	-	-	(893,959)	(901,959)
Repurchase of shares (Note 31(i))	-	(104,578)	-	-	-	(104,578)
<b>Balance at December 31, 2022</b>	<b>3,590,869</b>	<b>(330,023)</b>	<b>1,137,583</b>	<b>409,545</b>	<b>8,133,336</b>	<b>12,941,310</b>
					<b>177,990</b>	<b>13,119,300</b>

Attributable to owners of the Company

	Share capital RMB'000 (Note 30)	Treasury shares RMB'000 (Note 31)	Other reserves RMB'000 (Note 34)	Equity reserves – convertible bonds RMB'000	Retained earnings RMB'000 (Note 33)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at January 1, 2023</b>	<b>3,590,869</b>	<b>(330,023)</b>	<b>1,137,583</b>	<b>409,545</b>	<b>8,133,336</b>	<b>12,941,310</b>	<b>177,990</b>	<b>13,119,300</b>
Profit for the year	-	-	-	-	2,920,993	2,920,993	12,722	2,933,715
Other comprehensive income	-	-	123,300	-	-	123,300	-	123,300
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>123,300</b>	<b>-</b>	<b>2,920,993</b>	<b>3,044,293</b>	<b>12,722</b>	<b>3,057,015</b>
Capital injection	-	-	-	-	-	-	7,091	7,091
Appropriations to statutory reserves	-	-	148,391	-	(148,391)	-	-	-
Conversion of convertible bonds (Note 26)	141,926	-	3,104,717	(409,545)	-	2,837,098	-	2,837,098
Share-based payment (Note 34)	(179)	96,649	68,324	-	-	164,794	-	164,794
Dividends declared (Note 12)	-	-	-	-	(902,996)	(902,996)	(25,692)	(928,688)
Repurchase of shares (Note 31(ii))	-	(190,095)	-	-	-	(190,095)	(2,807)	(192,902)
<b>Balance at December 31, 2023</b>	<b>3,732,616</b>	<b>(423,469)</b>	<b>4,582,315</b>	<b>-</b>	<b>10,002,942</b>	<b>17,894,404</b>	<b>169,304</b>	<b>18,063,708</b>

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Treasury shares	Other reserves	Retained earnings	Sub-total	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(Note 30)	(Note 31)	(Note 34)	(Note 33)			
<b>Balance at January 1, 2024</b>	<b>3,732,616</b>	<b>(423,469)</b>	<b>4,582,315</b>	<b>10,002,942</b>	<b>17,894,404</b>	<b>169,304</b>	<b>18,063,708</b>
Profit for the year	-	-	-	3,099,165	3,099,165	12,561	3,111,726
Other comprehensive income	-	-	(253,120)	-	(253,120)	-	(253,120)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(253,120)</b>	<b>3,099,165</b>	<b>2,846,045</b>	<b>12,561</b>	<b>2,858,606</b>
Capital injection	-	-	-	-	-	50,835	50,835
Appropriations to statutory reserves	-	-	152,050	(152,050)	-	-	-
Share-based payment (Note 34)	(226)	341,599	(179,627)	-	161,746	-	161,746
Dividends declared (Note 12)	-	-	-	(1,299,745)	(1,299,745)	(15,528)	(1,315,273)
Repurchase of shares (Note 31(ii))	-	(299,978)	-	-	(299,978)	-	(299,978)
Transaction with non-controlling interests	-	-	(4,702)	-	(4,702)	4,702	-
<b>Balance at December 31, 2024</b>	<b>3,732,390</b>	<b>(381,848)</b>	<b>4,296,916</b>	<b>11,650,312</b>	<b>19,297,770</b>	<b>221,874</b>	<b>19,519,644</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Note	2022	2023	2024
		RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	35(a)	2,674,147	3,854,532	4,643,925
Interest received		53,136	56,238	67,221
Income tax paid		(361,231)	(350,407)	(684,961)
<b>Net cash generated from operating activities</b>		<b>2,366,052</b>	<b>3,560,363</b>	<b>4,026,185</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of investments in associates		1,250	–	–
Proceeds from return on investments		4,682	2,671	13,273
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		84,636	591,068	109,300
Withdraw of term deposits and wealth management products		679,732	1,212,037	6,907,449
Government grant received in relation to assets		127,123	163,601	277,351
Payments for purchase of investments		(5,938)	(3,500)	(10,382)
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(2,941,807)	(2,745,462)	(3,290,148)
Placement of term deposits and wealth management products		(370,000)	(150,000)	(7,131,657)
Payments for settlement of derivative financial instruments		(95,837)	(138,025)	(43,616)
Others		(11,540)	21,931	(2,661)
<b>Net cash used in investing activities</b>		<b>(2,527,699)</b>	<b>(1,045,679)</b>	<b>(3,171,091)</b>



	<i>Note</i>	<b>Year ended December 31,</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from financing activities</b>				
Proceeds from share schemes (Note 31(ii))		175,850	–	292,693
Capital contributions from the non-controlling interests		49,000	7,091	44,682
Proceeds from borrowings		3,001,232	1,584,076	2,390,679
Repayments of borrowings		(2,670,214)	(1,308,453)	(1,852,949)
Principal elements of lease payments		(62,191)	(98,683)	(105,305)
Interests paid		(120,972)	(143,269)	(150,575)
Dividends paid to the Company's shareholders		(893,959)	(902,996)	(1,299,745)
Dividends paid to the non-controlling interests		(8,000)	(25,692)	(13,000)
Payments for repurchase of shares		(106,447)	(191,668)	(302,102)
Payments for listing expenses		–	–	(796)
Others		38,827	(12,256)	41,119
<b>Net cash used in financing activities</b>		<b>(596,874)</b>	<b>(1,091,850)</b>	<b>(955,299)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(758,521)</b>	<b>1,422,834</b>	<b>(100,205)</b>
Cash and cash equivalents at beginning of the year		2,690,002	2,050,329	3,624,955
Effects of exchange rate changes on cash and cash equivalents		118,848	151,792	(81,247)
<b>Cash and cash equivalents at the end of the year</b>	25	<b>2,050,329</b>	<b>3,624,955</b>	<b>3,443,503</b>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as “**the Company**”) is a joint stock company with limited liability incorporated in the People’s Republic of China (the “**PRC**”). The former entity of the Company, Sanhua-Fujikoki Co., Ltd., (三花不二工機有限公司), was incorporated as a Sino-Japanese joint venture on September 10, 1994. On December 19, 2001, the Company was established through converting Sanhua-Fujikoki Co., Ltd., to a joint stock company, which later changed its name to Zhejiang Sanhua Intelligent Controls Co., Ltd. The registered office and principal place of business of the Company is located at No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province PRC. The Company is listed on the Shenzhen Stock Exchange (stock code: 002050) on June 7, 2005. The parent and the ultimate holding company of the Company is Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) (hereinafter referred to as “**the Holding Company**”), which is also incorporated in the PRC.

The Company and its subsidiaries (hereinafter collectively referred to as “**the Group**”) are principally engaged in research and development (“**R&D**”), production and sales of refrigeration and air-conditioning product components and automotive components, which are widely used in the refrigeration and air-conditioning product market and the automotive market, including both of new energy vehicles (“**NEVs**”) and traditional fuel vehicles.

The Company’s principal subsidiaries during the Track Record Period and as at the date of this report are set out in Note 15.

The Historical Financial Information are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RMB’000) except when otherwise indicated.

The statutory consolidated financial statements of the Company for the years ended December 31, 2022, 2023 and 2024 prepared in accordance with the relevant accounting principles in the PRC were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.

### 2. BASIS OF PREPARATION

The Historical Financial Information of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS Accounting Standards**”) issued by the International Accounting Standards Board (“**IASB**”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (“**FVPL**”).

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 39 to this Historical Financial Information.

## 2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Amendments to IAS 21 'Lack of Exchangeability'	January 1, 2025
Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS 18 'Presentation and Disclosure in Financial Statements'	January 1, 2027

The Group has already commenced an assessment of the impact of these new standards and amendments and no significant impact on the financial performance and positions of the Group is expected when they become effective.

## 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and price risk. The Group's overall risk management focuses on the unpredictability of financial markets, seeks a balance between risk and return, and minimizes the adverse impact of risk on the Group's financial performance. Based on this risk management objective, the basic strategy of the Group's risk management is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range.

### 3.1 Market Risk

#### (a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries. The functional currencies of the subsidiaries outside Mainland China are mainly United States Dollar ("USD") and Euro ("EUR") whereas functional currency of the subsidiaries operate in Mainland China is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

As at December 31, 2022, 2023 and 2024, the Group's major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in USD and EUR and included in a group entity with different functional currency:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets denominated in:			
USD	2,028,058	1,903,309	2,756,203
EUR	643,364	761,423	562,268
Others	212,795	289,499	368,463
	<u>2,884,217</u>	<u>2,954,231</u>	<u>3,686,934</u>

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial liabilities denominated in:			
USD	736,187	570,284	757,069
EUR	678,887	1,190,444	831,178
Others	50,510	163,089	202,581
	<u>          </u>	<u>          </u>	<u>          </u>

As shown in the table above, the Group is primarily exposed to changes in USD and EUR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and EUR denominated financial instruments is as below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
USD/RMB exchange rate –			
Increase 5%	64,594	66,651	99,957
Decrease 5%	(64,594)	(66,651)	(99,957)
EUR/RMB exchange rate –			
Increase 5%	(1,776)	(21,451)	(13,446)
Decrease 5%	1,776	21,451	13,446

Other foreign currencies of changes have no significant impact on foreign exchange risk.

**(b) Interest Rate Risk**

The Group's interest rate risk primarily arises from interest-bearing borrowings and bonds. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

As at December 31, 2022, 2023 and 2024, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB2,665,903,000, RMB2,584,126,000 and RMB2,048,388,000 respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximately RMB13,330,000, RMB12,921,000 and RMB10,242,000, for the years ended December 31, 2022, 2023 and 2024, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings, bonds and bank balances carried at fixed rates is not significant for the Group.

### 3.2 Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

#### (a) Risk Management

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with state-owned or reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade and notes receivables as well as other receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

#### (b) Impairment of Financial Assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted cash and term deposits;
- Trade and notes receivables; and
- Other receivables.

##### *Credit risk of cash and cash equivalents, restricted cash and term deposits*

Cash and cash equivalents, restricted cash and term deposits are mainly placed with reputable Chinese and international financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss was immaterial as at December 31, 2022, 2023 and 2024.

##### *Credit risk of trade and notes receivables*

#### (i) Trade Receivables

The Group applies the IFRS 9 simplified approach to measure expected credit loss ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and aging. The Group also made individual assessment on the recoverability of its trade receivables for certain customers based on historical settlement record.

The historical loss rates are calculated based on the historical payment profiles of sales and the corresponding historical incurred credit losses. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and other indicators of severe financial difficulties.

On that basis, the loss allowance as at December 31, 2022, 2023 and 2024 was determined as follows for trade receivables:

As at December 31, 2022, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

**Assess individually:**

	<b>Trade receivables</b> <i>RMB'000</i>	<b>ECL rate</b>	<b>Loss allowance</b> <i>RMB'000</i>	<b>Reason</b>
Trade receivables	<u>4,642</u>	<u>100%</u>	<u>4,642</u>	Financial difficulty

**Assessed based on grouping:**

Domestic refrigeration and air-conditioning product components grouping

	<b>Up to 3 months</b> <i>RMB'000</i>	<b>3 to 6 months</b> <i>RMB'000</i>	<b>6 to 12 months</b> <i>RMB'000</i>	<b>1 to 2 years</b> <i>RMB'000</i>	<b>2 to 3 years</b> <i>RMB'000</i>	<b>Over 3 years</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Expected loss rate	2.43%	5.39%	10.78%	31.12%	53.56%	100.00%	
Gross carrying amount	930,885	764,786	212,766	553	9	125	1,909,124
<b>Loss allowance</b>	<u>22,592</u>	<u>41,230</u>	<u>22,941</u>	<u>172</u>	<u>5</u>	<u>125</u>	<u>87,065</u>

Overseas refrigeration and air-conditioning product components grouping

	<b>Up to 3 months</b> <i>RMB'000</i>	<b>3 to 6 months</b> <i>RMB'000</i>	<b>6 to 12 months</b> <i>RMB'000</i>	<b>1 to 2 years</b> <i>RMB'000</i>	<b>2 to 3 years</b> <i>RMB'000</i>	<b>Over 3 years</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Expected loss rate	4.85%	9.69%	19.38%	31.45%	73.08%	100.00%	
Gross carrying amount	1,344,217	54,753	13,329	104	17	–	1,412,420
<b>Loss allowance</b>	<u>65,136</u>	<u>5,306</u>	<u>2,583</u>	<u>33</u>	<u>12</u>	<u>–</u>	<u>73,070</u>



Domestic automotive components grouping

	Up to 3 months <i>RMB'000</i>	3 to 6 months <i>RMB'000</i>	6 to 12 months <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	Total <i>RMB'000</i>
Expected loss rate	4.12%	8.23%	16.46%	31.12%	53.56%	100.00%	
Gross carrying amount	1,252,571	190,702	10,800	57	225	323	1,454,678
Loss allowance	<u>51,553</u>	<u>15,698</u>	<u>1,778</u>	<u>18</u>	<u>121</u>	<u>323</u>	<u>69,491</u>

Overseas automotive components grouping

	Up to 3 months <i>RMB'000</i>	3 to 6 months <i>RMB'000</i>	6 to 12 months <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	Total <i>RMB'000</i>
Expected loss rate	4.96%	9.92%	19.84%	35.69%	78.55%	100.00%	
Gross carrying amount	618,724	74,460	29,139	4,507	718	434	727,982
Loss allowance	<u>30,688</u>	<u>7,386</u>	<u>5,781</u>	<u>1,608</u>	<u>564</u>	<u>434</u>	<u>46,461</u>

As at December 31, 2023, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Assess individually:

	Trade receivables <i>RMB'000</i>	ECL rate	Loss allowance <i>RMB'000</i>	Reason
Trade receivables	<u>5,691</u>	<u>100%</u>	<u>5,691</u>	Financial difficulty

Assessed based on grouping:

Domestic refrigeration and air-conditioning product components grouping

	Up to 3 months <i>RMB'000</i>	3 to 6 months <i>RMB'000</i>	6 to 12 months <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	Total <i>RMB'000</i>
Expected loss rate	2.62%	5.29%	10.57%	31.33%	57.93%	100.00%	
Gross carrying amount	1,007,088	580,785	440,335	2,131	31	129	2,030,499
Loss allowance	<u>26,343</u>	<u>30,703</u>	<u>46,556</u>	<u>668</u>	<u>18</u>	<u>129</u>	<u>104,417</u>

Overseas refrigeration and air-conditioning product components grouping

	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	4.01%	8.02%	16.04%	30.80%	78.47%	100.00%	
Gross carrying amount	1,180,447	38,831	8,660	24,864	309	20	1,253,131
Loss allowance	<u>47,323</u>	<u>3,113</u>	<u>1,389</u>	<u>7,659</u>	<u>242</u>	<u>20</u>	<u>59,746</u>

Domestic automotive components grouping

	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	3.13%	6.26%	12.52%	31.33%	53.67%	100.00%	
Gross carrying amount	1,449,715	323,432	322,572	827	30	117	2,096,693
Loss allowance	<u>45,370</u>	<u>20,243</u>	<u>40,380</u>	<u>259</u>	<u>16</u>	<u>117</u>	<u>106,385</u>

Overseas automotive components grouping

	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	3.93%	7.86%	15.72%	30.78%	53.39%	100.00%	
Gross carrying amount	605,671	60,750	21,315	12,140	18	–	699,894
Loss allowance	<u>23,804</u>	<u>4,775</u>	<u>3,351</u>	<u>3,737</u>	<u>10</u>	<u>–</u>	<u>35,677</u>

As at December 31, 2024, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Assess individually:

	Trade receivables RMB'000	ECL rate	Loss allowance RMB'000	Reason
Trade receivables	<u>13,188</u>	<u>39.66%</u>	<u>5,231</u>	Financial difficulty or delay of payment

**Assessed based on grouping:**

**Domestic refrigeration and air conditioning product components grouping**

	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	2.38%	5.77%	11.54%	31.24%	63.52%	100.00%	
Gross carrying amount	1,619,360	407,150	417,850	2,558	1,069	146	2,448,133
<b>Loss allowance</b>	<b>38,501</b>	<b>23,486</b>	<b>48,207</b>	<b>799</b>	<b>679</b>	<b>146</b>	<b>111,818</b>

**Overseas refrigeration and air conditioning product components grouping**

	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	3.83%	7.65%	15.30%	30.78%	86.24%	100.00%	
Gross carrying amount	1,480,915	105,472	16,280	16,023	792	126	1,619,608
<b>Loss allowance</b>	<b>56,656</b>	<b>8,070</b>	<b>2,491</b>	<b>4,932</b>	<b>683</b>	<b>126</b>	<b>72,958</b>

**Domestic automotive components grouping**

	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	3.50%	7.01%	14.01%	31.47%	53.55%	100.00%	
Gross carrying amount	1,978,094	222,948	232,781	143	409	98	2,434,473
<b>Loss allowance</b>	<b>69,294</b>	<b>15,620</b>	<b>32,618</b>	<b>45</b>	<b>219</b>	<b>98</b>	<b>117,894</b>

**Overseas automotive components grouping**

	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	6.10%	12.21%	24.42%	30.77%	77.36%	100.00%	
Gross carrying amount	721,249	46,648	28,247	5,684	477	13	802,318
<b>Loss allowance</b>	<b>44,029</b>	<b>5,695</b>	<b>6,897</b>	<b>1,749</b>	<b>369</b>	<b>13</b>	<b>58,752</b>

The loss allowances for trade receivables for the years ended December 31, 2022, 2023 and 2024 reconcile to the opening loss allowances are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Opening loss allowance</b>	<b>187,394</b>	<b>280,729</b>	<b>311,916</b>
Loss allowance recognized, net	93,612	40,940	54,918
Receivables written off	(277)	(9,753)	(181)
<b>Closing loss allowance</b>	<b>280,729</b>	<b>311,916</b>	<b>366,653</b>

(ii) Notes Receivables

The Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that there was no significant credit risk associated with its bank acceptance notes as the Group did not expect that there would be any significant losses from non-performance by these reputable banks. For the commercial acceptance notes and finance company acceptance notes, which are usually settled within 6 months to 1 year from the respective issuance date, the Group provided the expected credit loss as at December 31, 2022, 2023 and 2024 amounting to RMB633,000, RMB7,619,000 and RMB8,620,000, respectively.

Movements on the provision of ECL for notes receivables at amortized cost are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Opening loss allowance</b>	<b>689</b>	<b>633</b>	<b>7,619</b>
Loss allowance (reversed)/ recognized, net	(56)	6,986	1,001
<b>Closing loss allowance</b>	<b>633</b>	<b>7,619</b>	<b>8,620</b>

(iii) Other Receivables and other non-current assets

Other receivables and other non-current assets subject to credit risks at the end of each of the periods are mainly comprised of rental and other deposits, tax refund receivables and others. The Group considers the probability of default upon initial recognition of the assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- external credit rating of the counterparty;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

If the credit risk of the asset is in line with original expectations, the Group categorizes the asset as performing and recognizes 12 months expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3):

**Assessed based on grouping:**

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
December 31, 2022				
Expected loss rate	0.24%	10.00%	37.65%	
Gross carrying amount	715,697	9,279	6,872	731,848
<b>Loss allowance</b>	<b>1,691</b>	<b>928</b>	<b>2,587</b>	<b>5,206</b>
December 31, 2023				
Expected loss rate	1.06%	10.00%	42.46%	
Gross carrying amount	216,294	7,806	11,774	235,874
<b>Loss allowance</b>	<b>2,301</b>	<b>781</b>	<b>4,999</b>	<b>8,081</b>
December 31, 2024				
Expected loss rate	1.14%	10.00%	42.89%	
Gross carrying amount	249,247	10,421	10,845	270,513
<b>Loss allowance</b>	<b>2,848</b>	<b>1,042</b>	<b>4,651</b>	<b>8,541</b>

The loss allowances for other receivables and other non-current assets subject to credit risks for the years ended December 31, 2022, 2023 and 2024 reconcile to the opening loss allowances are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Opening loss allowance</b>	<b>3,309</b>	<b>5,206</b>	<b>8,081</b>
Loss allowance recognized, net	4,206	3,552	460
Receivables written-off	(2,309)	(677)	–
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Closing loss allowance</b>	<b>5,206</b>	<b>8,081</b>	<b>8,541</b>
	<u>          </u>	<u>          </u>	<u>          </u>

### 3.3 Liquidity Risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Group's liquidity requirements.

The tables below analyze the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at December 31, 2022</b>					
Trade and notes payables	6,464,878	–	–	–	6,464,878
Accruals and other payables (excluding non-financial liabilities)	354,255	–	–	–	354,255
Lease liabilities	69,566	54,385	95,795	55,281	275,027
Other current liabilities (excluding non-financial liabilities)	48,671	–	–	–	48,671
Borrowings	1,839,750	1,449,895	3,826,171	–	7,115,816
Other non-current liabilities (excluding non-financial liabilities)	–	2,898	1,933	–	4,831
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>8,777,120</b>	<b>1,507,178</b>	<b>3,923,899</b>	<b>55,281</b>	<b>14,263,478</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at December 31, 2023</b>					
Trade and notes payables	7,866,652	–	–	–	7,866,652
Accruals and other payables (excluding non-financial liabilities)	250,643	–	–	–	250,643
Lease liabilities	81,555	47,143	112,002	57,439	298,139
Other current liabilities (excluding non-financial liabilities)	14,219	–	–	–	14,219
Borrowings	2,603,097	445,309	646,132	–	3,694,538
Other non-current liabilities (excluding non-financial liabilities)	–	11,291	–	–	11,291
	<u>10,816,166</u>	<u>503,743</u>	<u>758,134</u>	<u>57,439</u>	<u>12,135,482</u>
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at December 31, 2024</b>					
Trade and notes payables	9,777,262	–	–	–	9,777,262
Accruals and other payables (excluding non-financial liabilities)	545,413	–	–	–	545,413
Lease liabilities	99,889	76,905	159,312	18,637	354,743
Borrowings	2,081,072	1,456,197	689,987	–	4,227,256
	<u>12,503,636</u>	<u>1,533,102</u>	<u>849,299</u>	<u>18,637</u>	<u>14,904,674</u>

### 3.4 Price Risk

The Group is exposed to commodity price risk related to price volatility of raw materials. The Group uses derivative financial instruments, including commodity futures contracts, to manage a portion of such risk. Based on the dynamic study and judgement of the market, combined with the resource demand and production and operation plan, the Group evaluates and monitors the market risk exposure caused by transaction positions, and continuously manages and hedges the risk of commodity price fluctuation caused by market changes. As at December 31, 2022, 2023 and 2024, the Group had certain commodity contracts. However, the financial impact is not material.

### 3.5 Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022, 2023 and 2024.

The Group monitors capital on the basis of the debt to asset ratio as at December 31, 2022, 2023 and 2024 are as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Total assets	27,961,214	31,890,585	36,354,749
Total liabilities	14,841,914	13,826,877	16,835,105
Debt to asset ratio	53.1%	43.4%	46.3%

### 3.6 Fair Value Estimation

#### (a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

*The Group*

<b>As at December 31, 2022</b>	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Financial assets at fair value through profit or loss				
– Derivative financial assets	6,254	2,685	–	8,939
– Wealth management products issued by the banks	–	100,026	–	100,026
	<u>6,254</u>	<u>102,711</u>	<u>–</u>	<u>108,965</u>
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	461	44,710	–	45,171
– Contingent considerations	–	–	3,500	3,500
	<u>461</u>	<u>44,710</u>	<u>3,500</u>	<u>48,671</u>
<b>As at December 31, 2023</b>	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Financial assets at fair value through profit or loss				
– Derivative financial assets	<u>1,757</u>	<u>20,879</u>	<u>–</u>	<u>22,636</u>
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	–	10,719	–	10,719
– Contingent considerations	–	–	3,500	3,500
	<u>–</u>	<u>10,719</u>	<u>3,500</u>	<u>14,219</u>
<b>As at December 31, 2024</b>	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Financial assets at fair value through profit or loss				
– Derivative financial assets	<u>6,237</u>	<u>–</u>	<u>–</u>	<u>6,237</u>
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	<u>2,819</u>	<u>76,859</u>	<u>–</u>	<u>79,678</u>

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer between Level 1 and Level 2.

*The Company*

<b>As at 31 December 2022</b>	<b>Level 1</b> RMB'000	<b>Level 2</b> RMB'000	<b>Level 3</b> RMB'000	<b>Total</b> RMB'000
Financial assets at fair value through profit or loss				
– Derivative financial assets	3,754	–	–	3,754
– Wealth management products issued by the banks	–	100,026	–	100,026
	<u>3,754</u>	<u>100,026</u>	<u>–</u>	<u>103,780</u>
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	<u>12</u>	<u>–</u>	<u>–</u>	<u>12</u>
<b>As at December 31, 2023</b>	<b>Level 1</b> RMB'000	<b>Level 2</b> RMB'000	<b>Level 3</b> RMB'000	<b>Total</b> RMB'000
Financial assets at fair value through profit or loss				
– Derivative financial assets	<u>1,463</u>	<u>–</u>	<u>–</u>	<u>1,463</u>
<b>As at December 31, 2024</b>	<b>Level 1</b> RMB'000	<b>Level 2</b> RMB'000	<b>Level 3</b> RMB'000	<b>Total</b> RMB'000
Financial assets at fair value through profit or loss				
– Derivative financial assets	<u>6,237</u>	<u>–</u>	<u>–</u>	<u>6,237</u>
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	<u>446</u>	<u>–</u>	<u>–</u>	<u>446</u>

**(b) Valuation Inputs and Relationships to Fair Value**

The contingent considerations were generated from the business combination of Zhejiang Sanhua Board Replacement Technology Co., Ltd (浙江三花板換科技有限公司) (“**Sanhua Board Replacement**”) in 2021. Pursuant to the purchase agreement, if Sanhua Board Replacement achieved a net profit of RMB6,400,000 in 2022, the Group would need to pay an additional consideration of RMB3,500,000. If Sanhua Board Replacement achieved a net profit of RMB8,000,000 in 2023, the Group would need to pay another RMB3,500,000 consideration. Therefore, the fair value of the contingent considerations was estimated based on the likelihood of the acquiree achieving the profits target.

**(c) The Group's Valuation Process**

For the financial assets and financial liabilities, including level 3 fair values, the Group's finance department performs the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

**(a) Allowance for Expected Credit Loss of Receivables**

The loss allowances for receivables are based on assumptions about the risk of default and expected loss rates to determine the expected loss. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Group takes into account different macroeconomic scenarios in considering forward looking information in mainland China and overseas. The Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. The Group has identified the Gross Domestic Product (“GDP”) of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

**(b) Estimated Net Realizable Value of Inventories**

In accordance with the Group’s accounting policy, the Group estimates net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, management estimates the net realizable amount based on the contracted price. For raw materials and work in progress, management has established a model in estimating the net realizable amount at which the inventories can be realizable in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

It is reasonably possible that if there is a significant change in circumstances including the Group’s business and the external environment, outcomes would be significantly affected.

**(c) Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values**

The Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

**(d) Income Tax**

The Group estimates its income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which it is entitled in each location or jurisdiction in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the tax losses and the deductible temporary differences can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Group's results or financial position.

**5. OPERATING SEGMENT INFORMATION**

**(a) Description of Segments and Principal Activities**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The executive directors assess the financial performance and position of the Group and makes strategic decisions. The executive directors, which has been identified as being the CODM, consists of the chief executive officer, the chief financial officer and the managers for each business unit. The CODM review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

As at December 31, 2022, 2023 and 2024, the CODM have identified the following reportable segments from a product perspective:

- Refrigeration and air-conditioning product component business
- Automotive component business

(b) **Segment Information**

For the years ended December 31, 2022, 2023 and 2024, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, general and administrative expenses and research and development expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net impairment losses on financial assets, other income, other gains/(losses), net, finance income/(costs), net and income tax expenses are also not allocated to individual operating segment.

Segment information for the year ended December 31, 2022 is as follows:

	<b>Refrigeration and air- conditioning product components</b>	<b>Automotive components</b>	<b>Inter segment elimination</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with external customers	13,833,786	7,503,575	–	21,337,361
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	10,189	–	10,189
Operating costs	<u>(10,283,327)</u>	<u>(5,602,611)</u>	<u>–</u>	<u>(15,885,938)</u>
Segment profit	3,550,459	1,911,153	–	5,461,612
Other profit or loss				<u>(2,410,354)</u>
Total profit before income tax				<u><u>3,051,258</u></u>
Total assets	19,362,179	8,599,035	–	27,961,214
Total liabilities	11,042,345	3,799,569	–	14,841,914
Investments in associates	32,438	–	–	32,438
Share of profit of associates, net	7,732	–	–	7,732
Increase in non-current assets (ii)	1,605,337	1,075,774	–	2,681,111
Net impairment losses on financial assets	56,960	40,802	–	97,762
Depreciation and amortisation	437,390	204,032	–	641,422

Segment information for the year ended December 31, 2023 is as follows:

	Refrigeration and air- conditioning product components <i>RMB'000</i>	Automotive components <i>RMB'000</i>	Inter segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with external customers	14,644,135	9,902,612	–	24,546,747
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	11,055	–	11,055
Operating costs	<u>(10,683,415)</u>	<u>(7,138,899)</u>	<u>–</u>	<u>(17,822,314)</u>
Segment profit	3,960,720	2,774,768		6,735,488
Other profit or loss				<u>(3,182,224)</u>
Total profit before income tax				<u><u>3,553,264</u></u>
Total assets	20,094,614	11,795,971	–	31,890,585
Total liabilities	8,191,365	5,635,512	–	13,826,877
Investments in associates	37,924	–	–	37,924
Share of profit of associates, net	7,986	–	–	7,986
Increase in non-current assets (ii)	1,643,188	1,726,679	–	3,369,867
Net impairment losses on financial assets	15,955	35,523	–	51,478
Depreciation and amortization	519,095	290,856	–	809,951



Segment information for the year ended December 31, 2024 is as follows:

	Refrigeration and air- conditioning product components <i>RMB'000</i>	Automotive components <i>RMB'000</i>	Inter segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with external customers	16,560,605	11,359,289	–	27,919,894
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	27,271	–	27,271
Operating costs	(12,078,850)	(8,247,496)	–	(20,326,346)
Segment profit	4,481,755	3,139,064	–	7,620,819
Other profit or loss				(3,929,132)
Total profit before income tax				<u>3,691,687</u>
Total assets	21,845,244	14,509,505	–	36,354,749
Total liabilities	10,033,499	6,801,606	–	16,835,105
Investments in associates	40,600	–	–	40,600
Share of profit of associates, net	8,925	–	–	8,925
Increase in non-current assets (ii)	1,329,950	2,991,794	–	4,321,744
Net impairment losses on financial assets	37,554	18,825	–	56,379
Depreciation and amortization	625,367	388,157	–	1,013,524

(i) Other revenue mainly represents lease income.

(ii) Increase in non-current assets excluding long-term investments, goodwill, financial assets, deferred tax assets and other non-current assets.

The timing of revenue recognition is shown in the table below:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with external customers recognized at a point in time</b>			
– Refrigeration and air-conditioning product components	13,833,786	14,644,135	16,560,605
– Automotive components	7,503,575	9,902,612	11,359,289
	<u>21,337,361</u>	<u>24,546,747</u>	<u>27,919,894</u>

The Company is domiciled in Mainland China. The amount of the Group's revenue from contracts with external customers by locations is shown in the table below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mainland China	11,415,857	13,403,443	15,446,506
Other countries or regions	9,931,693	11,154,359	12,500,659
	<u>21,347,550</u>	<u>24,557,802</u>	<u>27,947,165</u>

(c) **Revenue from Major Customers**

The major customer who contributed 10% or more of the Group's revenue for the years ended December 31, 2022, 2023 and 2024 is set out below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Customer A	2,799,824	3,582,715	3,527,626

All the revenue derived from other single external customers were less than 10% of the Group's total revenue for the years ended December 31, 2022, 2023 and 2024.

(d) **Contract Liabilities**

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfillment of performance obligations.

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Contract liabilities	57,955	51,789	49,462

The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the beginning balance	79,816	57,955	51,789

Management expects that the unsatisfied obligation of RMB57,955,000, RMB51,789,000 and RMB49,462,000 as at December 31, 2022, 2023 and 2024, respectively, will be recognized as revenue during the next twelve months.

(e) **Accounting Policies and Significant Judgments for Revenue Recognition**

The Group recognizes revenue when (or as) a performance obligation is satisfied, i. e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If a customer pays consideration or the Company has a right to an amount of consideration that is unconditional, before the Company transfers a good or service to the customer, the Company presents the contract liability when the payment is made. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

(i) ***Sales of Goods***

The Group are principally engaged in the R&D, production and sales of refrigeration and air-conditioning product components and automotive components, which are widely used in the refrigeration and air-conditioning product market and the automotive market, including both of NEVs and traditional fuel vehicles.

Revenue from domestic sales of products shall be recognized based on the sales contracts, settlement vouchers and other documents upon completion of product delivery and the buyer's confirmation for the acceptance of the products. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from oversea sales of products shall be recognized based on the sales contracts, customs declaration form, bill of lading, and other documents upon completion of customs declaration or shipping out of the port and arriving to the named port or place of destination. Upon the completion of customs declaration or arrival to the named port or place of destination, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from metal scrap is recognized after weighing and picking up the materials and obtaining the receipt certificate.

## 6. OTHER INCOME

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Government grants	123,748	149,108	205,283
Additional deduction for VAT (i)	–	37,270	21,948
Interest income (ii)	134,992	102,907	63,095
Others	1,445	1,877	1,975
	<u>260,185</u>	<u>291,162</u>	<u>292,301</u>

- (i) Pursuant to the Announcement [2023] No.43 “Notice on the Additional Value-Added Tax (“VAT”) Deduction Policy for Advanced Manufacturing Enterprises (《關於先進製造業企業增值稅加計抵減政策的公告》)” issued in 2023 by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT from January 1, 2023 to December 31, 2027.
- (ii) The amount mainly comprises interest income on the Group’s term deposits classified as financial assets at amortized cost calculated using the effective interest method. Interest income from cash and cash equivalent is included in “Finance costs, net” (Note 10).

## 7. OTHER GAINS/(LOSSES), NET

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Net losses on disposal of financial instruments	(90,583)	(136,272)	(38,483)
Fair value changes on derivative financial instruments	(107,344)	48,124	(90,734)
Net foreign exchange differences	230,937	149,886	62,261
Net gains/(losses) on disposal of property, plant and equipment and other long-term assets (i)	445,368	(1,157)	(14,595)
Others	(7,068)	3,004	(2,244)
	<u>471,310</u>	<u>63,585</u>	<u>(83,795)</u>

- (i) For the year ended December 31, 2022, net gains on disposal of property, plant and equipment and other long-term assets mainly consists of gains derived from disposal of land to Xinchang Land Arranging Storage Center (新昌縣土地整理儲備中心) amounting to approximately RMB459,761,000. Total cash consideration of approximately RMB546,217,000 were fully received for the year ended December 31, 2023.

## 8. EXPENSE BY NATURE

Expenses included in cost of revenue, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used	12,145,341	13,474,795	15,347,151
Employee benefit expenses ( <i>Note 9</i> )	3,773,949	4,376,396	5,118,258
Depreciation and amortisation	641,422	809,951	1,013,524
Utility costs	472,280	562,884	595,802
Office expenses	161,071	186,595	283,553
Professional services and other consulting fees	140,813	156,554	171,141
Surplus taxes	110,068	139,816	171,277
Marketing, conference and traveling expenses	68,903	125,451	144,873
Impairment losses on inventories	93,592	41,206	35,254
Auditors' remuneration	2,870	3,392	3,392
Listing expenses	—	—	1,311
Other expenses	1,144,913	1,265,408	1,465,831
	<b>18,755,222</b>	<b>21,142,448</b>	<b>24,351,367</b>

## 9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION)

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	3,288,560	3,793,119	4,283,964
Share-based compensation expenses	72,020	56,698	111,677
Housing fund, medical insurance and other social insurance	182,229	243,005	331,313
Pension costs ( <i>i</i> )	86,092	101,683	147,099
Other employee benefits	145,048	181,891	244,205
	<b>3,773,949</b>	<b>4,376,396</b>	<b>5,118,258</b>

- (i) The Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

During the year ended December 31, 2022, 2023 and 2024, no forfeited contributions were utilized by the Group to reduce its contributions for the current year.

The Group's certain oversea subsidiaries also participated in various defined benefit plans (Note 29).

(a) **Directors' and Supervisors' Remuneration**

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

**Year ended December 31, 2022**

	<b>Fees</b>	<b>Salaries, wages and bonuses</b>	<b>Retirement benefits</b>	<b>Housing fund and other benefits</b>	<b>Share-based compensation expenses</b>	<b>Total remuneration before tax</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-executive directors:						
Mr. Ren Jintu (ii)	–	–	–	–	–	–
Mr. Zhang Shaobo (ii)	–	–	–	–	–	–
Executive directors:						
Mr. Zhang Yabo	–	2,625	16	41	–	2,682
Mr. Wang Dayong	–	3,653	41	14	395	4,103
Mr. Ni Xiaoming	–	2,348	31	19	370	2,768
Mr. Chen Yuzhong	–	3,714	32	12	395	4,153
Independent non-executive directors:						
Mr. Yu Shuli (i)	33	–	–	–	–	33
Mr. Bao Ensi	108	–	–	–	–	108
Mr. Shi Jianhui	108	–	–	–	–	108
Ms. Pan Yalan	108	–	–	–	–	108
Supervisors:						
Mr. Zhao Yajun (ii)	–	–	–	–	–	–
Mr. Mo Yang (ii)	–	–	–	–	–	–
Mr. Chen Xiaoming	–	425	31	9	–	465
<b>Total</b>	<b>357</b>	<b>12,765</b>	<b>151</b>	<b>95</b>	<b>1,160</b>	<b>14,528</b>

**Year ended December 31, 2023**

	<b>Fees</b> <i>RMB'000</i>	<b>Salaries, wages and bonuses</b> <i>RMB'000</i>	<b>Retirement benefits</b> <i>RMB'000</i>	<b>Housing fund and other benefits</b> <i>RMB'000</i>	<b>Share-based compensation expenses</b> <i>RMB'000</i>	<b>Total remuneration before tax</b> <i>RMB'000</i>
Non-executive directors:						
Mr. Ren Jintu (ii)	-	-	-	-	-	-
Mr. Zhang Shaobo (ii)	-	-	-	-	-	-
Executive directors:						
Mr. Zhang Yabo	-	2,465	45	21	-	2,531
Mr. Wang Dayong	-	4,883	43	21	281	5,228
Mr. Ni Xiaoming	-	2,623	31	19	250	2,923
Mr. Chen Yuzhong	-	4,027	36	12	281	4,356
Independent non-executive directors:						
Mr. Bao Ensi	108	-	-	-	-	108
Mr. Shi Jianhui	108	-	-	-	-	108
Ms. Pan Yalan	108	-	-	-	-	108
Supervisors:						
Mr. Zhao Yajun (ii)	-	-	-	-	-	-
Mr. Mo Yang (ii)	-	-	-	-	-	-
Mr. Chen Xiaoming	-	597	41	10	-	648
<b>Total</b>	<b>324</b>	<b>14,595</b>	<b>196</b>	<b>83</b>	<b>812</b>	<b>16,010</b>

**Year ended December 31, 2024**

	<b>Fees</b> <i>RMB'000</i>	<b>Salaries, wages and bonuses</b> <i>RMB'000</i>	<b>Retirement benefits</b> <i>RMB'000</i>	<b>Housing fund and other benefits</b> <i>RMB'000</i>	<b>Share-based compensation expenses</b> <i>RMB'000</i>	<b>Total remuneration before tax</b> <i>RMB'000</i>
Non-executive directors:						
Mr. Ren Jintu (ii)	-	-	-	-	-	-
Mr. Zhang Shaobo (ii)	-	-	-	-	-	-
Executive directors:						
Mr. Zhang Yabo	-	3,314	50	22	-	3,386
Mr. Wang Dayong	-	5,331	48	22	514	5,915
Mr. Ni Xiaoming	-	2,648	34	19	420	3,121
Mr. Chen Yuzhong	-	5,868	39	12	393	6,312
Independent non-executive directors:						
Mr. Bao Ensi	108	-	-	-	-	108
Mr. Shi Jianhui	108	-	-	-	-	108
Ms. Pan Yalan	108	-	-	-	-	108
Supervisors:						
Mr. Zhao Yajun (ii)	-	-	-	-	-	-
Mr. Mo Yang (ii)	-	-	-	-	-	-
Mr. Chen Xiaoming	-	547	42	11	-	600
<b>Total</b>	<b>324</b>	<b>17,708</b>	<b>213</b>	<b>86</b>	<b>1,327</b>	<b>19,658</b>

- (i) Mr. Yu Shuli resigned as independent non-executed director of the Company in January 2022.
- (ii) These non-executive directors and supervisors did not receive any remuneration from the Group in relation to his services rendered for the Group. The remunerations were borne by the Holding Company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation during the Track Record Period.

**(b) Directors' and Supervisors' Other Benefits**

No termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 37, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

**(c) Five Highest Paid Individuals**

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2022, 2023 and 2024 include 3, 2 and 2 directors respectively whose emoluments are reflected in the analysis shown in Note 9(a) above. The emoluments paid to the remaining 2, 3 and 3 individuals during the years ended December 31, 2022, 2023 and 2024, respectively, are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses and benefits in kind (including contributions to pension plans)	9,050	16,196	21,768
Share-based payments	733	820	1,134
	<u>9,783</u>	<u>17,016</u>	<u>22,902</u>



The number of the above individuals other than directors whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2022	2023	2024
HKD3,500,001 to HKD4,000,000	1	1	–
HKD4,500,001 to HKD5,000,000	–	1	–
HKD5,000,001 to HKD5,500,000	–	–	1
HKD6,000,001 to HKD6,500,000	–	–	1
HKD7,500,001 to HKD8,000,000	1	–	–
HKD10,000,001 to HKD10,500,000	–	1	–
HKD13,000,001 to HKD13,500,000	–	–	1
	<u>2</u>	<u>3</u>	<u>3</u>

#### 10. FINANCE COSTS, NET

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Finance income:</b>			
Interest income from financial assets held for cash management purposes	<u>53,136</u>	<u>56,238</u>	<u>67,221</u>
<b>Finance costs:</b>			
Interest expenses on lease liabilities	(1,334)	(5,127)	(18,704)
Interest expenses on borrowings	(231,878)	(206,954)	(133,563)
Net exchange (losses)/gains on foreign currency borrowings and others	<u>(2,459)</u>	<u>(17,502)</u>	<u>19,883</u>
Finance costs total	<u>(235,671)</u>	<u>(229,583)</u>	<u>(132,384)</u>
<b>Finance costs, net</b>	<u><b>(182,535)</b></u>	<u><b>(173,345)</b></u>	<u><b>(65,163)</b></u>

#### 11. INCOME TAX EXPENSES

The income tax expenses of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current income tax	403,142	525,255	579,676
Under-provision from prior year	1,536	12,131	8,763
Deferred income tax	<u>38,528</u>	<u>82,163</u>	<u>(8,478)</u>
	<u><b>443,206</b></u>	<u><b>619,549</b></u>	<u><b>579,961</b></u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(a) **PRC Corporate Income Tax**

During the Track Record Period, certain subsidiaries of the Group have obtained High and New Technology Enterprises certification (“HNTE”) and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years. Other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25% for the years ended December 31, 2022, 2023 and 2024.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “**Super Deduction for research and development**”).

(b) **US Corporate Income Tax**

The applicable income tax rate of United States where the Company’s subsidiaries having significant operations for the years ended December 31, 2022, 2023 and 2024 is 0%-10% and 21%, which is a blended state and federal rate respectively.

(c) **Corporate Income Tax in Other Jurisdictions**

The income tax rates of the subsidiaries from other jurisdictions, including Germany, Singapore, Mexico and Japan, had been calculated on the estimated assessable profit for the Track Record Period at the respective rates prevailing in the relevant jurisdictions.

(d) **OECD Pillar Two Model Rules**

The Group is within the scope of the Global Anti-Base Erosion (GloBE) model rules (hereinafter referred to as “**the Pillar Two model rules**”). The Group has temporarily exempted the recognition and disclosure of deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. As at December 31, 2024, Pillar Two legislation has been enacted or substantively enacted and has taken effect from January 1, 2024, in nine jurisdictions where the Group operates.

The Group has evaluated its potential exposure based on the financial performance information. According to the assessment result, the Group expects to benefit from the transitional Country-by-Country Reporting (CbCR) safe harbour in the above nine jurisdictions where Pillar Two legislation has been enacted for 2024, with no top-up tax liabilities arising. Given that more jurisdictions are expected to enact or implement Pillar Two legislation in 2025 and beyond, the Group will continue to monitor relevant legislative developments in its operating jurisdictions to evaluate the potential future impact on its financial statements.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the subsidiaries as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Profit before income tax</b>	<b>3,051,258</b>	<b>3,553,264</b>	<b>3,691,687</b>
Income tax calculated at the domestic rates applicable to profits in the country concerned	973,196	1,031,720	1,029,827
<b>Tax effect of:</b>			
Preferential income tax rates applicable to the subsidiaries	(396,877)	(330,321)	(341,753)
Super deduction for research and development expenditure	(134,810)	(160,054)	(152,335)
Super deduction for capital expenditures (i)	(30,761)	–	–
Tax losses and other temporary differences not recognized as deferred tax assets (Note 21)	7,084	39,637	35,735
Non-deductible expenses for tax purposes	19,235	6,335	10,601
Differences between nominal interests and actual interests for convertible bonds	13,215	27,012	–
The impact of investment income accounted for using the equity method	(1,229)	(1,311)	(1,475)
Under-provision from prior year	1,536	12,131	8,763
Others	(7,383)	(5,600)	(9,402)
	<b>443,206</b>	<b>619,549</b>	<b>579,961</b>

- (i) Pursuant to the Announcement [2022] No. 28 issued by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology, High and New Technology Enterprises are eligible for a 100% additional CIT deduction for qualifying capital expenditure incurred, from October 1, 2022 to December 31, 2022.

## 12. DIVIDENDS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Final dividends in respect of the previous year, declared and paid during the year (i)	535,335	716,973	926,626
Interim dividends in respect of current year, declared and paid during the year (ii)	358,624	186,023	373,119
<b>Total</b>	<b>893,959</b>	<b>902,996</b>	<b>1,299,745</b>

- (i) Final dividends attributable to owners of the Company in respect of 2021, 2022 and 2023 of RMB1.50 yuan per 10 shares (tax inclusive), RMB2.00 yuan per 10 shares (tax inclusive) and RMB2.50 yuan per 10 shares (tax inclusive), were approved by the shareholder in the Annual General Meeting, respectively.

- (ii) Interim dividends attributable to owners of the Company in respect of 2022, 2023 and 2024 are RMB1.00 yuan per 10 shares (tax inclusive), RMB0.50 yuan per 10 shares (tax inclusive) and RMB1.00 yuan per 10 shares (tax inclusive), were approved by the shareholder in the Annual General Meeting, respectively.

### 13. EARNINGS PER SHARE

#### (a) Basic Earnings Per Share

The calculation of basic earnings per share is based on the following:

	Year ended December 31,		
	2022	2023	2024
Profit attributable to ordinary shareholders of the Company (RMB'000)	2,573,344	2,920,993	3,099,165
Less: Dividends payable to expected vested restricted shares (RMB'000)	(3,942)	(4,128)	(6,254)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS (RMB'000)	2,569,402	2,916,865	3,092,911
Weighted average number of ordinary shares in issue (thousands)	3,561,334	3,615,326	3,698,716
<b>Basic EPS (RMB per share)</b>	<b>0.72</b>	<b>0.81</b>	<b>0.84</b>

#### (b) Diluted Earnings Per Share

	Year ended December 31,		
	2022	2023	2024
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB'000)	2,573,344	2,920,993	3,099,165
Weighted average number of ordinary shares in issue (thousands)	3,561,334	3,615,326	3,698,716
Adjustments for potential shares arising from share schemes (thousands)	5,320	6,949	7,962
Weighted average number of ordinary shares used in calculating diluted EPS (thousands)	3,566,654	3,622,275	3,706,678
<b>Diluted EPS (RMB per share)</b>	<b>0.72</b>	<b>0.81</b>	<b>0.84</b>

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

##### The Group

The amounts of investments accounted for using the equity method recognized in the Historical Financial Information are as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Associates	32,438	37,924	40,600

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	22,681	32,438	37,924
Additions	5,500	–	–
Share of results of associates	7,732	7,986	8,925
Dividends	(2,225)	(2,500)	(6,249)
Disposals	(1,250)	–	–
At the end of the year	32,438	37,924	40,600

The associates of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The carrying amount and the Group's share of the results of individually immaterial associates are shown in aggregate as below:

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	32,438	37,924	40,600
Aggregate amounts of the Group's share of:			
Profit for the year	7,732	7,986	8,925
Other comprehensive income	–	–	–
Total comprehensive income	7,732	7,986	8,925

## The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Associates	28,958	33,316	34,628

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>At the beginning of the year</b>	<b>20,390</b>	<b>28,958</b>	<b>33,316</b>
Additions	5,000	–	–
Share of results of associates	7,043	6,858	7,561
Dividends	(2,225)	(2,500)	(6,249)
Disposals	(1,250)	–	–
<b>At the end of the year</b>	<b>28,958</b>	<b>33,316</b>	<b>34,628</b>

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	28,958	33,316	34,628
Aggregate amounts of the Company's share of:			
Profit for the year	7,043	6,858	7,561
Other comprehensive income	–	–	–
<b>Total comprehensive income</b>	<b>7,043</b>	<b>6,858</b>	<b>7,561</b>

## 15. SUBSIDIARIES

As at the date of this report and during the Track Record Period, the Company's principal subsidiaries are as follows:

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/paid-up capital '000	Equity interest and voting right held by the Company as at December 31,			Principal activities
				2022	2023	2024	
1	Zhejiang Sanhua Trading Co., Ltd. (浙江三花商貿有限公司)	PRC, limited liability company	RMB50,000	100%	100%	100%	Marketing of refrigeration and A/C electrical components
2	Zhejiang Sanhua Climate & Appliance Control Group Co., Ltd. (浙江三花製冷集團有限公司)	PRC, limited liability company	RMB250,000	100%	100%	100%	Manufacturing and sales of refrigeration equipment, automatic control components, mechanical equipment and household appliances
3	Zhejiang Sanhua Automotive Components Co., Ltd. (浙江三花汽車零部件有限公司)	PRC, limited liability company	RMB2,160,000	100%	100%	100%	Manufacturing and marketing of automotive components
4	Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器有限公司)	PRC, limited liability company	RMB360,000	100%	100%	100%	Development and manufacturing of microchannel heat exchanger products and components
5	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花新能源汽車部件有限公司)	PRC, limited liability company	RMB1,250,000	100%	100%	100%	Manufacturing, wholesale, retail and technology development of automotive components
6	Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司)	PRC, limited liability company	RMB1,655,290	100%	100%	100%	Manufacturing and marketing of refrigeration and A/C electrical components
7	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花汽車熱管理科技有限公司)	PRC, limited liability company	RMB1,350,000	100%	100%	100%	Manufacturing, wholesale and retail of automotive components

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/paid-up capital '000	Equity interest and voting right held by the Company			Principal activities
				as at December 31,			
				2022	2023	2024	
8	Zhejiang Sanhua Automotive Components Trading Co., Ltd. (浙江三花汽車貿易有限公司)	PRC, limited liability company	RMB50,000	100%	100%	100%	Wholesale and retail of automotive components
9	Sanhua International Singapore Pte. Ltd. (三花國際新加坡私人有限公司)	Singapore	USD175,150	100%	100%	100%	Refrigeration and A/C electrical components manufacturing, marketing and investment management
10	Sanhua International, Inc. (三花國際有限公司)	USA	USD37,550	100%	100%	100%	Refrigeration and A/C electrical components manufacturing, marketing and investment management
11	Sanhua Singapore Automotive Investment Pte. Ltd. (三花新加坡汽車投資有限公司)	Singapore	USD70,100	100%	100%	100%	Manufacturing, sales and development of automotive components
12	R-Squared Puckett, Inc. (R氏帕克特製造有限公司)	USA	USD1	100%	100%	100%	Development and manufacturing and sales of microchannel heat exchanger products and components
13	Wuhu Sanhua Auto- Control Components Co., Ltd. (蕪湖三花自控元器件有限公司)	PRC, limited liability company	RMB300,000	100%	100%	100%	Manufacturing and sales of automatic control components, refrigeration equipment, mechanical equipment, household appliances, testing equipment, instruments and meters
14	Sanhua Automotive Poland Sp. z o.o. (三花波蘭汽車零部件有限責任公司)	Poland	PLN85,465	100%	100%	100%	Manufacturing and sales of automotive components
15	Sanhua Industry (Thailand) Co., Ltd. (三花泰國實業有限公司)	Thailand	THB369,185	100%	100%	100%	Manufacturing and sales of refrigeration components
16	Guangdong Sanhua Green Energy Auto Parts Co., Ltd. (廣東三花新能源汽車部件有限公司)	PRC, limited liability company	RMB1,000,000	100%	100%	100%	Manufacturing, retail and wholesale of auto parts and sales of new energy auto electrical accessories



Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/paid-up capital '000	Equity interest and voting right held by the Company as at December 31,			Principal activities
			2022	2023	2024	
17 Sanhua Automotive Mexico S. de R.L. de C.V. (三花汽車零部件墨西哥有限公司)	Mexico	MXN 1,095,682	100%	100%	100%	Manufacturing of automotive components
18 Sanhua (Vietnam) Co., Ltd. (三花 (越南) 有限公司)	Vietnam	USD38,500	100%	100%	100%	R&D, manufacturing and sales of air conditioner and refrigerator refrigeration components
19 AWECO Polska Appliance Sp. z o.o. (亞威科波蘭電器設備有限責任公司)	Poland	MXN50	100%	100%	100%	R&D, manufacturing and sales of components for coffee machines and dishwashers

The statutory auditors of the above subsidiaries of the Group during the Track Record Period are set out below:

	Name of subsidiary	Name of statutory auditors		
		2022	2023	2024
1	Zhejiang Sanhua Trading Co., Ltd. (浙江三花商貿有限公司) (d)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
2	Zhejiang Sanhua Climate & Appliance Control Group Co., Ltd. (浙江三花製冷集團 有限公司) (d)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
3	Zhejiang Sanhua Automotive Components Co., Ltd. (浙江三花 汽車零部件有限公司) (d)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
4	Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器 有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
5	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花新能源汽車部件有 限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
6	Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司) (d)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
7	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花汽車熱管理科技 有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
8	Zhejiang Sanhua Automotive Components Trading Co., Ltd. (浙江三花汽車零商貿有限公司) (d)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
9	Sanhua International Singapore Pte. Ltd. (三花國際新加坡私人 有限公司)	P.K. Loke & Partners LLP	P.K. Loke & Partners LLP	P.K. Loke & Partners LLP
10	Sanhua International, Inc. (三花國際有限公司)	RSM US LLP	RSM US LLP	RSM US LLP
11	Sanhua Singapore Automotive Investment Pte. Ltd. (三花新加坡 汽車投資有限公司) (a) (d)	—	—	RSM SG Assurance LLP
12	R-Squared Puckett, Inc. (R氏帕克特製造有限公司) (d)	RSM US LLP	RSM US LLP	RSM US LLP
13	Wuhu Sanhua Auto- Control Components Co., Ltd. (蕪湖三花自控元器件有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
14	Sanhua Automotive Poland Sp. z o.o. (三花波蘭汽車零部件 有限責任公司) (b)	—	—	Nexia Pro Audit Poland
15	Sanhua Industry (Thailand) Co., Ltd. (三花泰國實業有限公司) (c)	—	Siriraporn Audit & Consulting Co., Ltd.	SKP Audit Firm Co., Ltd.
16	Guangdong Sanhua Green Energy Auto Parts Co., Ltd. (廣東三花新 能源汽車部件有限公司) (c) (d)	—	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP

Name of subsidiary	Name of statutory auditors		
	2022	2023	2024
17 Sanhua Automotive Mexico S. de R.L. de C.V. (三花汽車零部件墨西哥有限公司) (d)	RSM US LLP	RSM US LLP	RSM US LLP
18 Sanhua (Vietnam) Co., Ltd. (三花(越南)有限公司)	IPA AUDITING AND CONSULTING FIRM	IPA AUDITING AND CONSULTING FIRM	IPA AUDITING AND CONSULTING FIRM
19 AWECO Polska Appliance Sp. z o.o. (亞威科波蘭電器設備有限責任公司)	Nexia Pro Audit Poland	Nexia Pro Audit Poland	Nexia Pro Audit Poland

- (a) The entity was established in 2023 and has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2023.
- (b) The entity was established in 2022 and has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2022 and 2023.
- (c) These entities were established in 2023.
- (d) For the year ended December 31, 2024, the statutory financial statements of these entities have not been issued as at the date of this report.
- (e) The English names of the Mainland China companies are direct translation or transliteration of their Chinese registered names.
- (f) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.
- (g) In the opinion of the directors, no non-controlling interests in subsidiaries are material to the Group.

## The Company

### Investments in subsidiaries

	As at December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Deemed investments relating to share-based payments	141,812	163,689	232,983
Investments in subsidiaries	7,371,888	8,683,128	8,888,426
	<u>7,513,700</u>	<u>8,846,817</u>	<u>9,121,409</u>

## 16. PROPERTY, PLANT AND EQUIPMENT

### The Group

	Buildings RMB'000	Freehold land RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>At January 1, 2022</b>								
Cost	2,262,809	60,398	4,497,788	36,025	253,136	1,343,529	31,560	8,485,245
Accumulated depreciation and impairment	(661,384)	(3,774)	(1,975,708)	(28,168)	(150,349)	–	(4,057)	(2,823,440)
<b>Carrying amounts</b>	<b>1,601,425</b>	<b>56,624</b>	<b>2,522,080</b>	<b>7,857</b>	<b>102,787</b>	<b>1,343,529</b>	<b>27,503</b>	<b>5,661,805</b>
Opening carrying amounts	1,601,425	56,624	2,522,080	7,857	102,787	1,343,529	27,503	5,661,805
Additions	–	14,369	548,309	9,528	33,516	1,837,241	24,626	2,467,589
Transfers from construction in progress	1,268,022	–	901,448	14	801	(2,170,285)	–	–
Transfer out to other assets	–	–	–	–	–	(15,860)	–	(15,860)
Disposals	(50,682)	–	(83,541)	(550)	(6,685)	–	–	(141,458)
Depreciation charges	(92,969)	–	(421,580)	(3,977)	(17,853)	–	(7,673)	(544,052)
Currency translation differences	18,856	6,705	38,543	155	837	37,881	1,215	104,192
<b>Closing carrying amounts</b>	<b>2,744,652</b>	<b>77,698</b>	<b>3,505,259</b>	<b>13,027</b>	<b>113,403</b>	<b>1,032,506</b>	<b>45,671</b>	<b>7,532,216</b>
<b>At December 31, 2022</b>								
Cost	3,362,538	81,821	5,836,638	42,330	255,617	1,032,506	47,567	10,659,017
Accumulated depreciation and impairment	(617,886)	(4,123)	(2,331,379)	(29,303)	(142,214)	–	(1,896)	(3,126,801)
<b>Carrying amounts</b>	<b>2,744,652</b>	<b>77,698</b>	<b>3,505,259</b>	<b>13,027</b>	<b>113,403</b>	<b>1,032,506</b>	<b>45,671</b>	<b>7,532,216</b>

	Buildings RMB'000	Freehold land RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>At January 1, 2023</b>								
Cost	3,362,538	81,821	5,836,638	42,330	255,617	1,032,506	47,567	10,659,017
Accumulated depreciation and impairment	(617,886)	(4,123)	(2,331,379)	(29,303)	(142,214)	–	(1,896)	(3,126,801)
<b>Carrying amounts</b>	<b>2,744,652</b>	<b>77,698</b>	<b>3,505,259</b>	<b>13,027</b>	<b>113,403</b>	<b>1,032,506</b>	<b>45,671</b>	<b>7,532,216</b>
Opening carrying amounts	2,744,652	77,698	3,505,259	13,027	113,403	1,032,506	45,671	7,532,216
Additions	–	3,275	444,814	9,446	45,554	2,572,024	56,088	3,131,201
Transfers from construction in progress	644,317	–	869,035	–	6,570	(1,519,922)	–	–
Transfer out to other assets	–	–	–	–	–	(53,780)	–	(53,780)
Disposals	(98)	(5,626)	(51,069)	(382)	(2,528)	–	–	(59,703)
Depreciation charges	(144,746)	–	(514,559)	(3,738)	(23,934)	–	(11,682)	(698,659)
Impairment charges (i)	–	–	(13,333)	–	(31)	–	–	(13,364)
Currency translation differences	46,779	10,442	38,980	70	4,214	5,499	1,012	106,996
<b>Closing carrying amounts</b>	<b>3,290,904</b>	<b>85,789</b>	<b>4,279,127</b>	<b>18,423</b>	<b>143,248</b>	<b>2,036,327</b>	<b>91,089</b>	<b>9,944,907</b>
<b>At December 31, 2023</b>								
Cost	4,049,448	85,789	7,015,746	48,013	288,533	2,036,327	102,771	13,626,627
Accumulated depreciation and impairment	(758,544)	–	(2,736,619)	(29,590)	(145,285)	–	(11,682)	(3,681,720)
<b>Carrying amounts</b>	<b>3,290,904</b>	<b>85,789</b>	<b>4,279,127</b>	<b>18,423</b>	<b>143,248</b>	<b>2,036,327</b>	<b>91,089</b>	<b>9,944,907</b>

	Buildings	Freehold land	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2024</b>								
Cost	4,049,448	85,789	7,015,746	48,013	288,533	2,036,327	102,771	13,626,627
Accumulated depreciation and impairment	(758,544)	–	(2,736,619)	(29,590)	(145,285)	–	(11,682)	(3,681,720)
<b>Carrying amounts</b>	<b>3,290,904</b>	<b>85,789</b>	<b>4,279,127</b>	<b>18,423</b>	<b>143,248</b>	<b>2,036,327</b>	<b>91,089</b>	<b>9,944,907</b>
Opening carrying amounts	3,290,904	85,789	4,279,127	18,423	143,248	2,036,327	91,089	9,944,907
Additions	1,899	94,965	207,512	3,497	5,522	3,541,790	81,084	3,936,269
Transfers from construction in progress	993,309	–	1,789,018	4,284	51,662	(2,838,273)	–	–
Transfer out to other assets	–	–	–	–	–	(567,859)	–	(567,859)
Disposals	(5,567)	–	(67,926)	(94)	(8,130)	–	–	(81,717)
Depreciation charges	(154,574)	–	(627,188)	(4,883)	(44,003)	–	(18,018)	(848,666)
Impairment charges (i)	–	–	(20,849)	–	(33)	–	–	(20,882)
Currency translation differences	(39,733)	(11,509)	(19,134)	(87)	(1,749)	–	(15,282)	(87,494)
<b>Closing carrying amounts</b>	<b>4,086,238</b>	<b>169,245</b>	<b>5,540,560</b>	<b>21,140</b>	<b>146,517</b>	<b>2,171,985</b>	<b>138,873</b>	<b>12,274,558</b>
<b>At December 31, 2024</b>								
Cost	4,987,327	169,245	8,699,025	53,045	298,477	2,171,985	168,573	16,547,677
Accumulated depreciation and impairment	(901,089)	–	(3,158,465)	(31,905)	(151,960)	–	(29,700)	(4,273,119)
<b>Carrying amounts</b>	<b>4,086,238</b>	<b>169,245</b>	<b>5,540,560</b>	<b>21,140</b>	<b>146,517</b>	<b>2,171,985</b>	<b>138,873</b>	<b>12,274,558</b>

(i) As at December 31, 2023 and 2024, the management of the Group identified impairment indicators of certain machinery and office equipment and carried out an impairment review on these assets. The recoverable amounts were determined by the higher of fair value less cost to sell and its value-in-use. The valuation models used to estimate the fair values of certain assets were with reference to recent prices of similar assets of similar conditions when such prices could be reliably obtained, where applicable. As a result of the assessment, the Group provided impairment losses for machinery and office equipment amounting to RMB13,333,000 and RMB31,000 respectively for the year ended December 31, 2023 and RMB20,849,000 and RMB33,000 respectively for the year ended December 31, 2024.

(a) Except freehold lands account no depreciation, property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease term as follows:

Buildings	20-30 years
Machinery and equipment	5-12 years
Motor vehicles	5-8 years
Office equipment	5-8 years
Leasehold improvements	Shorter of their useful life and lease term

See Note 39 for the other accounting policies relevant to property, plant and equipment.

(b) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Cost of revenue	434,512	558,511	666,906
Selling and marketing expenses	933	1,018	771
General and administrative expenses	69,811	98,954	128,951
Research and development expenses	38,796	40,176	52,038
	<u>544,052</u>	<u>698,659</u>	<u>848,666</u>

### The Company

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>At January 1, 2022</b>							
Cost	1,118,616	1,438,013	11,619	77,403	73,592	–	2,719,243
Accumulated depreciation and impairment	(288,400)	(765,183)	(10,139)	(55,326)	–	–	(1,119,048)
<b>Carrying amounts</b>	<u>830,216</u>	<u>672,830</u>	<u>1,480</u>	<u>22,077</u>	<u>73,592</u>	<u>–</u>	<u>1,600,195</u>
Opening carrying amounts	830,216	672,830	1,480	22,077	73,592	–	1,600,195
Additions	–	72,714	829	2,253	122,933	573	199,302
Transfers from construction in progress	81,070	75,505	–	–	(156,575)	–	–
Transfer out to other assets	–	–	–	–	(3,923)	–	(3,923)
Disposals	(15,295)	(1,410)	(10)	(9)	–	–	(16,724)
Depreciation charges	(33,530)	(109,459)	(613)	(5,537)	–	(72)	(149,211)
<b>Closing carrying amounts</b>	<u>862,461</u>	<u>710,180</u>	<u>1,686</u>	<u>18,784</u>	<u>36,027</u>	<u>501</u>	<u>1,629,639</u>
<b>At December 31, 2022</b>							
Cost	1,170,483	1,577,262	12,241	77,051	36,027	573	2,873,637
Accumulated depreciation and impairment	(308,022)	(867,082)	(10,555)	(58,267)	–	(72)	(1,243,998)
<b>Carrying amounts</b>	<u>862,461</u>	<u>710,180</u>	<u>1,686</u>	<u>18,784</u>	<u>36,027</u>	<u>501</u>	<u>1,629,639</u>

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction In progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>At January 1, 2023</b>							
Cost	1,170,483	1,577,262	12,241	77,051	36,027	573	2,873,637
Accumulated depreciation and impairment	<u>(308,022)</u>	<u>(867,082)</u>	<u>(10,555)</u>	<u>(58,267)</u>	<u>–</u>	<u>(72)</u>	<u>(1,243,998)</u>
<b>Carrying amounts</b>	<b><u>862,461</u></b>	<b><u>710,180</u></b>	<b><u>1,686</u></b>	<b><u>18,784</u></b>	<b><u>36,027</u></b>	<b><u>501</u></b>	<b><u>1,629,639</u></b>
Opening carrying amounts	862,461	710,180	1,686	18,784	36,027	501	1,629,639
Additions	–	126,102	1,984	3,940	75,028	2,364	209,418
Transfers from construction in progress	50,508	–	–	–	(50,508)	–	–
Transfer out to other assets	–	–	–	–	(6,676)	–	(6,676)
Disposals	–	(5,530)	(72)	(171)	–	–	(5,773)
Depreciation charges	<u>(35,680)</u>	<u>(105,028)</u>	<u>(475)</u>	<u>(5,358)</u>	<u>–</u>	<u>(1,030)</u>	<u>(147,571)</u>
<b>Closing carrying amounts</b>	<b><u>877,289</u></b>	<b><u>725,724</u></b>	<b><u>3,123</u></b>	<b><u>17,195</u></b>	<b><u>53,871</u></b>	<b><u>1,835</u></b>	<b><u>1,679,037</u></b>
<b>At December 31, 2023</b>							
Cost	1,220,991	1,666,067	12,793	78,053	53,871	2,937	3,034,712
Accumulated depreciation and impairment	<u>(343,702)</u>	<u>(940,343)</u>	<u>(9,670)</u>	<u>(60,858)</u>	<u>–</u>	<u>(1,102)</u>	<u>(1,355,675)</u>
<b>Carrying amounts</b>	<b><u>877,289</u></b>	<b><u>725,724</u></b>	<b><u>3,123</u></b>	<b><u>17,195</u></b>	<b><u>53,871</u></b>	<b><u>1,835</u></b>	<b><u>1,679,037</u></b>



	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction In progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>At January 1, 2024</b>							
Cost	1,220,991	1,666,067	12,793	78,053	53,871	2,937	3,034,712
Accumulated depreciation and impairment	<u>(343,702)</u>	<u>(940,343)</u>	<u>(9,670)</u>	<u>(60,858)</u>	<u>–</u>	<u>(1,102)</u>	<u>(1,355,675)</u>
<b>Carrying amounts</b>	<b><u>877,289</u></b>	<b><u>725,724</u></b>	<b><u>3,123</u></b>	<b><u>17,195</u></b>	<b><u>53,871</u></b>	<b><u>1,835</u></b>	<b><u>1,679,037</u></b>
Opening carrying amounts	877,289	725,724	3,123	17,195	53,871	1,835	1,679,037
Additions	–	–	–	–	268,487	2,133	270,620
Transfers from construction in progress	63,960	174,396	743	15,018	(254,117)	–	–
Transfer out to other assets	–	–	–	–	(13,250)	–	(13,250)
Disposals	–	(9,459)	(10)	(1,814)	–	–	(11,283)
Depreciation charges	(43,262)	(109,718)	(636)	(14,813)	–	(2,069)	(170,498)
Impairment charges	<u>–</u>	<u>(217)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(217)</u>
<b>Closing carrying amounts</b>	<b><u>897,987</u></b>	<b><u>780,726</u></b>	<b><u>3,220</u></b>	<b><u>15,586</u></b>	<b><u>54,991</u></b>	<b><u>1,899</u></b>	<b><u>1,754,409</u></b>
<b>At December 31, 2024</b>							
Cost	1,284,951	1,788,539	13,327	84,934	54,991	5,070	3,231,812
Accumulated depreciation and impairment	<u>(386,964)</u>	<u>(1,007,813)</u>	<u>(10,107)</u>	<u>(69,348)</u>	<u>–</u>	<u>(3,171)</u>	<u>(1,477,403)</u>
<b>Carrying amounts</b>	<b><u>897,987</u></b>	<b><u>780,726</u></b>	<b><u>3,220</u></b>	<b><u>15,586</u></b>	<b><u>54,991</u></b>	<b><u>1,899</u></b>	<b><u>1,754,409</u></b>

## 17. LEASE

This note provides information for leases where the Group is a lessee.

### (a) Amounts Recognized in the Consolidated Statements of Financial Position

#### *The Group*

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Right-of-use assets</b>			
Land use right	609,886	710,571	868,746
Buildings	280,647	306,588	331,340
Motor vehicles	3,630	6,667	5,245
	<u>894,163</u>	<u>1,023,826</u>	<u>1,205,331</u>
<b>Lease liabilities</b>			
Current	67,661	68,898	90,574
Non-current	202,028	221,295	237,913
	<u>269,689</u>	<u>290,193</u>	<u>328,487</u>

Additions to the right-of-use assets during the years ended December 31, 2022, 2023 and 2024 were approximately RMB204,356,000, RMB222,856,000 and RMB366,606,000, respectively.

#### *The Company*

As at December 31, 2022, 2023 and 2024, the net carrying amounts of right-of- use assets of the Company were approximately RMB142,126,000, RMB136,623,000 and RMB128,793,000 respectively. The balances mainly composed land use rights.

(b) **Amounts Recognized in the Consolidated Statements of Profit or Loss**

The consolidated statements of profit or loss and the consolidated statements of cash flows contain the following amounts relating to leases:

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets:			
– Land use right	15,628	16,723	18,450
– Buildings	68,510	83,207	117,072
– Motor vehicles	46	797	89
	<u>84,184</u>	<u>100,727</u>	<u>135,611</u>
Interest expense (including in finance cost)	1,334	5,127	18,704
Expense relating to short-term and low value leases not included in lease liabilities	22,190	37,500	20,592
	<u>23,524</u>	<u>42,627</u>	<u>39,296</u>

The total cash outflows for lease payments during the years ended December 31, 2022, 2023 and 2024 were approximately RMB85,715,000, RMB143,310,000, RMB144,601,000, respectively.

The Group leases properties, offices, land-use-right and automobile as lessee. Lease contracts are typically made for fixed periods from 1 to 10 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

See Note 39 for the other accounting policies relevant to lease.

# 18. INTANGIBLE ASSETS

## The Group

	Software RMB'000	Intellectual properties RMB'000	Goodwill RMB'000	Total RMB'000
<b>At January 1, 2022</b>				
Cost	38,713	61,702	39,551	139,966
Accumulated amortization and impairment	(28,026)	(30,927)	(31,959)	(90,912)
<b>Carrying amounts</b>	<b>10,687</b>	<b>30,775</b>	<b>7,592</b>	<b>49,054</b>
<b>Year ended December 31, 2022</b>				
Opening carrying amounts	10,687	30,775	7,592	49,054
Additions	5,243	3,923	–	9,166
Currency translation differences	102	–	–	102
Amortization charges	(4,432)	(8,064)	–	(12,496)
<b>Closing carrying amounts</b>	<b>11,600</b>	<b>26,634</b>	<b>7,592</b>	<b>45,826</b>
<b>At December 31, 2022</b>				
Cost	44,529	65,625	39,551	149,705
Accumulated amortization and impairment	(32,929)	(38,991)	(31,959)	(103,879)
<b>Carrying amounts</b>	<b>11,600</b>	<b>26,634</b>	<b>7,592</b>	<b>45,826</b>
	Software RMB'000	Intellectual properties RMB'000	Goodwill RMB'000	Total RMB'000
<b>At January 1, 2023</b>				
Cost	44,529	65,625	39,551	149,705
Accumulated amortization and impairment	(32,929)	(38,991)	(31,959)	(103,879)
<b>Carrying amounts</b>	<b>11,600</b>	<b>26,634</b>	<b>7,592</b>	<b>45,826</b>
<b>Year ended December 31, 2023</b>				
Opening carrying amounts	11,600	26,634	7,592	45,826
Additions	15,810	–	–	15,810
Disposals	(357)	–	–	(357)
Currency translation differences	2,238	–	–	2,238
Impairment charges	–	–	(807)	(807)
Amortization charges	(5,296)	(4,460)	–	(9,756)
<b>Closing carrying amounts</b>	<b>23,995</b>	<b>22,174</b>	<b>6,785</b>	<b>52,954</b>

	Software RMB'000	Intellectual properties RMB'000	Goodwill RMB'000	Total RMB'000
<b>At December 31, 2023</b>				
Cost	59,243	52,825	39,551	151,619
Accumulated amortization and impairment	(35,248)	(30,651)	(32,766)	(98,665)
<b>Carrying amounts</b>	<b>23,995</b>	<b>22,174</b>	<b>6,785</b>	<b>52,954</b>
	Software RMB'000	Intellectual properties RMB'000	Goodwill RMB'000	Total RMB'000
<b>At January 1, 2024</b>				
Cost	59,243	52,825	39,551	151,619
Accumulated amortization and impairment	(35,248)	(30,651)	(32,766)	(98,665)
<b>Carrying amounts</b>	<b>23,995</b>	<b>22,174</b>	<b>6,785</b>	<b>52,954</b>
<b>Year ended December 31, 2024</b>				
Opening carrying amounts	23,995	22,174	6,785	52,954
Additions	18,869	–	–	18,869
Disposals	(609)	–	–	(609)
Currency translation differences	(173)	–	–	(173)
Impairment charges	–	–	(6,785)	(6,785)
Amortization charges	(16,154)	(11,582)	–	(27,736)
<b>Closing carrying amounts</b>	<b>25,928</b>	<b>10,592</b>	<b>–</b>	<b>36,520</b>
<b>At December 31, 2024</b>				
Cost	76,630	36,681	39,551	152,862
Accumulated amortization and impairment	(50,702)	(26,089)	(39,551)	(116,342)
<b>Carrying amounts</b>	<b>25,928</b>	<b>10,592</b>	<b>–</b>	<b>36,520</b>

Amortization expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
General and administrative expenses	11,820	7,709	15,883
Research and development expenses	676	2,047	11,853
	<u>12,496</u>	<u>9,756</u>	<u>27,736</u>
<b>The Company</b>			
	Software	Intellectual properties	Total
	RMB'000	RMB'000	RMB'000
<b>At January 1, 2022</b>			
Cost	12,127	13,206	25,333
Accumulated amortization	(9,424)	(5,339)	(14,763)
<b>Carrying amounts</b>	<u>2,703</u>	<u>7,867</u>	<u>10,570</u>
<b>Year ended December 31, 2022</b>			
Opening carrying amounts	2,703	7,867	10,570
Additions	–	3,923	3,923
Amortization charges	(1,081)	(1,321)	(2,402)
<b>Closing carrying amounts</b>	<u>1,622</u>	<u>10,469</u>	<u>12,091</u>
<b>At December 31, 2022</b>			
Cost	12,127	17,129	29,256
Accumulated amortization	(10,505)	(6,660)	(17,165)
<b>Carrying amounts</b>	<u>1,622</u>	<u>10,469</u>	<u>12,091</u>

	Software RMB'000	Intellectual properties RMB'000	Total RMB'000
<b>At January 1, 2023</b>			
Cost	12,127	17,129	29,256
Accumulated amortization	(10,505)	(6,660)	(17,165)
<b>Carrying amounts</b>	<b>1,622</b>	<b>10,469</b>	<b>12,091</b>
<b>Year ended December 31, 2023</b>			
Opening carrying amounts	1,622	10,469	12,091
Additions	6,676	–	6,676
Amortization charges	(2,568)	(1,321)	(3,889)
<b>Closing carrying amounts</b>	<b>5,730</b>	<b>9,148</b>	<b>14,878</b>
<b>At December 31, 2023</b>			
Cost	18,803	17,129	35,932
Accumulated amortization	(13,073)	(7,981)	(21,054)
<b>Carrying amounts</b>	<b>5,730</b>	<b>9,148</b>	<b>14,878</b>
	Software RMB'000	Intellectual properties RMB'000	Total RMB'000
<b>At January 1, 2024</b>			
Cost	18,803	17,129	35,932
Accumulated amortization	(13,073)	(7,981)	(21,054)
<b>Carrying amounts</b>	<b>5,730</b>	<b>9,148</b>	<b>14,878</b>
<b>Year ended December 31, 2024</b>			
Opening carrying amounts	5,730	9,148	14,878
Additions	13,250	–	13,250
Disposals	(227)	–	(227)
Amortization charges	(3,768)	(1,321)	(5,089)
<b>Closing carrying amounts</b>	<b>14,985</b>	<b>7,827</b>	<b>22,812</b>
<b>At December 31, 2024</b>			
Cost	31,749	17,129	48,878
Accumulated amortization	(16,764)	(9,302)	(26,066)
<b>Carrying amounts</b>	<b>14,985</b>	<b>7,827</b>	<b>22,812</b>

**(a) Impairment Tests for Goodwill**

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is

recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The carrying amount of goodwill allocated to the cash generating units or group of cash generating units ("CGU" or "CGUs") are as follows:

	Opening RMB'000	Addition RMB'000	Impairment RMB'000	Closing RMB'000
Year ended December 31, 2024				
Microchannel CGUs ("MHE CGUs") (i)	–	–	–	–
Board Replacement CGU ("BRT CGU") (ii)	6,785	–	(6,785)	–
Year ended December 31, 2023				
Microchannel CGUs	–	–	–	–
Board Replacement CGU	7,592	–	(807)	6,785
Year ended December 31, 2022				
Microchannel CGUs	–	–	–	–
Board Replacement CGU	7,592	–	–	7,592

- (i) The goodwill of MHE CGUs is generated from business combination of R-Squared Puckett Inc. in 2014 and allocated to Zhejiang Sanhua Microchannel Heat Exchanger Co., Ltd. (浙江三花微通道换热器有限公司) and its subsidiaries (collectively, the "**Microchannel Group**"). Management regards Microchannel Group as a separate group of CGUs and reviews the business performance and monitors the goodwill on the CGUs basis.

As at December 31, 2021, as the performance was less than expected, according to the management's estimation of the recoverable amount of Microchannel Group with the assistance of an independent valuer, which was calculated based on its value-in-use, an impairment of goodwill approximately RMB31,959,000 was recognized, resulting in a reduction in the carrying amount of the goodwill of Microchannel Group to zero. The key assumptions used to determine the recoverable amount include revenue growth rate, profit rate, terminal growth rate and pre-tax discount rate. The pre-tax discount rate used for the assessment is 13.13%.

- (ii) The goodwill of BRT CGU is generated from business combination of Zhejiang Sanhua Board Replacement Technology Co., Ltd. (浙江三花板换科技有限公司) ("**Board Replacement**"). Management regards Board Replacement as a separate CGU and reviews the business performance and monitors the goodwill on a CGU basis.

As at December 31, 2024, as the performance was less than expected, according to the management's estimation of the recoverable amount of Board Replacement with the assistance of an independent valuer, which was calculated based on its value-in-use, an impairment of RMB6,785,000 was recognized, resulting in a reduction in the carrying amount of goodwill of Board Replacement to Zero.



The key assumptions used by management for VIU calculation for the impairment test of Board Replacement goodwill as at December 31, 2022, 2023 and 2024, included:

	As at December 31,		
	2022	2023	2024
Revenue annual growth rates (i)	1.99%	10.10%	36.17%
Operating profit margin (i)	16.29%-17.47%	3.06%-10.77%	0.41%-10.00%
Perpetual annual growth rates	0.00%	0.00%	0.00%
Pre-tax discount rates	13.06%	10.90%	10.99%

- (i) The expected revenue annual growth rates increased significantly mainly due to the business expansion exceeds the expectation. Meanwhile, the operating profit margin decreased significantly due to the increased expenditure on research and development activities.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Operating profit margin	Based on past performance and management's expectations for the future.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

As impairment was fully provided against goodwill of Microchannel CGUs before Track Record Period, no sensitivity analysis is needed.

For Board Replacement CGU, as at December 31, 2022 and 2023, the recoverable amount approximately amounting to RMB74,193,000 and RMB87,968,000, calculated based on value-in-use calculation, exceeded the carrying amount of the tested CGU (including goodwill) of Board Replacement by approximately RMB13,353,000 and RMB4,032,000. If the expected pre-tax discount rate had been 5% higher than management estimates as at December 31, 2022, the recoverable amount calculated would be higher than the carrying amount by approximately RMB9,990,000. If the expected pre-tax discount rate had been 5% higher than management estimates as at December 31, 2023, the recoverable amount calculated would be lower than the carrying amount by approximately RMB484,000. The directors of the Company have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group. As at December 31, 2024, as impairment was fully provided against goodwill of Board Replacement CGU, no sensitivity analysis is needed.

**(b) Amortization Methods and Periods**

**(i) Intellectual properties**

Separately acquired licensed technologies are shown at historical cost. They have limited useful lives and are subsequently carried at cost less accumulated amortization and impairment losses.

**(ii) Computer software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Intellectual properties	1-4 years
Computer software	5-10 years

**(c) Research and Development**

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

19. INVESTMENT PROPERTIES

	<b>Buildings</b> <i>RMB'000</i>	<b>Freehold land</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At January 1, 2022</b>			
Cost	11,514	3,184	14,698
Accumulated depreciation	(6,167)	–	(6,167)
<b>Carrying amounts</b>	<b>5,347</b>	<b>3,184</b>	<b>8,531</b>
<b>Year ended December 31, 2022</b>			
Opening carrying amounts	5,347	3,184	8,531
Currency translation differences	274	89	363
Depreciation charges	(690)	–	(690)
<b>Closing carrying amounts</b>	<b>4,931</b>	<b>3,273</b>	<b>8,204</b>
<b>At December 31, 2022</b>			
Cost	11,996	3,273	15,269
Accumulated depreciation	(7,065)	–	(7,065)
<b>Carrying amounts</b>	<b>4,931</b>	<b>3,273</b>	<b>8,204</b>
	<b>Buildings</b> <i>RMB'000</i>	<b>Freehold land</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At January 1, 2023</b>			
Cost	11,996	3,273	15,269
Accumulated depreciation	(7,065)	–	(7,065)
<b>Carrying amounts</b>	<b>4,931</b>	<b>3,273</b>	<b>8,204</b>
<b>Year ended December 31, 2023</b>			
Opening carrying amounts	4,931	3,273	8,204
Currency translation differences	578	193	771
Depreciation charges	(809)	–	(809)
<b>Closing carrying amounts</b>	<b>4,700</b>	<b>3,466</b>	<b>8,166</b>
	<b>Buildings</b> <i>RMB'000</i>	<b>Freehold land</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At December 31, 2023</b>			
Cost	12,989	3,466	16,455
Accumulated depreciation	(8,289)	–	(8,289)
<b>Carrying amounts</b>	<b>4,700</b>	<b>3,466</b>	<b>8,166</b>

	<b>Buildings</b> <i>RMB'000</i>	<b>Freehold land</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At January 1, 2024</b>			
Cost	12,989	3,466	16,455
Accumulated depreciation	(8,289)	–	(8,289)
<b>Carrying amounts</b>	<b>4,700</b>	<b>3,466</b>	<b>8,166</b>
<b>Year ended December 31, 2024</b>			
Opening carrying amounts	4,700	3,466	8,166
Currency translation differences	545	(147)	398
Depreciation charges	(1,511)	–	(1,511)
<b>Closing carrying amounts</b>	<b>3,734</b>	<b>3,319</b>	<b>7,053</b>
<b>At December 31, 2024</b>			
Cost	12,472	3,319	15,791
Accumulated depreciation	(8,738)	–	(8,738)
<b>Carrying amounts</b>	<b>3,734</b>	<b>3,319</b>	<b>7,053</b>

**(a) Amounts Recognized in Profit or Loss for Investment Properties**

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental income from operating leases	2,213	2,493	2,603
Direct operating expenses from property that generated rental income	690	809	1,511

Except for freehold land, the investment properties are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	10 to 20 years
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See Note 39 for the other accounting policies relevant to investment properties.

**(b) Fair Value Disclosure**

For disclosure purpose, the fair value of the investment properties as at December 31, 2024 was approximately RMB8,232,000 and fair value hierarchy is as below:

Description	Valuation Technique	Significant unobservable input	Range of significant unobservable input
Property unit located in Slovakia	Income Capitalization Approach (level 3)	Prevailing market rents	RMB1,093,000 to RMB1,344,000 per unit per year
		Capitalization rates	10.00%

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
Financial assets measured at FVPL:			
Wealth management products measured at fair value (Note 3.6)	100,026	–	–
Derivative financial assets (Note 3.6)	8,939	22,636	6,237
Financial assets measured at amortized cost:			
Trade and notes receivables (Note 22)	7,432,066	8,250,831	9,628,337
Other receivables (Note 23)	726,642	227,793	258,059
Term deposits and restricted cash (Note 25)	3,827,915	2,959,729	1,805,065
Cash and cash equivalents (Note 25)	2,050,329	3,624,955	3,443,503
Wealth management products measured at amortized cost (Note 23)	–	–	1,499,928
	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>			
Financial liabilities measured at FVPL:			
Derivative financial liabilities (Note 3.6)	45,171	10,719	79,678
Contingent consideration	3,500	3,500	–
Financial liabilities measured at amortized cost:			
Trade and notes payables (Note 27)	6,464,878	7,866,652	9,777,262
Accruals and other payables (excluding non-financial liabilities) (Note 28)	354,255	250,643	545,413
Lease liabilities (Note 17)	269,689	290,193	328,487
Borrowings (Note 26)	6,372,887	3,614,147	4,099,539

## 21. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

### The Group

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Gross deferred tax assets	221,159	221,749	281,725
Offsetting against deferred tax liabilities	—	(65,317)	(169,026)
<b>Net deferred tax assets</b>	<b>221,159</b>	<b>156,432</b>	<b>112,699</b>
Gross deferred tax liabilities	288,758	372,828	427,290
Offsetting against deferred tax assets	—	(65,317)	(169,026)
<b>Net deferred tax liabilities</b>	<b>288,758</b>	<b>307,511</b>	<b>258,264</b>

The movements in deferred tax assets and liabilities before offsetting are as follows:

#### (a) Deferred Tax Assets

	Impairment provisions and loss allowances RMB'000	Unrealized profits RMB'000	Government grants RMB'000	Tax losses RMB'000	Share-based payment expenses RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	33,480	32,618	25,653	26,365	24,462	10,685	153,263
Credited to profit or loss (Note 11)	18,504	193	16,948	32,281	2,077	7,317	77,320
Debited to equity	—	—	—	—	(8,334)	(1,090)	(9,424)
<b>At December 31, 2022</b>	<b>51,984</b>	<b>32,811</b>	<b>42,601</b>	<b>58,646</b>	<b>18,205</b>	<b>16,912</b>	<b>221,159</b>
At January 1, 2023	51,984	32,811	42,601	58,646	18,205	16,912	221,159
Credited/(debited) to profit or loss (Note 11)	13,898	1,735	25,533	(40,160)	(5,016)	5,917	1,907
Credited/(debited) to equity	—	—	—	—	4,552	(5,869)	(1,317)
<b>At December 31, 2023</b>	<b>65,882</b>	<b>34,546</b>	<b>68,134</b>	<b>18,486</b>	<b>17,741</b>	<b>16,960</b>	<b>221,749</b>

	Impairment provisions and loss allowances <i>RMB'000</i>	Unrealized profits <i>RMB'000</i>	Government grants <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Share-based payment expenses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2024	65,882	34,546	68,134	18,486	17,741	16,960	221,749
Credited/(debited) to profit or loss (Note 11)	16,683	(126)	27,439	(2,911)	9,468	12,387	62,940
Credited/(debited) to equity	—	—	—	—	(2,964)	—	(2,964)
At December 31, 2024	<u>82,565</u>	<u>34,420</u>	<u>95,573</u>	<u>15,575</u>	<u>24,245</u>	<u>29,347</u>	<u>281,725</u>

(b) **Deferred Tax Liabilities**

	Business combination <i>RMB'000</i>	Depreciation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2022	2,504	161,524	8,882	172,910
(Credited)/debited to profit or loss (Note 11)	(802)	102,417	14,233	115,848
At December 31, 2022	<u>1,702</u>	<u>263,941</u>	<u>23,115</u>	<u>288,758</u>

	Business combination <i>RMB'000</i>	Depreciation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2023	1,702	263,941	23,115	288,758
(Credited)/debited to profit or loss (Note 11)	(351)	60,273	24,148	84,070
At December 31, 2023	<u>1,351</u>	<u>324,214</u>	<u>47,263</u>	<u>372,828</u>

	Business combination <i>RMB'000</i>	Depreciation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2024	1,351	324,214	47,263	372,828
(Credited)/debited to profit or loss (Note 11)	(1,351)	64,728	(8,915)	54,462
At December 31, 2024	<u>—</u>	<u>388,942</u>	<u>38,348</u>	<u>427,290</u>

(c) **Deferred Tax Assets Not Recognized**

The Group has not recognized deferred tax assets in respect of the items below, which were incurred by certain subsidiaries that were not likely to generate taxable profit:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses	137,112	280,085	343,484
Deductible temporary differences	210,575	169,107	232,330
	<u>347,687</u>	<u>449,192</u>	<u>575,814</u>

The tax losses not recognized deferred tax assets can be carried forward in future years. As at December 31, 2022, 2023 and 2024, the following table shows unused tax losses based on its expected expiry date:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2025	1,177	1,161	1,161
2026	674	522	522
2027	20,123	23,055	18,275
2028	10,478	74,714	71,352
2029	7,488	16,716	77,950
2030	16,606	12,550	12,550
2031	66,880	69,321	69,321
2032	13,686	6,336	3,108
2033	–	75,710	58,953
2034	–	–	30,292
	<u>137,112</u>	<u>280,085</u>	<u>343,484</u>

**The Company**

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross deferred tax assets	33,318	21,386	50,830
Offsetting against deferred tax liabilities	–	(15,799)	(50,830)
<b>Net deferred tax assets</b>	<u>33,318</u>	<u>5,587</u>	<u>–</u>
Gross deferred tax liabilities	85,516	97,403	91,598
Offsetting against deferred tax assets	–	(15,799)	(50,830)
<b>Net deferred tax liabilities</b>	<u>85,516</u>	<u>81,604</u>	<u>40,768</u>



(a) Deferred Tax Assets

	Impairment provisions and loss allowances RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	2,162	5,371	20,204	27,737
Credited to profit or loss	2	2,005	7,034	9,041
Debited to equity	—	—	(3,460)	(3,460)
At December 31, 2022	<u>2,164</u>	<u>7,376</u>	<u>23,778</u>	<u>33,318</u>

	Impairment provisions and loss allowances RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At January 1, 2023	2,164	7,376	23,778	33,318
Credited/(debited) to profit or loss	1,353	(276)	(16,381)	(15,304)
Credited to equity	—	—	3,372	3,372
At December 31, 2023	<u>3,517</u>	<u>7,100</u>	<u>10,769</u>	<u>21,386</u>

	Impairment provisions and loss allowances RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At January 1, 2024	3,517	7,100	10,769	21,386
Credited to profit or loss	27,051	1,347	3,181	31,579
Debited to equity	—	—	(2,135)	(2,135)
At December 31, 2024	<u>30,568</u>	<u>8,447</u>	<u>11,815</u>	<u>50,830</u>

(b) Deferred Tax Liabilities

	Depreciation RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	55,712	3,633	59,345
Debited to profit or loss	16,038	10,133	26,171
At December 31, 2022	<u>71,750</u>	<u>13,766</u>	<u>85,516</u>

	<b>Depreciation</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At January 1, 2023	71,750	13,766	85,516
Debited to profit or loss	<u>4,332</u>	<u>7,555</u>	<u>11,887</u>
<b>At December 31, 2023</b>	<b><u>76,082</u></b>	<b><u>21,321</u></b>	<b><u>97,403</u></b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
At January 1, 2024	76,082	21,321	97,403
Debited/(credited) to profit or loss	<u>9,574</u>	<u>(15,379)</u>	<u>(5,805)</u>
<b>At December 31, 2024</b>	<b><u>85,656</u></b>	<b><u>5,942</u></b>	<b><u>91,598</u></b>

## 22. TRADE AND NOTES RECEIVABLES

### The Group

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivables	2,204,582	2,484,458	2,685,890
Trade receivables	5,508,846	6,085,908	7,317,720
Less: credit loss allowance	<u>(281,362)</u>	<u>(319,535)</u>	<u>(375,273)</u>
	<b><u>7,432,066</u></b>	<b><u>8,250,831</u></b>	<b><u>9,628,337</u></b>

- (a) As at January 1, 2022, the carrying amounts of trade and notes receivables from contracts with customers is amounting to RMB5,660,486,000 (net of expected credit loss amounting to RMB188,083,000).
- (b) The Group generally grant credit terms ranging from 60 to 120 days to the customers. The aging analysis of trade receivables based on revenue recognition date is as follows:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	4,146,495	4,242,921	5,800,080
3 to 6 months	1,084,733	1,003,798	784,254
6 to 12 months	266,034	792,882	697,599
1 to 2 years	7,808	45,653	26,881
2 to 3 years	2,798	388	8,523
Over 3 years	<u>978</u>	<u>266</u>	<u>383</u>
	<b><u>5,508,846</u></b>	<b><u>6,085,908</u></b>	<b><u>7,317,720</u></b>

- (c) As at December 31, 2022, 2023 and 2024, trade receivables amounting to RMB296,551,000, RMB66,621,000 and RMB84,120,000 were pledged for bank borrowings while notes receivables amounting to RMB2,015,272,000, RMB2,214,364,000 and RMB1,839,462,000 were pledged for bank acceptance notes and bank borrowings.

**The Company**

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivables	1,108,679	1,293,652	106,531
Trade receivables	814,707	718,471	1,091,980
Less: credit loss allowance	(10,449)	(15,025)	(13,626)
	<u>1,912,937</u>	<u>1,997,098</u>	<u>1,184,885</u>

The aging analysis of trade receivables based on revenue recognition date is as follows:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	794,189	687,531	1,057,260
3 to 6 months	12,445	19,439	28,362
6 to 12 months	8,052	5,654	255
1 to 2 years	21	5,847	327
2 to 3 years	—	—	5,776
	<u>814,707</u>	<u>718,471</u>	<u>1,091,980</u>

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Prepayments:</b>			
Prepayments for materials	117,887	133,793	158,980
<b>Other receivables:</b>			
Deposits and warranties	36,247	45,695	58,761
Tax refund receivables	123,916	164,713	172,315
Other receivables in relation to the land reserves ( <i>Note 7(i)</i> )	546,217	–	–
Others	25,468	25,466	35,318
	849,735	369,667	425,374
Less: provision for impairment	(5,206)	(8,081)	(8,335)
	<b>844,529</b>	<b>361,586</b>	<b>417,039</b>
<b>Other current assets:</b>			
Wealth management products measured at amortized cost ( <i>i</i> )	–	–	1,499,928
Deductible input VAT	133,303	186,255	188,134
Prepaid corporate income tax	22,470	61,993	20,736
Capitalization of listing expenses	–	–	8,727
Others	1,252	2,826	3,015
	<b>157,025</b>	<b>251,074</b>	<b>1,720,540</b>
(i) As at December 31, 2024, wealth management products mainly represent the principal and interests guaranteed income vouchers issued by the securities companies and reverse repurchase of government bond.			
<b>Other non-current assets:</b>			
Prepayments for non-current assets	457,306	564,023	311,121
Others	14,198	30,813	65,910
	471,504	594,836	377,031
Less: provision for impairment	–	–	(206)
	<b>471,504</b>	<b>594,836</b>	<b>376,825</b>

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Prepayments:</b>			
Prepayments for materials	9,471	7,502	8,132
<b>Other receivables:</b>			
Due from subsidiaries	532,760	1,708,501	477,261
Tax refund receivables	18,983	6,387	70,714
Dividend receivables	–	550,000	16,559
Other receivables in relation to the land reserves ( <i>Note 7(i)</i> )	90,383	–	–
Others	9,004	5,207	13,238
	<u>660,601</u>	<u>2,277,597</u>	<u>585,904</u>
Less: provision for impairment	<u>(338)</u>	<u>(504)</u>	<u>(34,610)</u>
	<b><u>660,263</u></b>	<b><u>2,277,093</u></b>	<b><u>551,294</u></b>
<b>Other current assets:</b>			
Wealth management products measured at amortized cost	–	–	1,309,640
Capitalization of listing expenses	–	–	8,727
Others	–	–	266
	<u>–</u>	<u>–</u>	<u>1,318,633</u>
<b>Other non-current assets:</b>			
Prepayments for non-current assets	40,289	99,458	65,585
Others	2,315	14,542	14,885
	<u>42,604</u>	<u>114,000</u>	<u>80,470</u>
Less: provision for impairment	<u>–</u>	<u>–</u>	<u>(35)</u>
	<b><u>42,604</u></b>	<b><u>114,000</u></b>	<b><u>80,435</u></b>

## 24. INVENTORIES

### The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Finished goods	2,696,034	3,179,557	3,833,666
Work in progress	711,593	596,410	787,733
Raw materials	1,050,007	932,170	774,517
Others	4,886	6,872	10,127
	<u>4,462,520</u>	<u>4,715,009</u>	<u>5,406,043</u>
Less: provision for impairment	<u>(127,645)</u>	<u>(114,280)</u>	<u>(125,601)</u>
	<u><b>4,334,875</b></u>	<u><b>4,600,729</b></u>	<u><b>5,280,442</b></u>

The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of revenue. For the years ended December 31, 2022, 2023 and 2024, the cost of inventories carried forward to the cost of revenue amounted to approximately RMB15,873,850,000, RMB17,793,313,000 and RMB20,287,311,000, respectively.

The provision/(reversal) for impairment of inventories recorded as cost of revenue during the years ended December 31, 2022, 2023 and 2024 were RMB93,592,000, RMB41,206,000 and RMB35,254,000, respectively.

### The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Finished goods	579,545	666,396	987,512
Work in progress	82,906	62,467	74,271
Raw materials	55,662	40,841	49,221
Others	3,645	3,093	4
	<u>721,758</u>	<u>772,797</u>	<u>1,111,008</u>
Less: provision for impairment	<u>(2,079)</u>	<u>(368)</u>	<u>(1,738)</u>
	<u><b>719,679</b></u>	<u><b>772,429</b></u>	<u><b>1,109,270</b></u>

25. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	5,878,244	6,584,684	5,248,568
Less: term deposits over three months (i)	(3,740,432)	(2,883,252)	(1,739,651)
Less: restricted cash (ii)	(87,483)	(76,477)	(65,414)
<b>Cash and cash equivalents</b>	<b>2,050,329</b>	<b>3,624,955</b>	<b>3,443,503</b>

(i) As at December 31, 2022, 2023 and 2024, the Group's term deposits amounting to RMB209,827,000, RMB281,570,000 and nil were pledged as a guarantee for the bank acceptance notes.

(ii) As at December 31, 2022, 2023 and 2024, the Group's demand deposits of RMB16,304,000, RMB35,074,000 and RMB18,152,000 were pledged as a guarantee for the bank acceptance notes.

As at December 31, 2022, 2023 and 2024, the Group's bank balances of RMB71,179,000, RMB41,403,000 and RMB44,063,000 were deposited as a guarantee for the future contracts, letter of guarantee or bank borrowings.

As at December 31, 2024, another RMB3,199,000 deposits placed with banks were temporarily frozen for pending litigations.

(b) Cash and Bank Balances are Denominated in:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
RMB	5,240,438	5,815,187	4,141,574
USD	375,489	497,478	764,447
EUR	180,704	193,022	139,453
Other currencies	81,613	78,997	203,094
	<b>5,878,244</b>	<b>6,584,684</b>	<b>5,248,568</b>

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	3,453,269	3,755,111	1,281,822
Less: term deposits over three months	(2,440,308)	(1,948,300)	(1,067,202)
Less: restricted cash	(16,304)	(13,604)	(10,053)
<b>Cash and cash equivalents</b>	<b>996,657</b>	<b>1,793,207</b>	<b>204,567</b>

## 26. BORROWINGS

### The Group

	As at December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
<b>Secured</b>			
Bank loans	3,493,102	3,608,200	918,745
<b>Unsecured</b>			
Bank loans	100,000	–	3,174,000
Convertible bonds (c)	2,776,764	–	–
	2,876,764	–	3,174,000
Interest payables	3,021	5,947	6,794
Less: current-portion for long-term borrowings	(500,465)	(1,371,195)	(500,420)
Less: short-term borrowings	(1,294,084)	(1,212,151)	(1,553,346)
	<u>4,578,338</u>	<u>1,030,801</u>	<u>2,045,773</u>

- (a) As at December 31, 2022, 2023 and 2024, the annual interest rate of short-term borrowings was ranged from 1.99% to 5.12%, 2.51% to 6.31%, and 2.15% to 5.21%, respectively.

As at December 31, 2022, 2023 and 2024, the annual interest rate range of long-term borrowings were ranged from 2.80% to 3.35%, 2.80% to 3.35% and 2.62% to 2.92%, respectively.

- (b) As at December 31, 2022, secured bank loans mainly included: (i) borrowings with a principal equivalent to approximately RMB2,300,000,000 guaranteed by the Holding Company (Note 37(c)); (ii) borrowings with a principal equivalent to approximately RMB943,525,000 guaranteed by the Company; (iii) borrowings with a principal equivalent to approximately RMB249,357,000 secured by the Group's certain notes receivables; (iv) borrowings with a principal equivalent to approximately RMB220,000 secured by the Group's certain bank deposits.

As at December 31, 2023, secured bank loans mainly included: (i) borrowings with a principal equivalent to approximately RMB2,400,000,000 guaranteed by the Holding Company (Note 37(c)); (ii) borrowings with a principal equivalent to approximately RMB1,002,451,000 guaranteed by the Company; (iii) borrowings with a principal equivalent to approximately RMB5,749,000 secured by the Group's certain notes receivables; (iv) borrowings with a principal equivalent to approximately RMB200,000,000 secured by the trade receivables from certain subsidiaries.

As at December 31, 2024, guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB896,729,000 guaranteed by the Company; (ii) borrowings with a principal equivalent to approximately RMB22,016,000 secured by the Group's certain notes receivables.



- (c) As at June 1, 2021, the Company issued unsecured RMB denominated RMB settled convertible bonds (referred to as “Sanhua Convertible Bonds”) in an aggregate principal amount of RMB3,000,000,000 with a face value of RMB100 yuan per bond. As at June 30, 2021, pursuant to the approval from the China Securities Regulatory Commission, Sanhua Convertible Bonds were listed on the Shenzhen Stock Exchange.

The conversion period for Sanhua Convertible Bonds is from December 7, 2021 to May 31, 2027, with an initial conversion price of RMB21.55 yuan per share subject to anti-dilution clauses.

Sanhua Convertible Bonds will be redeemed on maturity at a value of the aggregate of 110% of the outstanding RMB principal amount and all amounts accrued thereon.

The fair value of the liability component of Sanhua Convertible Bonds is estimated using cash flows discounted at an effective interest rate for an equivalent non-convertible bond of the Company and subsequently measured at amortized cost basis until it is extinguished on conversion or redemption, while the fair value of the equity component is the residual amount of the proceeds attributable to the bonds and is recognized in the “Equity reserves — convertible bonds”.

24,610 shares, 47,697 shares (Note 30) and 141,926,470 shares (Note 30), totaling 141,998,777 shares were converted during the years ended December 31, 2021, 2022 and 2023, respectively. The remaining 37,663 bonds were redeemed in full during the year ended December 31, 2023.

- (d) As at December 31, 2022, 2023 and 2024, the Group’s borrowings were repayable as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	1,794,549	2,583,346	2,053,766
Between 1 and 2 years	1,371,574	430,801	1,396,236
Between 2 and 5 years	3,206,764	600,000	649,537
	<u>6,372,887</u>	<u>3,614,147</u>	<u>4,099,539</u>

- (e) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

**The Company**

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Secured</b>			
Bank loans	2,399,643	2,600,000	–
<b>Unsecured</b>			
Bank loans	100,000	–	3,174,000
Debentures	2,776,764	–	–
	2,876,764	–	3,174,000
Interest payables	2,140	4,381	4,447
Less: current-portion for long-term borrowings	(500,465)	(1,371,195)	(500,420)
Less: short-term borrowings	(199,744)	(202,385)	(632,254)
	<b>4,578,338</b>	<b>1,030,801</b>	<b>2,045,773</b>

**27. TRADE AND NOTES PAYABLES**

**The Group**

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Trade and notes payables</b>			
– Trade payables	3,884,603	4,449,940	5,985,427
– Notes payables	2,580,275	3,416,712	3,791,835
	<b>6,464,878</b>	<b>7,866,652</b>	<b>9,777,262</b>

- (a) As at December 31, 2022, 2023 and 2024, trade payables include payables for constructions and equipment were RMB416,796,000, RMB517,915,000 and RMB1,147,490,000.

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 3 months	3,583,659	4,024,590	5,516,132
Between 3 and 6 months	185,067	259,112	137,789
Between 6 months and 1 year	82,957	121,525	225,306
Over 1 year	32,920	44,713	106,200
	<u>3,884,603</u>	<u>4,449,940</u>	<u>5,985,427</u>

**The Company**

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Trade and notes payables</b>			
– Trade payables	1,384,664	1,465,144	1,208,365
– Notes payables	510,878	559,658	560,445
	<u>1,895,542</u>	<u>2,024,802</u>	<u>1,768,810</u>

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 3 months	1,314,709	1,363,694	1,157,508
Between 3 and 6 months	44,750	75,432	30,304
Between 6 months and 1 year	13,975	16,505	10,930
Over 1 year	11,230	9,513	9,623
	<u>1,384,664</u>	<u>1,465,144</u>	<u>1,208,365</u>

## 28. ACCRUALS AND OTHER PAYABLES

### The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, wages and benefits	475,157	598,801	726,001
Warranty provisions	15,271	19,371	22,692
Restricted share repurchase obligation	214,660	118,010	354,074
Deposits payables	13,673	41,717	40,069
Taxes other than income tax payables	75,514	119,665	135,706
Accrued listing expenses	–	–	9,242
Dividend payables	–	–	2,528
Other accruals	110,651	71,545	116,808
	<u>904,926</u>	<u>969,109</u>	<u>1,407,120</u>

### The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Due to subsidiaries	1,616,574	4,169,525	555,840
Restricted share repurchase obligation	214,660	118,010	354,074
Salaries, wages and benefits	111,391	127,818	164,621
Taxes other than income tax payables	21,443	98,690	19,982
Deposits payables	2,358	7,458	28,151
Accrued listing expenses	–	–	9,242
Others	19,255	20,107	19,140
	<u>1,985,681</u>	<u>4,541,608</u>	<u>1,151,050</u>

## 29. OTHER CURRENT AND NON-CURRENT LIABILITIES

### The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Other current liabilities</b>			
Other tax to be recognized	<u>2,008</u>	<u>2,100</u>	<u>1,274</u>
<b>Other non-current liabilities</b>			
Deferred income in relation to government grants	254,045	379,140	607,754
Long-term salaries, wages and bonuses (a)	34,260	39,840	33,943
Construction agency fees	23,730	18,154	18,154
Deposits	<u>4,831</u>	<u>11,291</u>	<u>–</u>
	<u>316,866</u>	<u>448,425</u>	<u>659,851</u>

(a) **Long-Term Salaries, Wages and Bonuses**

Long-term salaries, wages and bonuses mainly consists of pension obligations and termination obligations which are measured as defined benefit plans as follows:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pension obligations (i)	10,013	11,058	10,069
Clearance (ii)	15,158	17,495	13,652
Anniversary benefits (ii)	3,400	3,772	3,131
Other long-term benefits to employees (iii)	5,689	7,515	7,091
	<b>34,260</b>	<b>39,840</b>	<b>33,943</b>

(i) **Pension Obligations**

A subsidiary of the Group, AWECO Appliance Systems GmbH & Co. KG, located in Germany, established a performance-oriented pension plan for the family members of the former owners (refer to as "Old Shareholders"). The performance-based pension plan defines the amount that the Old Shareholders receive when they retire and the entitlement of the Old Shareholders to monthly pension payments is defined. The performance-oriented pension plan was assigned to a value that an independent actuary expert has calculated using the business value method. A corresponding update was made on the balance sheet date.

The actuarial assumptions used to determine the present value of pension obligations are as follows:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Discount rate (%)	3.68%	3.05%	3.29%
Rate of pension increase (%)	0.00%	0.00%	0.00%

The pension increases of 0.0% is justified by the fact that there are no legal or contractual obligations to increase pensions after the persons in consideration are no longer employees or shareholders. No adjustments were made in all previous periods either.

The movement of the pension obligations are as follows:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	16,555	10,013	11,058
Net interest	146	367	322
Remeasurement (gains)/losses	(5,974)	749	(178)
Benefits payments	(1,084)	(672)	(677)
Foreign currency exchange differences	370	601	(456)
<b>At the end of the year</b>	<b>10,013</b>	<b>11,058</b>	<b>10,069</b>

The sensitivity of the pension obligations to changes in the principal assumptions is as below:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Discount rate (%)			
– Decreased by 0.50%	10,563	11,671	10,604
Rate of pension increase			
– Increased by 0.50%	10,555	11,655	10,596

(ii) *Clearances and Anniversary Benefits*

In Austria, the Group grants its employees, in accordance with the local laws, benefits after termination of the employment relationship (clearances) and other long-term benefits depending on the years of service (anniversaries benefits).

The calculation of performance-related obligations for clearances and anniversaries benefits is carried out by an independent actuary. The performance-related commitments include the years of service as well as the expected salary developments and were determined using the entitlement present value method.

According to Austrian labor law, the settlements are one-off severance payments, which are paid at the termination of the employment relationship or in the event of retirement. As in the previous year, the amount paid depends on the time of service and the salary. These provisions apply to employees who joined the Group before the end of 2002.

Due to changes in the law, a contribution-oriented pension plan is applicable to employees who joined after this date. In accordance with these provisions, the Group pays a contribution of 1.53% of the monthly salary including additional remuneration (e.g. bonuses) to a pension insurance after the employee's second month of service. The pension is paid by the pension insurance after reaching retirement age.

The actuarial assumptions used to calculate the clearances and anniversaries benefits are as follows:

	As at December 31,		
	2022	2023	2024
Discount rate (%)	4.10%	3.60%	3.25%
Rate of salary increase (%)	2.50%	2.50%	2.50%
Employee fluctuation anniversary (%)	3.20%	3.00%	3.00%

## Clearance

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	20,735	15,158	17,495
Net interest	190	627	564
Remeasurement (gains)/losses	(3,170)	1,926	1,514
Current services costs	622	497	487
Benefits payments	(3,719)	(1,643)	(5,747)
Foreign currency differences	500	930	(661)
	<u>15,158</u>	<u>17,495</u>	<u>13,652</u>
<b>At the end of the year</b>	<b>15,158</b>	<b>17,495</b>	<b>13,652</b>

## Anniversaries benefits

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	3,920	3,400	3,772
Net interest	29	138	124
Remeasurement (gains)/losses	(622)	92	(201)
Current services costs	168	138	147
Benefits payments	(198)	(199)	(564)
Foreign currency differences	103	203	(147)
	<u>3,400</u>	<u>3,772</u>	<u>3,131</u>
<b>At the end of the year</b>	<b>3,400</b>	<b>3,772</b>	<b>3,131</b>

The sensitivity of the clearance and anniversaries benefits to changes in the principal assumptions is:

## Clearance

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Discount rate (%)			
– Decreased by 0.50%	16,115	17,958	14,532
– Increased by 0.50%	14,972	16,811	13,546
Rate of salary increase			
– Decreased by 0.50%	14,957	16,803	13,539
– Increased by 0.50%	16,123	17,958	14,532
	<u>16,115</u>	<u>17,958</u>	<u>14,532</u>

### Anniversaries benefits

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Discount rate (%)			
– Decreased by 0.50%	3,348	3,717	3,078
– Increased by 0.50%	3,132	3,482	2,852
Rate of salary increase			
– Decreased by 0.50%	3,132	3,482	2,852
– Increased by 0.50%	3,348	3,717	3,078

### (iii) Other Long-Term Benefits to employees

Other long-term benefits to the employees mainly represents employees from Poland that are entitled to a one-off pension, a disability benefit, a post-employment benefit and, since 2017, to a benefit depending on the years of service worked (anniversaries benefits).

### The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other non-current liabilities			
Deferred income in relation to government grants	49,179	47,332	56,310

## 30. SHARE CAPITAL

### The Group and The Company

	Year ended December 31,					
	2022		2023		2024	
	Share capital	Number of shares	Share capital	Number of shares	Share capital	Number of shares
	RMB'000	'000	RMB'000	'000	RMB'000	'000
At the beginning of the year	3,591,090	3,591,090	3,590,869	3,590,869	3,732,616	3,732,616
Shares issued upon the conversion of convertible bonds (Note 26)	48	48	141,926	141,926	–	–
Cancellation of shares under share schemes	(269)	(269)	(179)	(179)	(226)	(226)
At the end of the year	3,590,869	3,590,869	3,732,616	3,732,616	3,732,390	3,732,390



### 31. TREASURY SHARES

#### The Group and The Company

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	411,950	330,023	423,469
Repurchase of shares (i)	104,578	190,095	299,978
Exercise of restricted shares	(30,870)	(90,948)	(48,250)
Treasury shares transferred to the grantees (ii)	(325,674)	–	(577,663)
Recognition of restricted share repurchase obligation (ii)	175,850	–	292,693
Redemption of dividends on restricted shares	(3,942)	(4,128)	(6,255)
Cancellation of shares under share schemes	(1,869)	(1,573)	(2,124)
<b>At the end of the year</b>	<b>330,023</b>	<b>423,469</b>	<b>381,848</b>

- (i) For the years ended December 31, 2022, 2023 and 2024, the Group repurchased treasury shares amounting to approximately RMB104,578,000, RMB190,095,000 and RMB299,978,000.
- (ii) For the years ended December 31, 2022, the Group granted 17,585,000 restricted shares to certain incentive participants at RMB10.00 per share with a total cash consideration of RMB175,850,000, of which RMB149,824,000 were debited to “share premium” (Note 34) and RMB325,674,000 were credited to “treasury shares”. Correspondingly, RMB175,850,000 were also debited to “treasury shares” and credited to “accruals and other payables” (Note 28) to recognize the repurchase obligation.

For the year ended December 31, 2024, the Group granted 24,910,000 restricted shares to certain incentive participants at RMB11.75 per share with a total cash consideration of RMB292,693,000, of which RMB284,970,000 were debited to “share premium” (Note 34) and RMB577,663,000 were credited to “treasury shares”. Correspondingly, RMB292,693,000 were also debited to “treasury shares” and credited to “accruals and other payables” (Note 28) to recognize the repurchase obligation.

### 32. SHARE INCENTIVE SCHEME

Pursuant to the restricted share unit incentive scheme and share appreciation right incentive scheme approved at the interim shareholders’ meeting on May 25, 2022 (the “**2022 Restricted Share Incentive Scheme**” and “**2022 Share Appreciation Right Incentive Scheme**”), the Company granted 17,585,000 restricted shares to 1,366 incentive participants and 485,000 shares appreciation rights to 41 incentive participants. The grant date was May 31, 2022, and the granted price was RMB10.00 per share. Under these schemes, the shares are vested based on the service conditions and performance conditions.

The restricted shares and shares appreciation rights shall be subject to different vesting service periods from the vesting commencement date: i) 30% of the granted shares and rights are vested on each anniversary from the vesting commencement date; ii) 30% of the granted share and right are vested on the second anniversary from the vesting commencement date; and iii) 40% of granted shares and rights are vested on the third anniversary from the vesting commencement date.

Pursuant to the restricted share unit incentive scheme and share appreciation right incentive scheme approved at the interim shareholders' meeting on May 6, 2024 (the "2024 Restricted Share Incentive Scheme" and "2024 Share Appreciation Right Incentive Scheme"), the Company granted 24,910,000 restricted shares to 1,933 incentive participants and 560,000 share appreciation rights to 47 incentive participants. The grant date was May 13, 2024, and the granted price was RMB11.75 per share. Under these schemes, the shares are vested based on service conditions and performance conditions.

The restricted shares and shares appreciation rights shall be subject to different vesting service periods from the vesting commencement date: i) 30% of the granted shares and rights are vested on each anniversary from the vesting commencement date; ii) 30% of the granted share and right are vested on the second anniversary from the vesting commencement date; and iii) 40% of granted shares and rights are vested on the third anniversary from the vesting commencement date.

The number of restricted shares and share appreciation rights granted to the Group's incentive participants is summarized as follows:

	Year ended December 31,		
	2022 (‘000)	2023 (‘000)	2024 (‘000)
<b>At the beginning of the year</b>	<b>10,342</b>	<b>23,772</b>	<b>12,452</b>
Granted	18,070	–	25,470
Vested	(4,434)	(11,227)	(5,272)
Lapsed	(206)	(92)	(504)
<b>At the end of the year</b>	<b>23,772</b>	<b>12,453</b>	<b>32,146</b>

The fair value of the restricted shares was determined on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the exercise price. The fair value of the share appreciation rights was determined on the basis of the closing price at each balance sheet date, less the exercise price.

The weighted average remaining contractual life of restricted shares outstanding as at December 31, 2022, 2023 and 2024 was 1.20 years, 0.99 years and 1.24 years, respectively. The weighted average remaining contractual life of share appreciation rights outstanding as at December 31, 2022, 2023 and 2024 was 1.52 years, 0.99 years and 1.22 years, respectively.

The total expenses arising from share-based payments during the Track Record Period are recorded as part of employee benefit expenses (Note 9).

### 33. RETAINED EARNINGS

#### The Group

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	6,615,690	8,133,336	10,002,942
Net profit	2,573,344	2,920,993	3,099,165
Dividends ( <i>Note 12</i> )	(893,959)	(902,996)	(1,299,745)
Appropriation to statutory reserves	(161,739)	(148,391)	(152,050)
At the end of the year	<u>8,133,336</u>	<u>10,002,942</u>	<u>11,650,312</u>

#### The Company

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	768,647	1,335,689	1,768,214
Net profit	1,623,335	1,483,912	1,520,506
Dividends ( <i>Note 12</i> )	(893,959)	(902,996)	(1,299,745)
Appropriation to statutory reserves	(162,334)	(148,391)	(152,050)
At the end of the year	<u>1,335,689</u>	<u>1,768,214</u>	<u>1,836,925</u>

### 34. OTHER RESERVES

#### The Group

	Share premium RMB'000	Surplus reserve RMB'000	Foreign currency differences RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2022</b>	<b>188,318</b>	<b>701,785</b>	<b>(129,411)</b>	<b>185,101</b>	<b>945,793</b>
Currency translation differences	–	–	120,868	–	120,868
Conversion of convertible bonds	1,021	–	–	–	1,021
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	66,803	66,803
– Treasury shares transferred to the grantees	(149,824)	–	–	–	(149,824)
– Exercise of restricted shares	39,704	–	–	(39,704)	–
– Cancellation of shares under share scheme	(1,600)	–	–	–	(1,600)
– Others	1,117	–	–	(8,334)	(7,217)
Appropriation to statutory reserve	–	161,739	–	–	161,739
<b>Balance at December 31, 2022</b>	<b>78,736</b>	<b>863,524</b>	<b>(8,543)</b>	<b>203,866</b>	<b>1,137,583</b>
	Share premium RMB'000	Surplus reserve RMB'000	Foreign currency differences RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2023</b>	<b>78,736</b>	<b>863,524</b>	<b>(8,543)</b>	<b>203,866</b>	<b>1,137,583</b>
Currency translation differences	–	–	123,300	–	123,300
Conversion of convertible bonds	3,104,717	–	–	–	3,104,717
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	51,168	51,168
– Exercise of restricted shares	95,331	–	–	(95,331)	–
– Cancellation of shares under share scheme	(1,392)	–	–	–	(1,392)
– Others	13,996	–	–	4,552	18,548
Appropriation to statutory reserve	–	148,391	–	–	148,391
<b>Balance at December 31, 2023</b>	<b>3,291,388</b>	<b>1,011,915</b>	<b>114,757</b>	<b>164,255</b>	<b>4,582,315</b>

	Share premium RMB'000	Surplus reserve RMB'000	Foreign currency differences RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2024</b>	<b>3,291,388</b>	<b>1,011,915</b>	<b>114,757</b>	<b>164,255</b>	<b>4,582,315</b>
Currency translation differences	–	–	(253,120)	–	(253,120)
Capital contribution	–	–	–	–	–
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	109,071	109,071
– Treasury shares transferred to the grantees	(284,970)	–	–	–	(284,970)
– Exercise of restricted shares	38,190	–	–	(38,190)	–
– Cancellation of shares under share scheme	(1,898)	–	–	–	(1,898)
– Others	1,134	–	–	(2,964)	(1,830)
Transaction with non-controlling interests	(4,702)	–	–	–	(4,702)
Appropriation to statutory reserve	–	152,050	–	–	152,050
<b>Balance at December 31, 2024</b>	<b><u>3,039,142</u></b>	<b><u>1,163,965</u></b>	<b><u>(138,363)</u></b>	<b><u>232,172</u></b>	<b><u>4,296,916</u></b>

#### The Company

	Share premium RMB'000	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2022</b>	<b>1,074,775</b>	<b>573,096</b>	<b>192,833</b>	<b>1,840,704</b>
Conversion of convertible bonds	1,021	–	–	1,021
Share-based payment scheme:				
– Share-based compensation expenses	–	–	66,803	66,803
– Treasury shares transferred to the grantees	(149,824)	–	–	(149,824)
– Exercise of restricted shares	39,704	–	(39,704)	–
– Cancellation of shares under share scheme	(1,600)	–	–	(1,600)
– Others	279	–	(3,460)	(3,181)
Appropriation to statutory reserve	–	162,334	–	162,334
<b>Balance at December 31, 2022</b>	<b><u>964,355</u></b>	<b><u>735,430</u></b>	<b><u>216,472</u></b>	<b><u>1,916,257</u></b>

	Share premium RMB'000	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2023</b>	<b>964,355</b>	<b>735,430</b>	<b>216,472</b>	<b>1,916,257</b>
Conversion of convertible bonds	3,104,717	–	–	3,104,717
Share-based payment scheme:				
– Share-based compensation expenses	–	–	51,168	51,168
– Exercise of restricted shares	95,331	–	(95,331)	–
– Cancellation of shares under share scheme	(1,392)	–	–	(1,392)
– Others	12,586	–	3,372	15,958
Appropriation to statutory reserve	–	148,391	–	148,391
<b>Balance at December 31, 2023</b>	<b>4,175,597</b>	<b>883,821</b>	<b>175,681</b>	<b>5,235,099</b>
	Share premium RMB'000	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2024</b>	<b>4,175,597</b>	<b>883,821</b>	<b>175,681</b>	<b>5,235,099</b>
Share-based payment scheme:				
– Share-based compensation expenses	–	–	109,071	109,071
– Treasury shares transferred to the grantees	(284,970)	–	–	(284,970)
– Exercise of restricted shares	38,190	–	(38,190)	–
– Cancellation of shares under share scheme	(1,898)	–	–	(1,898)
– Others	556	–	(2,135)	(1,579)
Appropriation to statutory reserve	–	152,050	–	152,050
<b>Balance at December 31, 2024</b>	<b>3,927,475</b>	<b>1,035,871</b>	<b>244,427</b>	<b>5,207,773</b>

### 35. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Reconciliation of Profit Before Income Tax to Net Cash Generated from Operations:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year	3,051,258	3,553,264	3,691,687
Adjustments for:			
Interest income	(188,128)	(159,145)	(130,316)
Finance cost	235,671	229,583	132,384
Depreciation and amortization of non-current assets	641,422	809,951	1,013,524
Net (gains)/losses on disposal of property, plant and equipment and other non-current assets	(445,368)	1,157	14,595
Net impairment losses on financial assets	97,762	51,478	56,379
Impairment provision for inventories and other non-current assets	93,592	55,377	62,921
Share of profit of associates, net	(7,732)	(7,986)	(8,925)
Net losses on financial instruments	197,927	88,148	129,217
Net foreign exchange gains	(230,937)	(149,886)	(62,261)
Share-based compensation expenses	66,803	51,168	109,071
Change in working capital:			
Increase in receivables	(1,663,712)	(1,381,815)	(1,554,411)
Increase in payables	1,616,251	1,056,489	1,908,077
Increase in inventories	(790,662)	(343,251)	(718,017)
<b>Cash generated from operations</b>	<b>2,674,147</b>	<b>3,854,532</b>	<b>4,643,925</b>

#### (b) Non-Cash Activities

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Purchase of inventories and long-term assets by acceptance notes	153,096	190,928	281,580
Convertible bonds converted to shares (Note 35(c))	–	2,837,347	–
Additions of right-of-use assets by way of leasing liabilities (Note 17)	204,356	222,856	427,606

(c) **Net Debt Reconciliation**

	<b>Bank borrowings and other borrowings</b>	<b>Debentures</b>	<b>Lease liabilities</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At January 1, 2022</b>	<b>3,265,422</b>	<b>2,652,036</b>	<b>195,555</b>	<b>6,113,013</b>
Financing cash flows	331,018	–	(62,191)	268,827
Interest paid	(113,639)	(5,999)	(1,334)	(120,972)
Interest accrued	99,315	132,563	1,334	233,212
Other non-cash movements	14,007	(1,836)	136,325	148,496
<b>At December 31, 2022</b>	<b>3,596,123</b>	<b>2,776,764</b>	<b>269,689</b>	<b>6,642,576</b>
<b>At January 1, 2023</b>	<b>3,596,123</b>	<b>2,776,764</b>	<b>269,689</b>	<b>6,642,576</b>
Financing cash flows	275,623	(3,553)	(98,683)	173,387
Interest paid	(126,148)	(11,994)	(5,127)	(143,269)
Interest accrued	130,824	76,130	5,127	212,081
Other non-cash movements (i)	(262,275)	(2,837,347)	119,187	(2,980,435)
<b>At December 31, 2023</b>	<b>3,614,147</b>	<b>–</b>	<b>290,193</b>	<b>3,904,340</b>
<b>At January 1, 2024</b>	<b>3,614,147</b>	<b>–</b>	<b>290,193</b>	<b>3,904,340</b>
Financing cash flows	537,730	–	(105,305)	432,425
Interest paid	(131,871)	–	(18,704)	(150,575)
Interest accrued	133,563	–	18,704	152,267
Other non-cash movements	(54,030)	–	143,599	89,569
<b>At December 31, 2024</b>	<b>4,099,539</b>	<b>–</b>	<b>328,487</b>	<b>4,428,026</b>

- (i) Other non-cash movements mainly include conversion of Sanhua Convertible Bonds for the year ended December 31, 2023 (Note 26).



### 36. CONTINGENCIES AND COMMITMENTS

#### 36.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2022, 2023 and 2024, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the Financial Information.

#### 36.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Property, plant and equipment commitments:			
– Contracted, but not provided for	752,899	1,457,415	1,525,863
– Authorized, but not contracted	2,354,399	5,652,048	5,457,978
	<u>3,107,298</u>	<u>7,109,463</u>	<u>6,983,841</u>

On January 4, 2024, the Group and its subsidiary Hangzhou Xiantu Electronics Co., Ltd. (杭州先途電子有限公司) (hereinafter referred to as “**Xiantu Electronics**”) signed an investment agreement with Hangzhou Qiantang New Area Management Committee (杭州錢塘新區管理委員會) for the Sanhua Intelligent Control Future Industrial Center project. The project consists of two sub-projects with a planned total investment of no less than RMB5,000,000,000. Up to December 31, 2024, about RMB4,799,502,000 was authorized but not contracted yet.

### 37. RELATED PARTY TRANSACTIONS

#### (a) Parent Entities

Name	Place of incorporation	Ownership interest As at December 31,		
		2022	2023	2024
Sanhua Holding Group Co., Ltd.	Zhejiang, PRC	47.83%	45.31%	45.31%

The Company's ultimate holding company is Sanhua Holding Group Co., Ltd. and the ultimate controlling person are Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo.

**(b) Names and Relationship with Related Parties**

Related parties are those parties that have the ability, directly and indirectly, to control, jointly control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control and common joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended December 31, 2022, 2023 and 2024:

<b>Name of the related parties</b>	<b>Relationship with the Group</b>
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司)	A shareholder of the Company A fellow subsidiary of the parent company
Hangzhou Tongchan Machinery Co., Ltd. (杭州通產機械有限公司)	A fellow subsidiary of the parent company
Hangzhou Sanhua Research Institute Co., Ltd. (杭州三花研究院有限公司)	A fellow subsidiary of the parent company
Hangzhou Lvneng New Energy Vehicle Parts Co., Ltd. (杭州綠能新能源汽車部件有限公司)	A fellow subsidiary of the ultimate controlling shareholder before March 2022
Hangzhou Sanhua International Building Co., Ltd. (杭州三花國際大廈有限公司)	A fellow subsidiary of the parent company
Xinchang County Sanhua Property Management Co., Ltd. (新昌縣三花物業管理有限公司)	A fellow subsidiary of the parent company
Shanghai Sanhua Electric Co., Ltd. (上海三花電氣有限公司)	A fellow subsidiary of the parent company
Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd. (浙江三花智成房地產開發有限公司)	A fellow subsidiary of the parent company
Zhejiang Haoyuan Technology Co., Ltd. (浙江瀛源科技有限公司)	A fellow subsidiary of the parent company
Ningbo Fuerda Intelligent technology Co., Ltd. (寧波福爾達智能科技股份有限公司)	A fellow subsidiary of the parent company
Wuhu Alda Technology Co., Ltd. (蕪湖艾爾達科技有限責任公司)	An associate of the parent company
Hangzhou Formost Material Technology Co., Ltd. (杭州福膜新材料科技股份有限公司)	An associate of the parent company
Ningbo Jiaerling Pneumatic Machinery Co., Ltd. (寧波佳爾靈氣動機械有限公司)	A fellow subsidiary of the parent company
Tianjin Sanhua Industrial Park Management Co., Ltd. (天津三花產業園管理有限公司)	A fellow subsidiary of the parent company
Shaoxing Sanhua Zhiyue Real Estate Development Co., Ltd. (紹興三花智越房地產開發有限公司)	A fellow subsidiary of the parent company

<b>Name of the related parties</b>	<b>Relationship with the Group</b>
Shanghai Shijia Technology Co., Ltd. (上海時駕科技有限公司)	A non-executive director of the Company is a director of this entity
Chongqing Tainuo Machinery Co., Ltd. (重慶泰諾機械有限公司)	An associate of the Group
Qingdao Sanhua Jinlifeng Machinery Co., Ltd. (青島三花錦利豐機械有限公司)	An associate of the Group
Zhongshan Xuanyi Pipe Making Co., Ltd. (中山旋藝制管有限公司)	An associate of the Group
Ningbo Jinlifeng Machinery Co., Ltd. (寧波錦利豐機械有限公司)	An associate of the Group
Xinchang Jiaerling Technology Co., Ltd. (佳爾靈科技(新昌)有限公司)	A fellow subsidiary of the parent company
Fuerda Smartech S DE RL DE CV	A fellow subsidiary of the parent company
Ningbo Hongrong Business Managing Partnership Enterprise (寧波鴻榕企業管理合夥企業(有限合夥))	A key management personnel of the Company is the controlling shareholder of this entity

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. In addition to those disclosed elsewhere in the Historical Financial Information, the Group has the following transactions with related parties:

**(c) Material Transactions with Related Parties**

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Purchase of goods and services:</b>			
Fellow subsidiaries of the parent company	56,075	67,590	56,599
Associates of the Group	2,214	4,471	17,890
Fellow subsidiaries of the ultimate controlling shareholder	310	–	–
Parent company	117	590	1,495
Associates of the parent company	22	148	63
	<u>58,738</u>	<u>72,799</u>	<u>76,047</u>

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Sales of goods and rendering of services:</b>			
Fellow subsidiaries of the parent company	6,319	940	4,590
Associates of the Group	1,679	831	669
Fellow subsidiaries of the ultimate controlling shareholder	21,471	4,168	–
Parent company	1,705	1,687	1,888
Associates of the parent company	249	287	374
Others	–	308	359
	<u>31,423</u>	<u>8,221</u>	<u>7,880</u>

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Rental income:</b>			
Fellow subsidiaries of the parent company	–	48	2,295
Parent company	5,309	5,309	5,360
Associates of the parent company	1,237	1,255	1,287
	<u>6,546</u>	<u>6,612</u>	<u>8,942</u>

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Rental expenses:</b>			
Fellow subsidiaries of the parent company	6,383	10,249	10,174
	<u>6,383</u>	<u>10,249</u>	<u>10,174</u>

For the year ended December 31, 2024, additions of right-of-use assets is RMB14,782,000. As at December 31, 2024, the balance of lease liabilities is RMB17,170,000.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Utility cost reallocation – received from:</b>			
Fellow subsidiaries of the parent company	2,555	26,717	30,784
Parent company	854	831	815
Associates of the parent company	1,262	985	646
	<u>4,671</u>	<u>28,533</u>	<u>32,245</u>
<b>Utility cost reallocation – paid to:</b>			
Fellow subsidiaries of the parent company	<u>22,921</u>	<u>10,122</u>	<u>9,326</u>
	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Purchase of property, plant and equipment:</b>			
Fellow subsidiaries of the parent company	2,055	1,121	392
Parent company	–	132	–
	<u>2,055</u>	<u>1,253</u>	<u>392</u>
<b>Disposal of property, plant and equipment:</b>			
Fellow subsidiaries of the parent company	<u>205</u>	<u>–</u>	<u>322</u>
	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Guarantee provided by the parent company</b>			
– Bank borrowings	2,300,000	2,400,000	–
– Letter of guarantee	–	3,000	–
	<u>2,300,000</u>	<u>2,403,000</u>	<u>–</u>

(d) **Balance with Related Parties**

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Trade and notes receivables</b>			
– Fellow subsidiaries of the parent company	578	3	7,765
– Associates of the Group	–	10	80
– Fellow subsidiaries of the ultimate controlling shareholder	9,075	–	–
– Associates of the parent company	6	–	–
– Others	–	48	125
	<u>9,659</u>	<u>61</u>	<u>7,970</u>
Less: credit loss allowance	<u>(483)</u>	<u>(3)</u>	<u>(398)</u>
	<u><b>9,176</b></u>	<u><b>58</b></u>	<u><b>7,572</b></u>

For the years ended December 31, 2022 and 2024, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB206,000 and RMB395,000, respectively. For the year ended December 31, 2023, the amount of expense reversed in the year in respect of bad and doubtful debts are RMB480,000.

<b>Trade and notes payables</b>			
– Fellow subsidiaries of the parent company	1,072	658	4,937
– Associates of the Group	14,796	–	9,565
	<u>15,868</u>	<u>658</u>	<u>14,502</u>

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Prepayments, other receivables and other assets:</b>			
– Fellow subsidiaries of the parent company	670	670	670
– Associates of the Group	–	68	–
– Others	–	–	458
	<u>670</u>	<u>738</u>	<u>1,128</u>
Less: provision for impairment	<u>(51)</u>	<u>(67)</u>	<u>(67)</u>
	<u><b>619</b></u>	<u><b>671</b></u>	<u><b>1,061</b></u>

For the years ended December 31, 2022, 2023 and 2024, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB18,000, RMB16,000 and nil, respectively.

**Accruals and other payables:**

– Fellow subsidiaries of the parent company	20	1,093	4,763
– Associates of the parent company	100	100	100
	<u>120</u>	<u>1,193</u>	<u>4,863</u>

All the balances with the related parties are trade in nature.

**(e) Key Management Compensation**

Compensation of the key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 9(a), was as follows:

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Fees</b>	357	324	324
Salaries, wages and bonuses	16,363	16,853	20,870
Share-based compensation expenses	1,951	1,374	2,197
Pension costs, housing fund, medical insurance and other social benefits	348	387	432
	<u>19,019</u>	<u>18,938</u>	<u>23,823</u>

As at December 31, 2022, 2023 and 2024, approximately RMB5,283,000, RMB4,383,000 and RMB7,140,000 of payroll payables which were unpaid as at year end and are included in accruals and other payables. The share-based payments provided to key management personnel consist of restricted share incentive schemes which are equity-settled, see Note 32.

**38. EVENTS AFTER THE REPORTING PERIOD**

On March 25, 2025, a final dividend in respect of the year ended December 31, 2024 of RMB2.5 per 10 shares (tax inclusive) has been proposed by the Board of Directors. On April 16, 2025, the proposed final dividend in respect of 2024 is approved by the Shareholders' meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

HKEX2Q5(v)

**39. SUMMARY OF OTHER ACCOUNTING POLICIES**

**(1) Principles of Consolidation**

The Historical Financial Information incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.



## **(2) Investments in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group like transactions and events in similar circumstances, unless allowed by other standards. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's historical financial information only to the extent of interests in the associate that are not related to the Group.

The investments in associates are stated at cost less impairment in the consolidated statement of financial position. The results of associates are accounted for by the Group on the basis of dividends received and receivable.

### *Changes in the Group's interests in associates*

When the Group reduces its ownership interests in an associate but the Group continues to use the equity method (including situations that change of ownership interest in an associate due to capital increase of other shareholders to the associate), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

## **(3) Business Combinations**

### **(i) *Business Combination not Under Common Controls***

The acquisition method of accounting is used to account for all business combinations (except for the business combinations under common controls), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

(ii) *Business Combination Under Common Controls*

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination with all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

(4) **Separate Financial Statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

(5) **Foreign Currencies**

(i) *Functional and Presentation Currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company's functional and the Group's presentation currency.

(ii) *Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

**(iii) Group Companies**

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**(6) Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write-off the cost of investment properties over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**(7) Property, Plant and Equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

**(8) Impairment of Non-Financial Assets**

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**(9) Cash and Cash Equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

**(10) Financial Assets**

**(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss.

**(ii) Recognition and Derecognition**

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

(iv) *Impairment of Financial Assets*

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Details, please refer to credit risks in Note 3.2.

(11) **Derivative Financial Instruments and Hedging Activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

*Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses), net.

**(12) Financial Liabilities**

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, accruals and other payables, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognized part of the financial liability and the consideration paid is recognized in profit or loss for the current period.

**(13) Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Costs of inventories are determined on the month-end weighted average method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(14) Share Capital and Capital Reserve**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

**(15) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(16) Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

**(17) Convertible Bonds**

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments, which contain both a liability component (together with the early redemption option which is closely related to the host liability component) and an equity component.

At initial recognition the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible instrument. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognized in equity, net of any tax effects, until either the bonds are converted or redeemed.

If the bonds are converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. If the bonds are redeemed, the equity component is transferred to retained profits.



**(18) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

**(19) Employee Benefits**

**(i) Short-Term Obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

**(ii) Housing Funds, Medical Insurances and Other Social Insurances**

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

**(iii) Post-Employment Benefits**

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain overseas subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

**(iv) Basic Pensions**

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

**(20) Share-Based Payments**

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at each date of the end of the reporting period during the pending period. For details see Note 32.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument granted or is otherwise beneficial to the employee as measured at the date of modification.

**(21) Dividend Distribution**

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

**(22) Interest Income**

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income from financial instruments is calculated by effective interest method and recognized in profit or loss for the current period. Interest income comprises premiums or discounts, or the amortization based on effective rates of other difference between the initial carrying amount and the due amount of interest-earning assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and the interest income or interest costs based on effective rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial instruments or applicable shorter period are discounted to the current carrying amount of the financial instruments. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument (e.g., early repayment options, similar options, etc.), but without considering future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income from impaired financial assets is calculated at the interest rate that is used for discounting estimated future cash flow when measuring the impairment loss.

**(23) Dividend Income**

Dividend income is recognized when the right to receive dividend payment is established.

**(24) Earnings Per Share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(25) Government Grant**

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

**(26) Current and Deferred Income Tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

*(i) Current Income Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) *Deferred Income Tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(27) **Leases**

(i) *Definition of a Lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) *The Group as a Lessee*

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

*Short-Term Leases and Leases of Low-Value Assets*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Right-of-Use Assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, 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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### *Lease Liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

(iii) *The Group as a Lessor*

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

### **III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2024 and up to the date of this report.