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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Zhejiang Sanhua Intelligent Controls Co., Ltd.**, you **should at once** hand this circular together with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.

浙江三花智能控制股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2050)

**PROPOSED THE CONCLUSION OF PROCEEDS-FUNDED PROJECTS AND
THE INVESTMENT OF SURPLUS PROCEEDS INTO NEW PROJECTS AND
PERMANENT REPLENISHMENT OF WORKING CAPITAL
PROPOSED APPOINTMENT OF AN OVERSEAS AUDIT FIRM
PROPOSED ADJUSTING THE FOREIGN EXCHANGE HEDGING LIMIT
PROPOSED REPURCHASE AND CANCELLATION OF CERTAIN RESTRICTED
SHARES
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the Extraordinary General Meeting of the Company to be held at Meeting Room, Office Building, Sanhua Industrial Park, No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province on Thursday, August 21, 2025, at 2:00 p.m. is set out on pages 8 to 10 of this circular.

The form of proxy for the EGM has been distributed to the Shareholders who have indicated their wish to receive a printed copy on Wednesday, July 30, 2025 and has also been published on the HKEXnews website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.zjshc.com). If you are not able to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM, and deposit it together with the notarized power of attorney or other document of authorization with the H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so desire.

This circular is prepared in both Chinese and English. In case of any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

July 30, 2025

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Share(s)”	the domestic ordinary share(s) with a par value of RMB1.00 each in the share capital of the Company, which are listed on the Shenzhen Stock Exchange and traded in RMB
“A Shareholder(s)”	holder(s) of the A Shares
“Articles of Association”	the articles of association of Zhejiang Sanhua Intelligent Controls Co., Ltd., as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“Company” or “Sanhua Intelligent Controls”	Zhejiang Sanhua Intelligent Controls Co., Ltd. (浙江三花智能控制股份有限公司), a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange under stock code 02050 and the A Shares of which are listed on the Shenzhen Stock Exchange under stock code 002050
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Meeting Room, Office Building, Sanhua Industrial Park, No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province, PRC on Thursday, August 21, 2025 at 2:00 p.m.
“H Share(s)”	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholder(s)”	holder(s) of the H Shares
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	July 30, 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	the A Share(s) and/or the H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company, including H Shareholder(s) and A Shareholder(s)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

All amounts stated are in Renminbi unless otherwise indicated in this circular.

LETTER FROM THE BOARD



ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.

浙江三花智能控制股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2050)

Executive Directors:

Mr. ZHANG Yabo (*Chairman of the Board*)
Mr. WANG Dayong
Mr. NI Xiaoming
Mr. CHEN Yuzhong

Registered office:

No. 219 Woxi Avenue
Chengtian Street, Xinchang
Shaoxing, Zhejiang Province
PRC

Non-executive Directors:

Mr. ZHANG Shaobo
Mr. REN Jintu

Principal place of business in Hong Kong:

46/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Independent Non-executive Directors:

Mr. BAO Ensi
Mr. SHI Jianhui
Ms. PAN Yalan
Mr. GE Jun

July 30, 2025

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

The purpose of this circular is to provide you, as holders of H Shares, with the notice of the EGM (set out on pages 8 to 10 of this circular) and information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions or abstain from voting at the EGM.

At the EGM, ordinary resolutions will be presented to approve: (1) the resolution on the conclusion of proceeds-funded projects and the investment of surplus proceeds into new projects and permanent replenishment of working capital; (2) the resolution on the appointment of an overseas audit firm; and (3) the resolution on adjusting the foreign exchange hedging limit. In addition, special resolutions will be presented to approve: (4) the resolution on the repurchase and cancellation of certain restricted shares; and (5) the resolution on the amendments to the Articles of Association.

LETTER FROM THE BOARD

ORDINARY RESOLUTIONS

1. Resolution on the Conclusion of Proceeds-funded Projects and the Investment of Surplus Proceeds into New Projects and Permanent Replenishment of Working Capital

An ordinary resolution will be proposed at the EGM to consider and approve the resolution on the conclusion of proceeds-funded projects and the investment of surplus proceeds into new projects and permanent replenishment of working capital, details of which are set out in Appendix I to this circular.

The aforesaid resolution was considered and approved by the Board on July 30, 2025 and is hereby proposed at the EGM for consideration and approval.

2. Resolution on the Appointment of an Overseas Audit Firm

Reference is made to the announcement issued by the Company on July 30, 2025 in relation to, among other things, the proposed appointment of an overseas audit firm.

An ordinary resolution will be proposed at the EGM to consider and approve the resolution on the appointment of an overseas audit firm, details of which are set out in Appendix II to this circular.

The aforesaid resolution was considered and approved by the Board on July 30, 2025 and is hereby proposed at the EGM for consideration and approval.

3. Resolution on Adjusting the Foreign Exchange Hedging Limit

An ordinary resolution will be proposed at the EGM to consider and approve the resolution on adjusting the foreign exchange hedging limit, details of which are set out in Appendix III to this circular.

The aforesaid resolution was considered and approved by the Board on July 30, 2025 and is hereby proposed at the EGM for consideration and approval.

SPECIAL RESOLUTIONS

4. Resolution on the Repurchase and Cancellation of Certain Restricted Shares

A special resolution will be proposed at the EGM to consider and approve the resolution on the repurchase and cancellation of certain restricted shares, details of which are set out in Appendix IV to this circular.

The aforesaid resolution was considered and approved by the Board on July 30, 2025 and is hereby proposed at the EGM for consideration and approval.

LETTER FROM THE BOARD

5. Resolution on the Amendments to the Articles of Association

Reference is made to the announcement issued by the Company on July 30, 2025 in relation to, among other things, the proposed amendments to the Articles of Association.

Given that the Company has completed the issuance of H Shares and the listing on the Main Board of the Hong Kong Stock Exchange, and the total number of overseas listed shares (H Shares) issued under the offering amounted to 476,536,400 Shares (after the full exercise of Over-allotment Option), the total share capital of the Company has increased to 4,208,925,935 Shares, and the registered capital has increased to RMB4,208,925,935. As the Company proposed to repurchase and cancel 198,000 Shares under the 2022 Restricted Share Incentive Scheme and 714,000 Shares under the 2024 Restricted Share Incentive Scheme, the total share capital of the Company shall be reduced from 4,208,925,935 Shares to 4,208,013,935 Shares, and the registered capital shall be reduced from RMB4,208,925,935 to RMB4,208,013,935. In addition, the Company proposed to change its business scope. The Company proposed to amend the relevant provisions of the Articles of Association (“**Proposed Amendments**”). Details of the amendments are set out in Appendix V to this circular.

The Proposed Amendments are subject to the consideration and approval by the Shareholders at the EGM of the Company by way of a special resolution. The amended Articles of Association will take effect on the date of approval at the EGM. The current Articles of Association shall remain in full force and effect until then. Save for the amendments set out in Appendix V, the other provisions of the current Articles of Association shall remain unchanged. The English version of the Articles of Association is a translation of the Chinese version. In the event of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

The aforesaid resolution was considered and approved by the Board on July 30, 2025 and is hereby proposed at the EGM for consideration and approval.

EGM

The EGM will be held at Meeting Room, Office Building, Sanhua Industrial Park, No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province, PRC on Thursday, August 21, 2025 at 2:00 p.m. The notice of the EGM is set out on pages 8 to 10 of this circular.

The register of members of H Shares will be closed from Monday, August 18, 2025 to Thursday, August 21, 2025 (both days inclusive), during which period no share transfers of H Shares will be effected. Holders of Shares whose names appear on the register of members of H Shares of the Company on Thursday, August 21, 2025 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM. In order to attend the EGM, holders of H Shares should ensure that all transfer documents, accompanied by relevant share certificates, are lodged with the H Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, August 15, 2025.

LETTER FROM THE BOARD

The form of proxy for the EGM has been distributed to the Shareholders who have indicated their wish to receive a printed copy on Wednesday, July 30, 2025 and has also been published on the HKEXnews website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.zjshc.com).

To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to the H Share Registrar not less than 24 hours before the time appointed for the EGM (i.e. before 2:00 p.m. on Wednesday, August 20, 2025). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person if you so wish.

HONG KONG LISTING RULES REQUIREMENT

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, voting for all resolutions at the EGM will be taken by way of a poll.

As at the Latest Practicable Date, to the best knowledge of the Directors, no Shareholder has a material interest in any of the above resolution and therefore no Shareholder is required to abstain from voting in respect of the above resolution at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

RECOMMENDATION

The Board considers that the resolutions mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favour of the relevant resolutions at the EGM as set out in the notice of EGM as attached to this circular.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendices I to V to this circular.

Yours faithfully,
By order of the Board
Zhejiang Sanhua Intelligent Controls Co., Ltd.
Zhang Yabo
Chairman of the Board and Executive Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.

浙江三花智能控制股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2050)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2025 first extraordinary general meeting (the “EGM”) of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the “Company”) will be held at Meeting Room, Office Building, Sanhua Industrial Park, No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province, the People’s Republic of China on Thursday, August 21, 2025 at 2:00 p.m., for the following purposes:

ORDINARY RESOLUTIONS:

1. To consider and approve the resolution on the conclusion of proceeds-funded projects and the investment of surplus proceeds into new projects and permanent replenishment of working capital.
2. To consider and approve the resolution on the appointment of an overseas audit firm.
3. To consider and approve the resolution on adjusting the foreign exchange hedging limit.

SPECIAL RESOLUTIONS:

4. To consider and approve the resolution on the repurchase and cancellation of certain restricted shares.
5. To consider and approve the resolution on the amendments to the Articles of Association.

By order of the Board

Zhejiang Sanhua Intelligent Controls Co., Ltd.

Zhang Yabo

Chairman of the Board and Executive Director

Hong Kong, July 30, 2025

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Eligibility for attending the EGM and date of registration of members for H Shares

The register of members of H Shares of the Company will be closed from Monday, August 18, 2025 to Thursday, August 21, 2025 (both days inclusive), during which time no share transfers of H Shares will be effected. Holders of Shares whose names appear on the register of members of H Shares of the Company on Thursday, August 21, 2025 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM.

In order to attend the EGM, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, August 15, 2025.

2. Proxy

- (1) Each shareholder entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote on his/her/their behalf. A proxy need not be a shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized.

To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the Extraordinary General Meeting (i.e. before 2:00 p.m. on Wednesday, August 20, 2025).

- (3) Any voting at the EGM shall be taken by poll.

3. Registration procedures for attending the EGM

A shareholder or his/her proxy should present proof of identity when attending the EGM. If a shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the EGM by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

4. Voting by poll

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. For the avoidance of doubt and for the purposes of the Listing Rules, holders of treasury shares are required to abstain from voting on the matters to be approved by shareholders at the general meetings of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. Miscellaneous

- (1) The EGM is expected to be held for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
- (2) The registered office of the Company:

No. 219 Woxi Avenue
Chengtian Street, Xinchang
Shaoxing, Zhejiang Province
The People's Republic of China
Contact telephone: 0575-86255360
Email: shc@zjshc.com
Contact person: LV Yifang
- (3) For details of the resolutions submitted to the EGM for consideration and approval, please refer to the circular of the Company to be despatched in due course for the purpose of the EGM.

As at the date of this notice, the executive directors of the Company are Mr. ZHANG Yabo (Chairman of the Board), Mr. WANG Dayong, Mr. NI Xiaoming and Mr. CHEN Yuzhong; the non-executive directors of the Company are Mr. ZHANG Shaobo and Mr. REN Jintu; the independent non-executive directors of the Company are Mr. BAO Ensi, Mr. SHI Jianhui, Ms. PAN Yalan and Mr. GE Jun.

On June 30, 2025, the Company convened the fourth extraordinary meeting of the eighth session of the Board and the third extraordinary meeting of the eighth session of the Supervisory Committee which considered and approved the Resolution on the Conclusion of Proceeds-funded Projects and the Investment of Surplus Proceeds into New Projects and Permanent Replenishment of Working Capital. In accordance with the actual construction progress of the proceeds-funded projects and the Company's future development requirements, the Board agreed to conclude the "construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components" and the "technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components", and the surplus funds from the "technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components" was invested in the new proceeds-funded project, being "Zhejiang Sanhua Intelligent Drive Future Industry Center construction project" and the surplus funds from the "construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components" was used to permanently replenish working capital for the Company's daily production and operation activities. The specific details are as follows:

I. BASIC PARTICULARS OF PROCEEDS

As approved by the Approval on the Public Issuance of Convertible Corporate Bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd. (Zheng Jian Xu Ke [2021] No. 168) issued by the China Securities Regulatory Commission, the Company issued convertible corporate bonds of RMB3 billion with a par value of RMB100.00 each at par value to the public. The Company raised a total of RMB3 billion from the issuance of convertible corporate bonds. The net proceeds amounted to RMB2,987.5310 million after deducting issuance expenses of RMB12.4690 million. Pan-China Certified Public Accountants LLP verified the receipt of the abovementioned proceeds and issued a Verification Report (Pan-China Yan [2021] No. 277).

In order to regulate the management and use of proceeds and protect the interests of investors, the Company establishes a special account for proceeds, and all relevant proceeds have been deposited in the special account for proceeds in accordance with the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》), the Guidelines for the Self-discipline Supervision of Listed Companies on the Shenzhen Stock Exchange No. 1 – Standardized Operation of Main Board Listed Companies (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作》), the Rules on the Supervision of Proceeds of Listed Companies (《上市公司募集資金監管規則》) and other relevant regulations.

APPENDIX I	RESOLUTION ON THE CONCLUSION OF PROCEEDS-FUNDED PROJECTS AND THE INVESTMENT OF SURPLUS PROCEEDS INTO NEW PROJECTS AND PERMANENT REPLENISHMENT OF WORKING CAPITAL
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Details of the proceeds-funded projects and planned use of proceeds of the Company are set out below:

Unit: RMB'0,000

No.	Project name	Total investment of the project	Proposed use of proceeds	Expected date of commencement of operation
1	Construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components	178,055.00	148,700.00	May 2025
2	Technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components	78,557.00	69,800.00	August 2024
3	Replenishment of working capital	<u>81,500.00</u>	<u>81,500.00</u>	N/A
	Total	<u>338,112.00</u>	<u>300,000.00</u>	

II. DELAYS IN PREVIOUS PROCEEDS-FUNDED PROJECTS

On August 28, 2024, the Company convened the 26th extraordinary meeting of the seventh session of the Board which considered and approved the Resolution on the Extension of Certain Proceeds-funded Projects. The Board agreed to extend the date for the “technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components” to reach the intended usable state to May 2025 based on the implementation progress of proceeds-funded project, with the investment content, total investment, implementing entity and implementation location of the proceeds-funded project kept unchanged.

APPENDIX I

**RESOLUTION ON THE CONCLUSION OF PROCEEDS-FUNDED PROJECTS
AND THE INVESTMENT OF SURPLUS PROCEEDS INTO NEW PROJECTS
AND PERMANENT REPLENISHMENT OF WORKING CAPITAL**

After the above extension, the arrangement for use of proceeds and its usage as of May 31, 2025 are as follows:

Unit: RMB'0,000

Project name	Total investment	Proposed amount of proceeds to be used	Actual amount of proceeds utilised	Expected date of commencement of operation	Remark
Construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components	178,055.00	148,700.00	124,662.71	May 2025	The project is concluded
Technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components	78,557.00	69,800.00	44,844.90	May 2025	The project is concluded
Replenishment of working capital (<i>Note</i>)	81,500.00	81,500.00	81,273.40	N/A	
Total	338,112.00	300,000.00	250,781.01		

Note: The content of this investment project is replenishment of working capital. After deducting underwriting and sponsoring expenses and the funds for the other two proceeds-funded projects from the total proceeds, the proceeds that can actually be used to replenish working capital are RMB804.6226 million. As of August 2023, the actual use of proceeds and interest thereon is RMB812.7340 million. The proceeds for this “replenishment of working capital project” have been used up as planned, all of which were used to replenish the Company’s working capital and for its daily operations, but not for other purposes. The balance of the special account for proceeds is zero, with such special account cancelled in August 2023.

III. DETAILS OF THE PROCEEDS-FUNDED PROJECTS TO BE CONCLUDED**(I) Use of proceeds for the proceeds-funded projects to be concluded**

The “construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components” and the “technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components” are intended to reach the intended usable state by May 2025. The use and surplus of the proceeds are as follows:

1. The proceeds-funded project, being “construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components” plans to invest RMB1,487 million in proceeds. As of May 31, 2025, RMB1,246.6271 million has been invested, and the investment progress is 83.84%. At the same time, the special account for proceeds has generated interest and wealth management income (excluding handling fees) totaling RMB69.3533 million during the deposit period, resulting in surplus proceeds for the project of RMB309.7262 million (including the balance for purchasing wealth management products).
2. The proceeds-funded project, being “technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components” plans to invest RMB698 million in proceeds. As of May 31, 2025, RMB448.4490 million has been invested, and the investment progress is 64.25%. At the same time, the special account for proceeds has generated interest and wealth management income (excluding handling fees) totaling RMB57.3339 million during the deposit period, resulting in surplus proceeds for the project of RMB306.8849 million (including the balance for purchasing wealth management products).

(II) Main Reasons for the Surplus of Proceeds

1. In recent years, the Company has achieved significant progress in lean production management, process optimization and automation transformation. By continuously refining its processes and equipment, the Company has effectively reduced waste, enhanced production efficiency and lowered operational costs. Ongoing technological improvements and efficiency enhancements have also led to a reduction in capital investment required per unit of production capacity.
2. In recent years, the technology and process of the Company’s related supply chain enterprises have been rapidly upgraded, especially the fast development of domestic equipment and the rapid improvement in cost performance. The Company optimized the equipment purchase plan according to the current

equipment situation, selected equipment with higher cost performance, and correspondingly reduced the capital investment per unit of production capacity.

3. The payment cycle for the remaining balance of certain contracts for the proceeds-funded projects is relatively long, and the proceeds have not yet been used for payment. Upon completion of the project, the Company will continue to make payments in accordance with the terms of the relevant transaction contracts.

IV. PLAN FOR THE SUBSEQUENT USE OF PROCEEDS

1. The total surplus proceeds of the concluded proceeds-funded projects amounts to RMB616.6111 million (including the balance for purchasing wealth management products), as detailed in the table below:

Unit: RMB'0,000

Project name	Planned investment amount of proceeds	Actual amount of proceeds utilised	Interest and wealth management income (excluding handling fees)	Surplus proceeds
Construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components	148,700.00	124,662.71	6,935.33	30,972.62
Technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components	69,800.00	44,844.90	5,733.39	30,688.49
Total	218,500.00	169,507.61	12,668.72	61,661.11

APPENDIX I	RESOLUTION ON THE CONCLUSION OF PROCEEDS-FUNDED PROJECTS AND THE INVESTMENT OF SURPLUS PROCEEDS INTO NEW PROJECTS AND PERMANENT REPLENISHMENT OF WORKING CAPITAL
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2. As of May 31, 2025, the specific deposit of the Company's proceeds is as follows:

Unit: RMB'O,000

Bank account name	Bank	Project category/purpose	Bank account number	Balance of proceeds	Remark
Sanhua Intelligent Controls	Agricultural Bank of China Limited Xinchang County Branch	Proceeds verification account	19525201040117616	–	Cancelled
Sanhua Intelligent Controls	Agricultural Bank of China Limited Xinchang County Branch	Supplement liquidity and pay the outstanding issuance expenses of convertible bonds	19525201040117624	–	Cancelled
Sanhua Intelligent Controls	Agricultural Bank of China Limited Xinchang County Branch	Technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components	19525201040117632	688.49	(Note)
Zhejiang Sanhua Commercial Refrigeration Co., Ltd (“Sanhua Commercial”)	Industrial and Commercial Bank of China Limited Xinchang Branch	Construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components	1211028029201553113	72.62	(Note)
Total				761.11	

Note: The balance of proceeds includes the net cumulative gains from proceeds.

In addition, as of May 31, 2025, the balance of proceeds actually used by the Company to purchase wealth management products is RMB609 million, and the remaining funds are deposited in the special account for proceeds.

3. Investment in new projects and permanent replenishment of working capital

- (1) The surplus funds of RMB306.8849 million (the specific amount is subject to the balance of funds in the special account for project at the time of actual carry-over) from the “technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components” of Sanhua Intelligent Controls was invested in the new proceeds-funded project, being “Zhejiang Sanhua Intelligent Drive Future Industry Center construction project” by increasing capital in its subsidiary Zhejiang Sanhua Intelligent Drive Co., Ltd. (浙江三花智能驅動有限公司);
- (2) The surplus funds of RMB309.7262 million (the final amount shall be subject to the balance of the special account on the day the funds are transferred out) from the “construction project for annual production of 65 million sets of commercial refrigeration air-conditioning intelligent control components” of Sanhua Commercial shall be used to permanently replenish working capital for the Company’s daily production and operation activities.

Before the transfer of funds is completed, the outstanding payments for proceeds-funded projects under the signed contracts shall still be paid from the relevant special accounts for proceeds. When the surplus proceeds are transferred, if the outstanding payments for proceeds-funded projects mentioned above have not been paid in full, the Company will transfer them all from the special accounts for proceeds, and the aforementioned outstanding payments will be paid from the Company’s own funds.

4. Subsequent handling of the special account for proceeds and the special account for cash management

In conjunction with the above plan, in order to standardize the deposit, use and management of proceeds: (1) RMB306.8849 million of the proceeds invested in new projects (the final amount shall be subject to the balance of the special account on the day the funds are transferred out) will be transferred to the newly opened special account for proceeds of the project implementing entity, and a tripartite/quadripartite supervision agreement for proceeds will be signed with the bank opening the special account and the sponsor; (2) the remaining RMB309.7262 million (the final amount shall be subject to the balance of the special account on the day the funds are transferred out) will be transferred to Sanhua Commercial’s own capital account for permanent replenishment of working capital after the above cash management period expires successively. After the transfer of funds above is completed, the Company will cancel the corresponding special account for proceeds, and the tripartite/quadripartite supervision agreement for proceeds corresponding to the relevant account will also be terminated.

V. DETAILS OF NEW PROCEEDS-FUNDED PROJECTS**(I) Basic Particulars of New Projects**

1. Project name: Zhejiang Sanhua Intelligent Drive Future Industry Center construction project (浙江三花智能驅動未來產業中心建設項目)
2. Project implementing entity: Zhejiang Sanhua Intelligent Drive Co., Ltd. (“**Sanhua Intelligent Drive**”), a wholly-owned subsidiary of the listed company
3. Project implementation location: Northeast corner of the intersection of No. 19 Street and No. 14 Street, Qiantang District, Hangzhou, Zhejiang Province
4. Project construction period: 15 months
5. Overview of project content: The total investment for this project is RMB700 million. It is intended to newly acquire 109.092 mu of lands with a planned new gross floor area of 152.9 thousand square meters. It is intended to build 1#, 2#, 5# production plants, as well as auxiliary buildings such as power workshops and canteens. It is intended to complete the construction of supporting infrastructure such as power supply and distribution, water supply and drainage, and natural gas related to production, which will be used subsequently to produce new energy vehicle (NEV) thermal management system components and bionic robot components.

6. Project investment: The total planned investment for this project is RMB700 million, of which RMB306.8849 million (the specific amount is subject to the balance of funds in the special account for project at the time of actual carry-over) is intended to be invested in this project reallocating surplus proceeds for the original proceeds-funded project, being “technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components”. The remaining shortfall will be satisfied by the Company’s self-raised funds. The specific investment details are set out in the table below:

Unit: RMB’0,000

No.	Project	Total investment	Intended use of original proceeds	Intended use of self-raised funds
1	Land acquisition	7,089.00	–	7,089.00
2	Construction project investment	42,160.00	23,500.00	18,660.00
3	Equipment investment	11,574.00	7,188.49	4,385.51
4	Basic preparation costs	2,635.00	–	2,635.00
5	Initial working capital	6,542.00	–	6,542.00
Total		70,000.00	30,688.49	39,311.51

7. Project approval:

In terms of project filing, the Company has obtained the project filing document Hang Qian Tang Gong Chu [2024] No. 13 Zhejiang Sanhua Intelligent Drive Future Industry Center (《杭錢塘工出[2024]13號浙江三花智能驅動未來產業中心》) (project code: 2409-330114-89-01-348431) from the Administrative Approval Bureau of Qiantang District, Hangzhou, Zhejiang Province.

In terms of project site, the Company has obtained the real estate certificate for the relevant construction land, with the certificate number being Zhe (2025) Hang Zhou Shi Bu Dong Chan Quan No. 0076524.

In terms of environmental impact assessment (EIA) of the project, since this project is an infrastructure project with minimal pollution, which does not fall into the projects that require an EIA report, report forms and registration forms as stipulated in the Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (建設項目環境影響評價分類管理名錄) (2021 Version), no EIA procedures are needed accordingly.

8. Benefits of the project: This project is an infrastructure project and does not generate direct benefits. The benefits arising from the use of the proceeds in this instance cannot be separately accounted for.

(II) Necessity of Project Implementation

1. Industry development drives NEVs and robotics industry to embrace sustainable development opportunities

- (1) With the continuous improvement of electrification and intelligence, consumers' recognition of NEVs has gradually increased, driving the continuous increase in the penetration rate of NEVs. As a result, the NEV thermal management industry is expected to usher in strong growth

Owing to the de-carbonization goals of the global automobile industry, advancements in NEV technologies, and the development of NEV charging infrastructure, the global NEV industry has been experiencing rapid development. Major countries around the world have formulated development strategies and goals related to NEVs. Coupled with favorable factors such as the decline in battery costs, the improvement of public charging infrastructure, and the expansion of the ride-hailing industry, the global NEV market will continue to maintain a high-speed growth momentum. At the same time, technological advancements such as 5G and the Internet of Things have accelerated the development of intelligent connected vehicles, and the commercialization of autonomous driving technology is gradually progressing, which has further increased the penetration rate of NEVs. From 2020 to 2024, the global penetration rate of NEVs increased from 6.7% to 23.6%. The continuously developing NEV industry has driven the rapid expansion of the automotive thermal management system component market. For the domestic market, the production and sales of the domestic NEV industry have shown a sustained growth trend in recent years. With the tightening of environmental protection and emission standards for traditional fuel vehicles, the trend of rapid growth in the NEV market is expected to continue. Therefore, with the rapid growth of NEV sales in China and the world, the market space for automotive components industry such as electronic water pump, water valve, and electric oil pump components also has great growth potential.

- (2) Robot products are about to enter the era of mass consumption, and the bionic robot industry is showing good development momentum

The robot industry is expected to play an important role in the new round of technological revolution. Currently, service robots and special robots have been widely applied in areas such as warehousing and logistics, education and entertainment, cleaning services, security inspection, medical rehabilitation. With the rapid development of intelligent technology, the integration of

artificial intelligence technologies such as voice interaction, facial recognition, and automatic positioning and navigation with robots has continued to deepen, the competitiveness of core components has been improved, and the manufacturing cost has gradually decreased. It has gradually developed towards lightweight, flexible and intelligent trends. Robot products are about to enter the era of mass consumption.

As the commercial value of the robot market is revitalized, the Company is well-positioned to quickly enter the bionic robot sector by leveraging its existing R&D and resource advantages. Electromechanical actuators are the most essential and widely applicable components of bionic robots, characterized by two key features: high magnitude of value and strong reusability. The construction of this project will enable the Company to proactively position itself in future industries and enhance its core competitiveness.

2. *Aligned with the needs of the Company's strategic upgrade*

After more than 30 years of development, the Company has become a global industry leader in refrigeration appliances and NEV thermal management and has expanded into the field of bionic robots. This project focuses on the fields of thermal management and bionic robots and is dedicated to the “dual giant” strategies of NEV thermal management and refrigeration appliances, extending to intelligence, modularization and systematization, and promoting the comprehensive upgrade of technology, management, talents, quality and other factors. It strengthens “technological leadership” as the core competitiveness, extends to the middle and high end of the industrial chain, and leapfrogs from “Made in China” to “Global Intelligent Manufacturing”. The Company may quickly enter the bionic robot market by leveraging its existing resource and technological advantages, which can extend and expand the Company's existing industrial chain and promote its long-term sustainable development.

3. *The implementation of this project is a practical solution to address the shortage of production and R&D sites*

In recent years, with the rapid expansion of the Company's business scale, the existing production and R&D sites are no longer able to meet the needs of the Company for the development of NEV thermal management system components and bionic robot parts businesses in terms of area and environment. After the completion of this project's construction, it can effectively alleviate the situation of the Company's tight and crowded production and R&D sites at the current stage due to rapid development and effectively increase its production efficiency and innovation capability.

(III) Feasibility of Project Implementation*1. Land and location advantages*

The project is located in Qiantang District, Hangzhou, Zhejiang Province, with convenient transportation. The project has newly acquired 109.092 mu of land with a new gross floor area of 152.9 thousand square meters. The land is designated for industrial use, and according to the land certificate, the purpose of the plant land is for industrial use. The construction project is engaged in the production of NEV thermal management system components and bionic robot parts, which complies with local land use requirements and the overall planning of the city. It is conducive to the Company's expansion of the scale of its automotive parts business and the enhancement of its comprehensive competitiveness in automotive thermal management. At the same time, the development of the bionic robot parts business is expected to enhance the Company's industrial innovation capabilities and core competitiveness.

2. Competitive strengths of the Company

- (1) A global leading manufacturer of automotive thermal management system components

Since the listing of the Company's shares on the Shenzhen Stock Exchange, the Company has achieved sustained and steady growth, and the revenue increased from 2005 to 2024 at a compound annual growth rate of 23.3%.

The Company is a leader in the global automotive thermal management system components market. According to Frost & Sullivan, in terms of revenue, the Company's automotive electronic expansion valves and integrated modules ranked first in 2024, with market shares of 48.3% and 65.6%, respectively.

As of December 31, 2024, the Company had been the manufacturer with the largest revenue from automotive electronic expansion valves and integrated elements for four consecutive years (in terms of revenue). The Company's leading position and early entrant in the refrigeration and air-conditioning control component and the NEV thermal management system component industries, combined with its close partnerships with world-renowned customers, will enable the Company to seize the market opportunities in the rapidly developing market and sustain its rapid growth.

- (2) Commitment to R&D investment fueling rapid product iteration and strategic readiness for future industry advancements

The Company focuses on investing in innovative technologies, which enables the Company to stay ahead of industry trends and establish a solid foundation for long-term growth. The Company is one of the few companies in the industry that develop innovative technologies through significant investment in the technology development process. The Company has established a professional product performance laboratory and a reliability laboratory, both certified by CNAS and equipped with numerous sets of specialized testing equipment. The Company has accumulated strong R&D capabilities and the ability for rapid product iteration and upgrades. While consolidating its existing product advantages, the Company is also swiftly expanding into new industries, leveraging the synergies among various business segments.

- (3) Commitment to lean production and efficient resource allocation

The Company uniformly employs lean production methodology across its global manufacturing network which constitutes the core advantage of global manufacturing. The Company has built a manufacturing network of 48 factories worldwide, out of which the Company has established 8 production bases, which have created economies of scale. The Company's production bases offer cost advantages through large-scale production line setups, while its production factories located around the world provide the flexibility to swiftly respond to and meet the diverse needs of local customers. Moreover, its global production layout, which facilitates localized production or assembly, allows the Company to navigate the rapid global trade developments with greater ease and resilience.

3. *The Company has an early advantage in the implementation of the bionic robot industry*

The bionic robot electromechanical actuator products have the same core technology as the existing products of the Company's main business, and are closely correlated with the product control principles, production processes, upstream and downstream of the industrial chain, etc. The Company is able to independently develop and produce foundational core components and high-barrier valves. Relying on the technology accumulation in other application fields based on existing businesses such as electrical and thermal management systems, and the integrated powertrain experience of gradually developing from core components to modules and subsystems, the Company may further expand the application of its products to the bionic robots through the project, and provide cost-effective electromechanical actuators for bionic robots as a whole, which has an early advantage in industrial implementation.

(IV) Main Risk Warnings for New Projects

Based on the changes in the market environment and its own operation planning and operation conditions, the Company will invest part of the surplus proceeds in new projects. During or after the implementation of the changed projects, there is a risk that the expected results may not be achieved due to adverse changes in the macroeconomic environment, significant shifts in industrial policies, the Company's inability to align its operations and management with the expanding business scale, or intensified market competition.

VI. IMPACT OF THE CONCLUSION OF PROCEEDS-FUNDED PROJECTS AND THE ALLOCATION OF SURPLUS PROCEEDS INTO NEW PROJECTS AND PERMANENT REPLENISHMENT OF WORKING CAPITAL ON THE COMPANY

The conclusion of proceeds-funded projects and the allocation of surplus proceeds into new projects and the permanent replenishment of working capital are prudent adjustments made by the Company based on objective factors such as the current market environment, the actual use of proceeds, and the Company's overall operation and development strategy. It will not have an adverse impact on the development of the Company's existing business and is in line with the Company's overall development strategy, which will be conducive to improving the efficiency of the use of proceeds and promoting the Company's sustained and stable development.

In strict compliance with the relevant regulations such as the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》), the Guidelines for the Self-discipline Supervision of Listed Companies on the Shenzhen Stock Exchange No. 1 – Standardized Operation of Main Board Listed Companies (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作》) and the Management System for the Company's Proceeds (《公司募集資金管理制度》), the Company will strengthen internal and external supervision of the use of proceeds to ensure legal and effective use of proceeds.

Confucius International CPA Limited (the “**Confucius**”) acted as the reporting accountant for the Company’s issuance of overseas listed shares (H shares) and the listing on the Main Board of The Stock Exchange of Hong Kong Limited. In order to maintain the continuity of the audit work, the Board has resolved to appoint Confucius as the Company’s overseas audit firm for the year 2025, responsible for auditing the Company’s 2025 financial statements, which are to be prepared in accordance with the International Financial Reporting Standards, for a term of one year. This proposal is subject to the consideration and approval of the Company’s shareholders at the general meeting. Details are as follows:

I. BASIC INFORMATION ON THE OVERSEAS AUDIT FIRM FOR 2025 TO BE APPOINTED

(I) Institution Information

1. Basic information

Confucius is a partnership firm established in 2016 under the Hong Kong laws. It is a member firm of the international network of Pan-China Certified Public Accountants LLP and provides audit services to many Hong Kong listed companies in industries including industrial production, food processing, pharmaceutical manufacturing, property investment, automobile production and securities dealers.

The registered address of Confucius is Room 1501-8, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

Confucius is registered as a public interest entity auditor under the Accounting and Financial Reporting Council Ordinance in Hong Kong. In addition, Confucius has been approved by the Ministry of Finance of the People’s Republic of China to obtain a temporary audit business license in Mainland China.

2. Personnel information

The managing director of Confucius is Wong, Ho Yuen, Gary. As of 2024, Confucius has nine practicing directors and 27 certified public accountants, with a total of approximately 90 professionals.

3. *Investor protection capability*

Confucius has established a quality management system by applying Hong Kong Standard on Quality Management 1 (Quality Management for Firms) to ensure that Confucius's personnel comply with professional standards and applicable legal and regulatory requirements to protect the interests of investors when performing audits or reviews or other assurance or related services engagements.

Confucius also purchases appropriate professional liability insurance in accordance with relevant laws and regulations to cover reasonable risks arising from the professional services provided by Confucius. In the past three years, Confucius has not been finally determined by the court or the arbitration institution to bear civil liability in relevant civil lawsuits due to its professional practices.

4. *Integrity records*

In the past three years, the Accounting and Financial Reporting Council has not yet identified any issues during its practice quality inspections that have a significant impact on the audit engagements of Confucius.

(II) **Engagement Information**1. *Basic information*

Engagement team member	Name	When to become a certified public accountant	When to start auditing on listed companies	When to start practicing at Confucius	When to start providing audit services for the Company	Signing or reviewing the audit reports of listed companies in the past three years
Signing certified public accountant	Tsang Kwong Kin	2020	2004	2020	2024	Signed 12 audit reports for Hong Kong listed companies; Reviewed 12 audit reports of listed companies

Engagement team member	Name	When to become a certified public accountant	When to start auditing on listed companies	When to start practicing at Confucius	When to start providing audit services for the Company	Signing or reviewing the audit reports of listed companies in the past three years
Engagement quality partner	Ng Fai Fiona	2008	1996	2016	2024	Signed six audit reports for Hong Kong listed companies; Reviewed eight audit reports of listed companies

2. *Integrity records*

In the past three years, the signing certified public accountant or engagement quality partner has not been subject to criminal penalties, administrative penalties or supervision and management measures by the CSRC and its local offices, industry regulatory authorities, etc., or self-regulatory supervisory measures or disciplinary sanctions by self-regulatory organizations such as stock exchanges and industry associations due to their professional conduct.

3. *Independence*

There are no circumstances that may affect the independence of Confucius and the signing certified public accountant or engagement quality partner.

4. *Audit fees*

The Board of the Company proposed that the general meeting authorizes the Company's management to negotiate with Confucius to determine the audit fees and to sign relevant agreements based on the Company's specific audit requirements and scope of audit for the year 2025.

III. PROCEDURES FOR THE PROPOSED APPOINTMENT OF AN OVERSEAS AUDIT FIRM**1. Considerations of the Audit Committee of the Board**

The Company convened the third meeting of the Audit Committee under the eighth session of the Board in 2025. At the meeting, the Audit Committee thoroughly reviewed the professional competence, investor protection capability, independence, and integrity of Confucius. It concluded that Confucius has the qualifications and capabilities to engage in financial audits, has no relationships with the Company's shareholders and related parties that would affect its independence in the Company's affairs, and therefore meets the Company's audit requirements. Confucius has the experience and ability to provide audit services for listed companies, adheres to high professional and ethical standards, follows the principles of independence, objectivity, fairness and impartiality, and has a good practice performance. The Audit Committee thus agreed to appoint Confucius as the overseas audit firm for the year 2025.

2. Board Consideration

On July 30, 2025, the Company convened the sixth extraordinary meeting of the eighth session of the Board, at which the Resolution on the Appointment of an Overseas Audit Firm was considered and approved. The Board resolved to appoint Confucius as the Company's overseas audit firm for the year 2025, and agreed to submit the resolution to the Company's general meeting for consideration.

3. Effective Date

The appointment of the overseas audit firm is subject to approval by the Company's general meeting and shall take effect from the date of such approval.

On March 25, 2025, the Company convened the 31st meeting of the seventh session of the Board which considered and approved the Resolution on Conducting Foreign Exchange Hedging Business, which was considered and approved at the 2024 annual general meeting convened on April 16, 2025. The Board agreed to use no more than RMB7.5 billion or equivalent foreign currency to conduct actual hedging business with banks and other financial institutions that have the qualifications to operate foreign exchange derivatives trading business in the form of bank credit, margin, or option fees. The authorization period shall commence from the date of approval at the 2024 annual general meeting of the Company until the date of the next annual general meeting.

As the Company continues to accelerate its internationalization efforts, and in order to further mitigate and manage risks in the foreign exchange market, the Company, taking into account recent exchange rate fluctuations and the development trends of its overseas business, proposes to adjust the quota for foreign exchange hedging business from no more than RMB7.5 billion or the equivalent in foreign currencies to no more than RMB15 billion or the equivalent in foreign currencies. Within the above-mentioned quota, funds may be used on a rolling basis. The validity period of the authorized quota shall commence from the date of approval by the general meeting of shareholders and remain effective until the date of Company's annual general meeting for the year 2025. The details are set out as follows:

I. PURPOSE OF CONDUCTING FOREIGN EXCHANGE HEDGING BUSINESS

With the further acceleration of internationalization of the Company, the increase in the proportion of foreign income, and the rapid growth in the amount of export sales, the Company's foreign currency settlement and sales business grows rapidly. In the meantime, as the Company's overseas business continues to expand, exchange gains and losses will have a certain impact on the Company's operating performance in the event of significant fluctuations in exchange rate. The Company's conduct of foreign exchange hedging business is conducive to controlling exchange rate risks, reducing exchange losses, and mitigating the impact of fluctuations in exchange rate on the Company's results.

II. OVERVIEW OF FOREIGN EXCHANGE HEDGING BUSINESS

1. Main Currencies Involved and Business Types

The foreign exchange hedging business of the Company and its holding subsidiaries is limited to the currencies that align with the primary settlement currencies used in production and operation and international investment and financing activities of the Company. The main foreign currencies involved include U.S. dollar, euro, Japanese yen and other currencies related to the actual business operations. The Company's foreign exchange hedging instruments specifically include forward currency contracts, foreign exchange swaps, currency futures, currency options, and other foreign exchange derivatives.

2. Funds Size

Based on the Company's asset scale and business needs, the scale of the foreign exchange hedging business to be carried out by the Company shall not exceed RMB15

billion or equivalent foreign currency. Within this limit, the funds may be utilized on a rolling basis, and the transaction amount at any point of time during the period (including proceeds from previous transactions reinvested in hedging) shall not exceed the authorized limit. The Company will conduct foreign exchange hedging transactions with qualified banks and other financial institutions licensed for foreign exchange derivatives business, utilizing bank credit facilities, margin deposits, or option premiums as transaction instruments. Credit arrangements shall be settled either through principal delivery at maturity or through net (cash) settlement.

3. Authorization and Period

In view of the close relationship between the foreign exchange hedging business and the production and operation of the Company, it is proposed that the general meeting of the Company authorize the Board and that the Board be further authorized to delegate to the Company's management the authority to approve routine foreign exchange hedging business and execute contracts in relation thereto. The leading group of foreign exchange hedging business will act as the daily executive body to exercise management duties of the foreign exchange hedging business. The authorization period shall be valid from the date of approval by the general meeting of the Company until the date of Company's annual general meeting for the year 2025.

4. Counterparties or Platforms

Banks and other financial institutions that have the qualifications to operate foreign exchange derivatives trading business.

5. Liquidity Arrangements

All foreign exchange capital businesses are corresponding to normal and reasonable business backgrounds, which will not affect the liquidity of the Company.

III. FEASIBILITY ANALYSIS OF FOREIGN EXCHANGE HEDGING BUSINESS

The Company and its subsidiaries conduct forward foreign exchange hedging business with the purpose of mitigating the adverse impact of sharp fluctuations in the forward RMB exchange rate against foreign currencies on the Company's operating results, and do not engage in speculative and arbitrage trading. In actual operations, the Company's business is greatly affected by the fluctuations in the exchange rate of foreign currencies, especially U.S. dollar. In order to further improve the Company's ability to cope with foreign exchange fluctuation risks and better avoid and prevent foreign exchange rate and interest rate fluctuation risks, the Company and its subsidiaries intend to conduct the foreign exchange hedging business to control exchange rate risks within a reasonable range, improve the stability and sustainability of the operating results of the Company and its subsidiaries, and enhance the Company's financial stability.

The Company has formulated the Foreign Exchange Hedging Business Management System (《外匯套期保值業務管理制度》), which stipulates that the Company conducts foreign exchange hedging business with the main purpose of avoiding risks, and prohibits speculative and arbitrage trading. The above system clearly stipulates the Company's foreign exchange transaction quota, product range, hierarchical authorization system, internal review process, responsible departments, information isolation measures, risk reporting and handling procedures, which complies with the relevant requirements of regulatory authorities and meets the needs of actual operations. The risk control measures formulated by the Company are practical and effective. The Company and its subsidiaries have their own funds that match the trading margin for the hedging business to be conducted, and will strictly implement risk prevention measures and operate prudently in accordance with the requirements of the Guidelines for the Self-discipline Supervision of Listed Companies on the Shenzhen Stock Exchange No. 7 – Transactions and Related Party Transactions (《深圳證券交易所上市公司自律監管指引第7號－交易與關聯交易》) and the relevant internal control systems of the Company.

In conclusion, it is feasible for the Company and its subsidiaries to conduct the foreign exchange hedging business, which is beneficial to the production and operation of the Company and its subsidiaries.

IV. RISK ANALYSIS OF FOREIGN EXCHANGE HEDGING BUSINESS

The Company conducts the foreign exchange hedging business in accordance with the principles of legality, prudence, safety and effectiveness and does not conduct foreign exchange transactions for the purpose of speculation. All foreign exchange hedging businesses are based on normal production and operation, and relied on specific business operations, with the aim of avoiding and mitigating exchange rate risks. However, there are also certain risks in foreign exchange hedging business:

1. Market risk: If the exchange rate trend deviates significantly from the expectations of the Company, the cost expenditure of the Company after locking the exchange rate may exceed the cost expenditure without locking the exchange rate, resulting in potential losses;
2. Risks related to customer or supplier payments: Delays in accounts receivable from customers, order adjustments by customers, and other circumstances may cause payments to differ from the predicted collection period and amount; or payment to suppliers is delayed, etc. All of these circumstances will affect the cash flow of the Company, which may cause the actual cash flow to not fully match the period or amount of the foreign exchange hedging business that has been operated, thereby causing losses to the Company;
3. Legal risk: Changes in relevant laws or violation of relevant legal systems by counterparties may result in the inability to perform the contract normally, causing losses to the Company.
4. Other unknown risks.

V. RISK CONTROL MEASURES TAKEN BY THE COMPANY

1. The Company has formulated the Foreign Exchange Hedging Business Management System. The system clearly stipulates the Company's foreign exchange transaction quota, product range, hierarchical authorization system, internal review process, responsible departments, information isolation measures, risk reporting and handling procedures, which complies with the relevant requirements of regulatory authorities and meets the needs of actual operations. The risk control measures formulated by the Company are practical and effective.
2. The finance department is responsible for the unified management of the foreign exchange hedging business of the Company. All foreign exchange transactions are based on normal production and operation and international investment and financing, and relied on specific business operations. Speculation and arbitrage transactions are not allowed. All business activities are carried out strictly in accordance with the provisions of the Foreign Exchange Hedging Business Management System to ensure effective implementation.
3. The Company's foreign exchange hedging transactions shall be based on the Company's foreign currency receipt forecast under the export and foreign currency payment forecast under the import, or foreign currency bank borrowing or other actual production and operation businesses. The foreign currency amount of the transaction contract shall not exceed the foreign currency receipt, foreign currency payment forecast or foreign currency bank borrowing amount. The delivery period of the foreign exchange hedging business with physical delivery shall align with the Company's forecast foreign currency receipt time or foreign currency payment time, or match the repayment period of the corresponding foreign currency bank borrowing.
4. The Company's audit department is responsible for reviewing and supervising the actual operations of foreign exchange hedging business, including the use of funds, profit and loss, accounting, system implementation, information disclosure, etc.

VI. ACCOUNTING POLICIES AND ACCOUNTING PRINCIPLES

In accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 24 – Hedge Accounting, and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments and other relevant regulations and guidelines issued by the Ministry of Finance, the Company applies appropriate accounting treatments to its foreign exchange hedging business, reflecting the relevant items in the balance sheet and the statement of profit or loss.

The Company proposes to repurchase and cancel the restricted A-shares granted to certain Participants (the “**Participants**”) in accordance with the rules of the respective Restricted Share Incentive Schemes (the “**Repurchase and Cancellation**”). None of the Participants is a connected person of the Company.

I. REASONS FOR AND QUANTITY OF THE REPURCHASE AND CANCELLATION AND REPURCHASE PRICE AND PRICING BASIS

(I) 2022 Restricted Share Incentive Scheme

1. *Reasons for and quantity of the Repurchase and Cancellation*

In accordance with the relevant laws and regulations such as the Measures for the Administration of Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》) (the “**Administrative Measures**”), as well as the relevant provisions such as 2022 Restricted Share Incentive Scheme (Draft) of Zhejiang Sanhua Intelligent Controls Co., Ltd. (浙江三花智能控制股份有限公司) (the “**2022 Restricted Share Incentive Scheme**”), 43 Participants no longer qualified as Participants under the scheme due to their retirement or resignation, and the Company agreed to repurchase and cancel all their 156,000 restricted shares that had been granted but were still subject to lock-up restrictions; eight Participants failed to meet the individual performance assessment requirements for the third unlocking period and therefore did not satisfy the unlocking conditions. Accordingly, the Company agreed to repurchase and cancel a portion of the 42,000 restricted shares from the third tranche, which had been granted but had not yet been unlocked. In summary, the Company agreed to repurchase and cancel a total of 198,000 restricted shares under the 2022 Restricted Share Incentive Scheme.

2. *Repurchase price and pricing basis*

Pursuant to relevant provisions of the 2022 Restricted Share Incentive Scheme, if the Company made dividend distribution, the repurchase price shall be adjusted in accordance with the following formula: $P = P_0 - V$, among which, P represents the adjusted repurchase price per restricted share; V represents the dividend per share; and P_0 represents the grant price per restricted share or the repurchase price per restricted share prior to adjustment.

Adjusted repurchase price in 2022 Restricted Share Incentive Scheme:
 $P = [9.40 - 0.0999678] - 0.2498186 \approx \text{RMB}9.05$ per share.

In summary, the repurchase price of 2022 restricted shares shall be RMB9.05 per share, and the total amount of funds intended to be used for repurchasing 2022 restricted shares shall be approximately RMB1.7919 million, and the source of funds shall be the Company’s own funds.

(II) 2024 Restricted Share Incentive Scheme*1. Reasons for and quantity of the Repurchase and Cancellation*

In accordance with the relevant laws and regulations such as the Administrative Measures, as well as the relevant provisions such as 2024 Restricted Share Incentive Scheme (Draft) of Zhejiang Sanhua Intelligent Controls Co., Ltd. (浙江三花智能控制股份有限公司) (the “**2024 Restricted Share Incentive Scheme**”), 87 Participants no longer qualified as Participants under the scheme due to resignation, and the Company agreed to repurchase and cancel all their 705,000 restricted shares that had been granted but were still subject to lock-up restrictions; two Participants failed to meet the individual performance assessment requirements for the first unlocking period and therefore did not satisfy the unlocking conditions. Accordingly, the Company agreed to repurchase and cancel their 9,000 restricted shares from the first tranche which had been granted but had not yet been unlocked. In summary, the Company agreed to repurchase and cancel a total of 714,000 restricted shares under the 2024 Restricted Share Incentive Scheme.

2. Repurchase price and pricing basis

Pursuant to relevant provisions of the 2024 Restricted Share Incentive Scheme, if the Company has made dividend distribution, the repurchase price shall be adjusted in accordance with the following formula: $P = P_0 - V$, among which, P represents the adjusted repurchase price per restricted share; V represents the dividend per share; and P_0 represents the grant price per restricted share or the repurchase price per restricted share prior to adjustment.

Adjusted repurchase price in 2024 Restricted Share Incentive Scheme:
 $P = [11.75 - 0.0999678] - 0.2498186 \approx \text{RMB}11.40$ per share.

In summary, the repurchase price of 2024 restricted shares shall be RMB11.40 per share, and the total amount of funds intended to be used for repurchasing 2024 restricted shares shall be approximately RMB8.1396 million, and the source of funds shall be the Company's own funds.

II. CHANGES IN THE SHARE CAPITAL STRUCTURE AFTER THE REPURCHASE AND CANCELLATION

The proposed Repurchase and Cancellation of the above-mentioned shares will result in a reduction of 912,000 shares in the total number of the Company's shares. The Company will disclose the changes in the total number of shares and capital structure of the Company in a timely manner after the completion of repurchase and cancellation of restricted shares.

III. IMPACT OF THE REPURCHASE AND CANCELLATION ON THE COMPANY'S RESULTS

The Repurchase and Cancellation of certain restricted shares will not have a material impact on the financial position and operating results of the Company, nor will it affect the enthusiasm and stability of the Company's management team. The management team of the Company will continue to be diligent and responsible, performing their duties meticulously to create value for shareholders.

IV. REVIEW OPINIONS OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is of the opinion that the proposed Repurchase and Cancellation of certain restricted shares by the Company complies with relevant laws and regulations including the Administrative Measures as well as relevant provisions and requirements such as the Company's 2022 Restricted Share Incentive Scheme and 2024 Restricted Share Incentive Scheme. The procedures adopted by the Board for the cancellation of these restricted shares are in compliance with applicable regulations, are lawful and valid, and the Board has agreed to submit the matter to the Company's general meeting of shareholders for consideration.

V. CONCLUSION OF BEIJING ZHONG LUN LAW FIRM

1. The Company has obtained the necessary approval and authorization for the cancellation at the present stage, and complied with the relevant requirements of the Company Law, the Securities Law, the Administrative Measures, the Articles of Association, 2022 Restricted Share Incentive Scheme and 2024 Restricted Share Incentive Scheme. The Company has yet to fulfill the relevant obligations of information disclosure according to the Administrative Measures and normative documents of Shenzhen Stock Exchange;
2. The reasons, quantity and price for the cancellation comply with the relevant requirements of the Administrative Measures, 2022 Restricted Share Incentive Scheme and 2024 Restricted Share Incentive Scheme.

APPENDIX V
**COMPARISON TABLE OF THE AMENDMENTS
TO THE ARTICLES OF ASSOCIATION**

No.	Before Amendment	After Amendment
1	<p>Article 3 On May 24, 2005, as approved by the China Securities Regulatory Commission (the “CSRC”) under the document Zheng Jian Fa Xing Zi [2005] No. 19, the Company made an initial public offering of 30,000,000 ordinary shares denominated in renminbi (“RMB”) to the general public. All shares issued to domestic investors shall be subscribed in RMB, of which 24,000,000 shares were listed on the Shenzhen Stock Exchange on June 7, 2005. Upon filing with the CSRC on [●●], the Company issued [●●] overseas-listed ordinary shares (the “H Shares”) through overseas public offering, and the H Shares were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on [●●].</p>	<p>Article 3 On May 24, 2005, as approved by the China Securities Regulatory Commission (the “CSRC”) under the document Zheng Jian Fa Xing Zi [2005] No. 19, the Company made an initial public offering of 30,000,000 ordinary shares denominated in renminbi (“RMB”) to the general public. All shares issued to domestic investors shall be subscribed in RMB, of which 24,000,000 shares were listed on the Shenzhen Stock Exchange on June 7, 2005. Upon filing with the CSRC on May 8, 2025, the Company issued 414,379,500 overseas-listed ordinary shares (before the full exercise of the over-allotment option) (the “H Shares”) through overseas public offering, and the H Shares were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on June 23, 2025.</p>
2	<p>Article 6 The registered capital of the Company is RMB[●●] ([●●]).</p>	<p>Article 6 The registered capital of the Company is RMB FOUR BILLION TWO HUNDRED EIGHT MILLION THIRTEEN THOUSAND NINE HUNDRED AND THIRTY-FIVE (4,208,013,935).</p>

No.	Before Amendment	After Amendment
3	<p>Article 13 As approved by the company registration authority, the business scope of the Company covers: research and development of household appliances; manufacturing of refrigeration and air conditioning equipment; manufacturing of household appliances; manufacturing of general purpose valves and plugs (exclusive of special equipment); general purpose parts and components; manufacturing of special equipment; manufacturing of pumps and vacuum equipment; manufacturing of electric motors, manufacturing of blowers and fans; inspection and testing services; import and export of goods and technology. (Activities subject to approval in accordance with laws shall be carried out upon the approval by relevant authorities)</p>	<p>Article 13 As approved by the company registration authority, the business scope of the Company covers: research and development of household appliances; manufacturing of refrigeration and air conditioning equipment; manufacturing of household appliances; manufacturing of general purpose valves and plugs (exclusive of special equipment); general purpose parts and components; manufacturing of special equipment; manufacturing of pumps and vacuum equipment; manufacturing of electric motors, manufacturing of blowers and fans; inspection and testing services; import and export of goods and technology; power generation business, power transmission business, power supply (distribution) business. (Activities subject to approval in accordance with laws shall be carried out upon the approval by relevant authorities)</p>
4	<p>Article 19 Upon the completion of the initial public offering of H Shares (assuming over-allotment option is not exercised), the total share capital of the Company comprises [●●] shares, all of which are ordinary shares, including [●●] A ordinary shares, representing [●●]% of the total share capital of the Company, and [●●] H ordinary shares, representing [●●]% of the total share capital of the Company.</p>	<p>Article 19 The number of shares in issue of the Company comprises 4,208,013,935 shares, all of which are ordinary shares, including 3,731,477,535 A ordinary shares, representing 88.68% of the total share capital of the Company, and 476,536,400 H ordinary shares, representing 11.32% of the total share capital of the Company.</p>

No.	Before Amendment	After Amendment
5	<p>Article 62 Individual shareholders attending meeting in person shall produce their identity cards or other valid documents or proof and stock account cards to prove their identity. In the case of attending by proxies, the proxies shall produce valid documents and the proxy forms from the shareholders to prove their identity.</p> <p>.....</p>	<p>Article 62 Individual shareholders attending meeting in person shall produce their identity cards or other valid documents or proof and stock account cards to prove their identity. In the case of attending by proxies, the proxies shall produce valid documents and the proxy forms from the shareholders to prove their identity. Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or more persons (whether or not such persons are shareholders) as his/her proxy(ies) to attend and vote on his/her behalf.</p> <p>.....</p>
6	<p>Article 65 Where a proxy form for appointing a voting proxy is signed by a person authorized by the appointing shareholder, the signed authorization letter or other authorization documents shall be notarized. The notarized authorization letter or other authorization documents and the proxy form shall be kept at the domicile of the Company or at such other places as designated in the notice of the meeting.</p> <p>.....</p>	<p>Article 65 Where a proxy form for appointing a voting proxy is signed by a person authorized by the appointing shareholder, the signed authorization letter or other authorization documents shall be notarized. The notarized authorization letter or other authorization documents and the proxy form shall, at least 24 hours prior to convening of the meeting or 24 hours prior to the designated time for the voting, be kept at the domicile of the Company or at such other places as designated in the notice of the meeting.</p> <p>.....</p>
7	<p>Article 200 The Articles deliberated and approved by the general meeting shall take effect from the date when H shares are listed on the Hong Kong Stock Exchange.</p>	<p>Article 200 The Articles shall take effect upon approval by the general meeting.</p>