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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2025**

The board (the “**Board**”) of directors (the “**Directors**”) of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2025 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2024 as follows:

HIGHLIGHTS OF 2025 INTERIM RESULTS

- The revenue was approximately RMB16,262.8 million, representing a year-on-year increase of approximately 18.9%.
- The profit attributable to owners of the Company was approximately RMB2,109.9 million, representing a year-on-year increase of approximately 39.3%.
- The basic and diluted earnings per share were approximately RMB0.57, representing a year-on-year increase of approximately 42.5%.

Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated June 13, 2025 (the “**Prospectus**”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended June 30,	
	<i>Notes</i>	2025	2024
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	16,262,787	13,676,072
Cost of revenue		(11,740,637)	(9,963,304)
Gross profit		4,522,150	3,712,768
General and administrative expenses		(1,002,169)	(975,174)
Selling and marketing expenses		(308,079)	(297,002)
Research and development expenses		(704,999)	(632,612)
Net impairment losses on financial assets		(128,991)	(76,801)
Other income		178,528	165,687
Other gains/(losses), net		23,909	(9,962)
Operating profit		2,580,349	1,886,904
Finance income		19,367	47,718
Finance costs		(67,376)	(86,081)
Finance costs, net		(48,009)	(38,363)
Share of profits or losses of investments accounted for using the equity method		4,148	5,420
Profit before income tax		2,536,488	1,853,961
Income tax expenses	4	(398,377)	(332,296)
Profit for the period		2,138,111	1,521,665
Attributable to:			
– Owners of the Company		2,109,940	1,514,515
– Non-controlling interests		28,171	7,150
		2,138,111	1,521,665
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	6	0.57	0.40
– Diluted	6	0.57	0.40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>2,138,111</u>	<u>1,521,665</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</i>		
– Currency translation differences of foreign operations	<u>153,225</u>	<u>(170,920)</u>
Other comprehensive income for the period, net of tax	<u>153,225</u>	<u>(170,920)</u>
Total comprehensive income for the period	<u>2,291,336</u>	<u>1,350,745</u>
Attributable to:		
– Owners of the Company	2,263,165	1,343,595
– Non-controlling interests	<u>28,171</u>	<u>7,150</u>
	<u>2,291,336</u>	<u>1,350,745</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,081,817	12,274,558
Investment properties		7,428	7,053
Right-of-use assets		1,189,072	1,205,331
Deferred tax assets		140,428	112,699
Intangible assets		48,714	36,520
Investments accounted for using the equity method		40,298	40,600
Other non-current assets		373,282	376,825
Total non-current assets		14,881,039	14,053,586
Current assets			
Inventories		4,810,240	5,280,442
Prepayments and other receivables		273,140	417,039
Trade and notes receivables	8	12,212,207	9,628,337
Financial assets at fair value through profit or loss		6,020	6,237
Term deposits and restricted cash		1,872,562	1,805,065
Cash and cash equivalents		11,329,452	3,443,503
Current tax assets		42,903	20,736
Other current assets		955,269	1,699,804
Total current assets		31,501,793	22,301,163
Total assets		46,382,832	36,354,749
LIABILITIES			
Non-current liabilities			
Borrowings	9	1,509,000	2,045,773
Lease liabilities		221,549	237,913
Deferred tax liabilities		254,224	258,264
Other non-current liabilities		700,358	659,851
Total non-current liabilities		2,685,131	3,201,801

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		As at June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Borrowings	9	2,772,711	2,053,766
Trade and notes payables	10	10,030,681	9,777,262
Contract liabilities	3	64,221	49,462
Lease liabilities		107,407	90,574
Current income tax liabilities		150,568	174,168
Financial liabilities at fair value through profit or loss		10,718	79,678
Accruals and other payables		1,248,061	1,407,120
Other current liabilities		1,677	1,274
		<hr/>	<hr/>
Total current liabilities		14,386,044	13,633,304
		<hr/>	<hr/>
Total liabilities		17,071,175	16,835,105
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
– Share capital		4,146,769	3,732,390
– Other reserves		12,500,432	4,296,916
– Treasury shares		(409,971)	(381,848)
– Retained earnings		12,827,832	11,650,312
		<hr/>	<hr/>
		29,065,062	19,297,770
		<hr/>	<hr/>
Non-controlling interests		246,595	221,874
		<hr/>	<hr/>
TOTAL EQUITY		29,311,657	19,519,644
		<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY		46,382,832	36,354,749
		<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 was listed on the Shenzhen Stock Exchange (stock code: 002050.SZ) and the Hong Kong Stock Exchange (stock code: 02050.HK) on June 7, 2005 and June 23, 2025, respectively. The parent and the ultimate holding company of the Company is Sanhua Holding Group Co., Ltd. (三花控股集团有限公司) (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.

These unaudited interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (‘000) except when otherwise indicated. These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on August 28, 2025.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

The interim condensed consolidated financial statements, comprising the interim condensed consolidated statement of financial position as at June 30, 2025, the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months ended June 30, 2025, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board (“**IASB**”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as appropriate.

The interim condensed consolidated financial statements contain consolidated financial statements and selected explanatory notes. The selected notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the latest annual consolidated financial statements as at and for the year ended December 31, 2024. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards (“**IFRS**”). Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Group’s consolidated financial statements for each of the years ended December 31, 2022, 2023 and 2024 (the “**Historical Financial Information**”) as set out in the accountant’s report (the “**Accountant’s Report**”) included in the prospectus of the Company dated on June 13, 2025 (the “**Prospectus**”).

2. BASIS OF PREPARATION AND PRESENTATION (continued)

2.2 Application of amendments to IFRS

For the six months ended June 30, 2025, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Accountant's Report included in the Prospectus, except for the adoption of the following amendments to IFRS for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2025 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 21 'Lack of Exchangeability'

The application of the amendments to IFRS for the six months ended June 30, 2025 has had no material impact on the Group's consolidated financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.3 New and Amendments to IFRS Not Yet Adopted

New and amendments to IFRS that have been issued but not yet effective and not been early adopted by the Group 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 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 to IFRS Accounting Standards 'Annual Improvements to IFRS Accounting Standards – Volume 11'	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. IFRS 18 will replace IAS 1 'Presentation of Financial Statements' to introduce the new requirements mainly for presentation of the statement of profit or loss and new disclosures to the future financial statements. Except for the impact of IFRS 18 above, other new/amendments to IFRS are either not relevant to the Group or not expected to have a material impact on the Group's consolidated financial statements when they become effective.

2.4 Critical Accounting Estimates and Judgements

The preparation of the interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those described in the Historical Financial Information as set out in the Accountant's Report included in the Prospectus.

3. 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 make strategic decisions. The executive Directors, who have been identified as being the CODM, consist of the chief executive officer, the chief financial officer and the managers for each business unit. The CODM reviews the Group’s internal reports in order to assess performance, allocate resources, and determine the operating segments based on these reports.

For the six months ended June 30, 2025 and 2024, the CODM has identified the following reportable segments from a product perspective:

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

(b) Segment Information

For the six months ended June 30, 2025 and 2024, the CODM assesses 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 costs, net and income tax expenses are also not allocated to individual operating segment.

Segment information for the six months ended June 30, 2025 is as follows:

	Refrigeration and air- conditioning product components <i>RMB’000</i> (Unaudited)	Automotive components <i>RMB’000</i> (Unaudited)	Inter segment elimination <i>RMB’000</i> (Unaudited)	Total <i>RMB’000</i> (Unaudited)
Revenue from contracts with external customers	10,382,763	5,871,026	–	16,253,789
Inter-segment revenue	–	–	–	–
Other revenue (<i>i</i>)	5,930	3,068	–	8,998
Operating costs	(7,461,833)	(4,278,804)	–	(11,740,637)
Segment profit	2,926,860	1,595,290	–	4,522,150
Other profit or loss				(1,985,662)
Total profit before income tax				2,536,488
Total assets	31,366,810	15,016,022	–	46,382,832
Total liabilities	10,579,193	6,491,982	–	17,071,175
Investments in associates	40,298	–	–	40,298
Share of profit of associates, net	4,148	–	–	4,148
Increase in non-current assets	746,717	729,166	–	1,475,883
Net impairment losses on financial assets	118,436	10,555	–	128,991
Depreciation and amortization	327,071	281,384	–	608,455

3. OPERATING SEGMENT INFORMATION (continued)

(b) Segment Information (continued)

Segment information for the six months ended June 30, 2024 is as follows:

	Refrigeration and air- conditioning product components <i>RMB'000</i> (Unaudited)	Automotive components <i>RMB'000</i> (Unaudited)	Inter segment elimination <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from contracts with external customers	8,278,700	5,388,994	–	13,667,694
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	8,378	–	8,378
Operating costs	(6,033,836)	(3,929,468)	–	(9,963,304)
Segment profit	2,244,864	1,467,904	–	3,712,768
Other profit or loss				(1,858,807)
Total profit before income tax				<u>1,853,961</u>
Total assets	20,635,515	12,465,276	–	33,100,791
Total liabilities	9,319,141	5,522,767	–	14,841,908
Investments in associates	37,094	–	–	37,094
Share of profit of associates, net	5,420	–	–	5,420
Increase in non-current assets	536,745	1,059,274	–	1,596,019
Net impairment losses on financial assets	83,164	(6,363)	–	76,801
Depreciation and amortization	272,270	156,588	–	428,858

(i) Other revenue mainly represents lease income.

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

	Six months ended June 30,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with external customers		
recognized at a point in time		
– Refrigeration and air-conditioning product components	10,382,763	8,278,700
– Automotive components	5,871,026	5,388,994
	<u>16,253,789</u>	<u>13,667,694</u>

3. OPERATING SEGMENT INFORMATION (continued)

(b) Segment Information (continued)

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

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	9,051,921	7,826,338
Other countries or regions	7,210,866	5,849,734
	<u>16,262,787</u>	<u>13,676,072</u>

(c) Contract Liabilities

During the six months ended June 30, 2025 and 2024, 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 fulfilment of performance obligations.

	As at	As at
	June 30,	December 31,
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract liabilities	<u>64,221</u>	<u>49,462</u>
	Six months ended June 30,	Six months ended June 30,
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognized that was included in the beginning balance	<u>49,462</u>	<u>51,789</u>

Management expects that the unsatisfied obligation of RMB64,221,000 as at June 30, 2025 will be recognized as revenue during the next twelve months.

4. INCOME TAX EXPENSES

The income tax expenses of the Group during the six months ended June 30, 2025 and 2024 are analyzed as follows:

	Six months ended June 30,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	377,861	334,408
Deferred income tax	20,516	(2,112)
	<u>398,377</u>	<u>332,296</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

Certain subsidiaries of the Group have obtained High and New Technology Enterprises certification (“HNTÉ”) 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%.

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 the United States where the Company’s subsidiaries having significant operations is 0%-10% and 21%, which is a blended state rate 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 at the respective rates prevailing in the relevant jurisdictions.

4. INCOME TAX EXPENSES (continued)

(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 June 30, 2025, Pillar Two legislation has been enacted or substantively enacted and has taken effect from January 1, 2024, in nine jurisdictions where the Group operates. Additionally, it has newly taken effect from January 1, 2025 in four jurisdictions where the Group operates.

Based on the assessment of the full-year 2024 financial data, the Group expects to benefit from the transitional Country-by-Country Reporting (CbCR) safe harbour in all jurisdictions where Pillar Two legislation has been enacted for 2024, with no top-up tax liabilities arising. As the impact of Pillar Two requires full-year financial data, based solely on the financial data of the first quarter, it is neither complete nor accurate to quantify the annual impact of Pillar Two for year 2025. The Group will continue to monitor relevant legislative developments in its operating jurisdictions and is progressing on the assessment based on the expected reasonable quantification criteria to evaluate the potential future impact of Pillar Two on its financial statements.

5. DIVIDENDS

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividends in respect of the previous year, declared and paid during the period (i)	932,420	926,626
Interim dividends in respect of current period, declared and paid during the period (ii)	—	—
	<u>932,420</u>	<u>926,626</u>

- (i) Final dividends attributable to owners of the Company in respect of 2024 and 2023 of RMB2.50 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) On 28 August 2025, the Directors of the Company proposed an interim dividend of RMB1.20 (six months ended June 30, 2024: RMB1.00) per 10 ordinary shares (tax inclusive) payable to the shareholders of the Company for the six months ended June 30, 2025. This proposed interim dividend is not reflected as a dividend payable as of June 30, 2025, but will be recorded as a distribution of retained earnings for the subsequent period. The interim dividend is subject to approval by the shareholders in the forthcoming Extraordinary General Meeting of the Company.

6. EARNINGS PER SHARE

(a) Basic Earnings Per Share

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

	Six months ended June 30,	
	2025	2024
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS (<i>RMB'000</i>)	2,109,940	1,514,515
Less: Dividends payable to expected vested restricted shares (<i>RMB'000</i>)	(7,855)	(3,057)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS (<i>RMB'000</i>)	2,102,085	1,511,458
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,717,672	3,746,287
Basic EPS (<i>RMB per share</i>)	0.57	0.40

(b) Diluted Earnings Per Share

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

	Six months ended June 30,	
	2025	2024
	(Unaudited)	(Unaudited)
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (<i>RMB'000</i>)	2,109,940	1,514,515
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,717,672	3,746,287
Adjustments for potential shares arising from share schemes (<i>thousands</i>)	15,498	–
Weighted average number of ordinary shares used in calculating diluted EPS (<i>thousands</i>)	3,733,170	3,746,287
Diluted EPS (<i>RMB per share</i>)	0.57	0.40

7. PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
Buildings	4,151,397	4,086,238
Freehold land	363,064	169,245
Machinery and equipment	6,198,759	5,540,560
Motor vehicles	20,548	21,140
Office equipment	151,486	146,517
Construction in progress	2,044,147	2,171,985
Leasehold improvement	152,416	138,873
	13,081,817	12,274,558

During the six months ended June 30, 2025 and 2024, additions to the Group's property, plant and equipment were RMB1,290,134,000 and RMB1,461,873,000, respectively.

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

	Six months ended June 30, 2025 <i>RMB'000</i> (Unaudited)	2024 <i>RMB'000</i> (Unaudited)
Cost of revenue	398,297	262,024
Selling and marketing expenses	997	314
General and administrative expenses	80,207	75,464
Research and development expenses	26,178	18,304
	505,679	356,106

8. TRADE AND NOTES RECEIVABLES

	As at June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
Notes receivables	2,999,421	2,685,890
Trade receivables	9,723,003	7,317,720
Less: credit loss allowance	(510,217)	(375,273)
	<u>12,212,207</u>	<u>9,628,337</u>

- (a) The Group generally grants credit terms ranging from 60 to 285 days to the customers. The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
Within 1 year	9,696,087	7,281,933
1 to 2 years	20,994	26,881
2 to 3 years	3,584	8,523
Over 3 years	2,338	383
	<u>9,723,003</u>	<u>7,317,720</u>

- (b) As at June 30, 2025 and December 31, 2024, trade receivables amounting to nil and RMB84,120,000 were pledged for bank borrowings while notes receivables amounting to RMB1,187,899,000 and RMB1,839,462,000 were pledged for bank acceptance notes.

9. BORROWINGS

	As at June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
Secured		
Bank loans	<u>1,068,385</u>	<u>918,745</u>
Unsecured		
Bank loans	<u>3,205,000</u>	<u>3,174,000</u>
Interest payables	8,326	6,794
Less: current portion for long-term borrowings	(1,068,026)	(500,420)
Less: short-term borrowings	<u>(1,704,685)</u>	<u>(1,553,346)</u>
	<u>1,509,000</u>	<u>2,045,773</u>

- (a) As at June 30, 2025 and December 31, 2024, the annual interest rate range of short-term borrowings was ranged from 2.11% to 5.17%, and 2.15% to 5.21%, respectively.

As at June 30, 2025 and December 31, 2024, the annual interest rate range of long-term borrowings was ranged from 1.95% to 2.80%, and 2.62% to 2.92%, respectively.

- (b) As at June 30, 2025, secured bank loans mainly included: borrowings with a principal equivalent to approximately RMB1,068,385,000 guaranteed by the Company.

As at December 31, 2024, secured bank loans 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 30, 2025 and December 31, 2024, the Group's borrowings were repayable as follows:

	As at June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
Within 1 year	2,772,711	2,053,766
Between 1 and 2 years	1,394,000	1,396,236
Between 2 and 5 years	<u>115,000</u>	<u>649,537</u>
	<u>4,281,711</u>	<u>4,099,539</u>

- (d) **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.

10. TRADE AND NOTES PAYABLES

	As at June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
Trade and notes payables		
– Trade payables	5,995,838	5,985,427
– Notes payables	4,034,843	3,791,835
	10,030,681	9,777,262

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 June 30, 2025 <i>RMB'000</i> (Unaudited)	As at December 31, 2024 <i>RMB'000</i> (Audited)
Within 1 year	5,788,640	5,879,227
Over 1 year	207,198	106,200
	5,995,838	5,985,427

11. EVENTS AFTER THE REPORTING PERIOD

Full Exercise of Over-allotment Option

The Over-Allotment Option described in the Prospectus has been fully exercised by the Overall Coordinators (for themselves and on behalf of the International Underwriters), on July 18, 2025, in respect of an aggregate of 62,156,900 H Shares (the “**Over-allotment Shares**”), representing approximately 15.0% of the total number of the Offer Shares available under the Global Offering (after taking into account the full exercise of the Offer Size Adjustment Option but before any exercise of the Over-Allotment Option).

The Over-Allotment Shares was allotted and issued by the Company at HK\$22.53 per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), being the Offer Price per H Share under the Global Offering on July 23, 2025.

Distribution plan for interim dividend

After the end of the Reporting Period, the Directors proposed an interim dividend. Further details are disclosed in Note 5 (ii).

MANAGEMENT DISCUSSION AND ANALYSIS

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

(I) Main Businesses

Adhering to the development strategy of “focusing on excellence and innovating for success”, the Company has been dedicated to the R&D, promotion and adoption of thermal management technology, providing customers across the globe with energy-efficient solutions through its industry-leading products of high quality. Focusing on the R&D and application of heat pump technology and thermal management systems, the Company has been committed to developing environmental thermal management solutions that enable efficient heat exchange and intelligent temperature control. The Company has established a business that spans two major sectors: refrigeration and air-conditioning product components and automotive components. Leveraging its extensive technological expertise and innovation in R&D, the Company is actively broadening its business boundaries into emerging fields, such as bionic robot electromechanical actuators.

1. *Refrigeration and air-conditioning product component business*

The Company mainly engages in the development and application of control components, subsystems and technology solutions, which empower energy-efficient heating, ventilation and air-conditioning systems for buildings and thermal management systems for household appliances. The Company is a key supplier of refrigeration and air-conditioning control components, which span valves, heat exchangers, pumps and controllers, among others, serving the global market for residential and commercial air-conditioning, commercial and industrial refrigeration and small household appliances, among others. The Company’s key products in this business sector comprise a variety of valve products, including electronic expansion valves, four-way reversing valves, service valves, solenoid valves and ball valves. The Company also offers heat exchanger products, specifically micro-channel heat exchangers, pump products such as Omega pumps, and controller products, including inverter controllers and pressure sensors. Such products are widely utilized in fields including air conditioners, refrigerators, industrial refrigeration, cold-chain transport, heat pump heating and washing machines.

2. *Automotive component business*

As an early entrant with strategic deployment in the NEV thermal management market, the Company was among the first to set the stage for the creation of novel application scenarios and industry development trends, which establishes the Company as a key supplier of automotive thermal management system components in the global market. The Company is committed to offering essential and comprehensive thermal management and control solutions for NEVs and providing high-performance products that enhance energy efficiency and reduce emissions for traditional internal

combustion engine vehicles. The Company is actively involved in the R&D of valves, pumps, heat exchangers of vehicles and integrated modules, especially in the areas of cabinet thermal management, battery thermal management and electrical/control system thermal management, designed to achieve effective thermal management in automotive operations. The Company has successfully integrated a substantial range of critical products into the supply chains of leading NEV manufacturers, including automotive valve products, such as automotive electronic expansion valves, automotive pump products, such as automotive electronic water pumps, automotive heat exchanger products, such as battery coolers, and various types of integrated modules, among others.

3. *Strategic emerging industries (including bionic robot electromechanical actuator industry)*

As an early entrant that leads the development of thermal management technologies, the Company has accumulated abundant experience and expertise in developing and manufacturing a considerable number of electric motors. By leveraging its motor manufacturing expertise, scalability and cost-control capabilities, the Company has successfully ventured into the production of bionic robot electromechanical actuators. The Company strives to provide lighter, smaller and more precise electromechanical actuators through independent R&D.

(II) Main Performance Drivers

1. *Refrigeration and air-conditioning product component industry*

As energy costs rise, consumers are increasingly tending to purchase energy-efficient and carbon-reducing appliances. Governments worldwide have introduced a series of low-carbon and energy-saving policies to accelerate the green transformation of economic development, which has driven industry growth. The demand for refrigeration and air-conditioning control components in overseas markets continues to grow, driven by strict implementation of energy-saving and emission-reduction policies, as well as consumers' preference for high-performance products, and thus China's exports of refrigeration and air-conditioning control components are expected to maintain steady growth in the future. Meanwhile, global warming which leads to extreme weather conditions (such as unprecedented high temperatures in Europe) and rising living standards, have resulted a surge in demand for air conditioners, thereby driving demand for refrigeration and air-conditioning control components. In response to the growing requirements for product performance, refrigeration and air-conditioning control component manufacturers have been dedicated to conducting product iteration and upgrading. Furthermore, the rapid growth of cold chain logistics and data center industries is creating vast development opportunities in emerging markets. Emerging downstream applications raise higher requirements for the efficiency and reliability of refrigeration and air-conditioning systems,

thereby driving the growth in demand for specialized components tailored for cold chain logistics and data centers. In the future, the growth prospects from emerging applications will further promote the development of refrigeration and air-conditioning control component market.

2. *Automotive component industry*

Owing to the de-carbonization goals of the global automobile industry, the improvement of NEV technologies, and the development of charging infrastructure, the global NEV industry has been experiencing rapid development. With the development of high-voltage fast charging and battery technologies, the need for rapid heat dissipation increases, which drives the demand for efficient automotive thermal management system, thereby stimulating the growing demand for thermal management system components. Simultaneously, with the advancements in automotive thermal management technology, the automotive thermal management system components are evolving towards an integrated and modular design. The higher computing power requirements of automotive chips necessitate intelligent thermal management system optimizing computing power heat dissipation, thus propelling a growing demand for efficient thermal management system components. Furthermore, green and low-carbon development is the core goal of automotive thermal management system. The advancements of battery cooling and heating technology, the development of heat pump technology, and the replacement of refrigerants with weak greenhouse effects promote the optimization of vehicle energy consumption, which raises higher requirements for product performance of thermal management system components. Under the trend of global economic integration, major automobile manufacturers in the world have been dedicated to seeking the best suppliers of automotive thermal management system components and advanced technical solutions worldwide, which provides broad development opportunities for automotive thermal management system component manufacturers to expand business layout in overseas markets.

3. *Strategic emerging industries (including bionic robot electromechanical actuator industry)*

Due to an aging population and rising labor costs, many countries have entered an aging society and labor resources are becoming increasingly scarce. Bionic robots have become an alternative to the labor force, accelerating the development of the bionic robot electromechanical actuator market. The Chinese government attaches great importance to the robotics industry and has issued a series of policies to support its growth. At the same time, electromechanical actuator manufacturers that establish stable cooperative relationships with upstream component manufacturers and downstream bionic robot manufacturers can facilitate synergy along the industrial chain and promote technological advancements in the entire industrial chain. The development of advanced technologies such as artificial intelligence, sensing technology, and new materials has enabled bionic robot electromechanical actuators to make significant progress in performance.

With the continuous advancement of technology, the downstream application areas of bionic robots have expanded from the industrial field to multiple industries such as medical services and logistics services; and such a wide range of scenarios have stimulated the growing demand for bionic robot electromechanical actuators.

(III) Industry Status

The Company is the world's largest manufacturer of refrigeration and air-conditioning control components and the world's leading manufacturer of automotive thermal management system components. Its "SANHUA" brand of intelligent refrigeration control components has become a world-renowned brand, and the Company is a strategic partner of numerous global automotive companies and air-conditioning and refrigeration product manufacturers. In the refrigeration and air-conditioning product components business, the Company's four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets. In the automotive components business, automotive electronic expansion valves and integrated modules ranked first in their respective global markets.

II. ANALYSIS OF CORE COMPETITIVENESS

(I) Commitment to Technological Innovation Fueling Rapid Product Iteration and Strategic Readiness for Future Industry Advancements

The Company focuses on investing in technologies that enable the Company to stay ahead of industry trends and establish a foundation for long-term growth. The Company develops forward-looking technologies through significant investment in the technology development process to support its future growth, and enhance its responsiveness to potential new customer requests that involve novel technological demands.

The Company has accumulated strong R&D capabilities and the ability for rapid product iteration and advancement. While consolidating its existing product advantages, the Company is also swiftly expanding into new industries, leveraging the synergies among various business segments. The Company is dedicated to establishing a globally competitive R&D system that encompasses all stages from initial concept to production. The robust technological foundation in valve and pump components related to thermal management enables the Company to swiftly adapt and apply technologies across various applications. Furthermore, the Company has ventured into the bionic robot electromechanical actuator market by capitalizing on its research and development and large-scale production capabilities. This allows the Company to offer competitive R&D solutions to customers, thereby establishing a new growth trajectory and bolstering customer loyalty. As at the end of the Reporting Period, the Company had six major R&D centers and 4,387 domestic and foreign licensed patents, including 2,404 licensed invention patents.

(II) Commitment to Lean Production and Efficient Resource Allocation

The Company's global manufacturing network, which uniformly employs lean production methodology, constitutes the core advantage of production capabilities. The Company benefits from economies of scale, with 8 production bases worldwide. The Company's production bases offer cost advantages through large-scale production line setups, while its individual 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.

The Company's production management pivots around optimizing resource allocation and implementing process automation, which reduces production cycles and enhances production efficiency. Through a combination of information technology and automation and by using Internet of Things technologies to realize real-time equipment performance monitoring and optimal production resources allocation, the Company achieves stable output and consistent product quality and elevates production efficiency, thereby meeting customer demands for product quality and timely delivery. Furthermore, through the implementation and continuous refinement of its automation initiatives, the Company significantly reduces repetitive manual labor and enhances both production precision and speed.

(III) A Comprehensive Quality Management System Incorporating Control Measures to Ensure the Delivery of High-quality Goods

The Company is dedicated to developing advanced manufacturing technologies and implementing a standardized quality control system to deliver superior products. The Company has established comprehensive quality standards that encompass all production processes and product categories. Its robust quality control system and procedures cover supplier management, new product development, procedure control and after-sales service. These efforts have earned the Company international certifications for quality, environmental health and safety and hazardous substance control systems, including ISO 9001, IATF 16949 and QC 080000.

The Company greatly enhances product consistency and precision through rigorous research and development, stringent quality control during production, standardization of components and the implementation of automation technology. This approach allows the Company to boost production efficiency and reduce costs while maintaining high product quality. The Company is equipped with advanced quality inspection equipment and has a dedicated quality inspection team, which help the Company achieve a low defect rate in its products. Additionally, the Company has a robust after-sales service team dedicated to addressing quality issues.

(IV) An Early Entrant in Global Market Exploration, Bolstered by an Extensive Network Encompassing Sales, Research and Development and Manufacturing

The Company's global presence enables it to adeptly manage the cyclical fluctuations across various business segments and market demands. Being an early entrant started overseas sales efforts in the 1990s, the Company has established early advantage through strategic deployment in overseas markets. Over the years, the Company has successfully made many of its products household names enjoying global recognition. As of the end of the Reporting Period, the Company's products had reached America, Europe, Asia, Oceania and Africa, spanning over 80 countries and regions worldwide, and the Company conducted collaboration with many internationally renowned enterprises, including Daikin, Panasonic, Ford, BSH, Siemens, Volkswagen, Mercedes-Benz, BYD and Geely. To further enhance the Company's global market presence, the Company acquired Ranco's global four-way reversing valve business in 2008 and Aweco's global operations in 2012. The Company established four overseas production bases in Mexico, Poland, Vietnam and Thailand, and set up three overseas R&D bases in the United States and Germany. The Company's global R&D network and localized production and sales network enable it to quickly meet local customer needs and gain deeper insight into different markets.

(V) Long-term and In-depth Partnerships with Leading Enterprises to Drive Industry Development

Aiming to anticipate its customers' needs and foster mutual growth, the Company is dedicated to delivering products and services of the highest quality to maximize the value the Company creates for them. Building a robust industry ecosystem and nurturing strong customer relationships are among the Company's top priorities. Under the refrigeration and air-conditioning product component business, the Company has cooperated with the major customers, such as Carrier, BSH, Daikin, Gree, Haier, Hitachi, JCI, LG, Midea, Mitsubishi, Panasonic, Samsung, Siemens, Toshiba and Trane, and earned the Company extensive recognition from its customers. Under the automotive component business, the Company has cooperated with renowned automotive companies such as Mercedes-Benz, BMW, BYD, Ford, Geely, General Motors, GAC, Honda, Hyundai, Leapmotor, Li Motor, NIO, Stellantis, SAIC, Toyota, Volkswagen, Volvo and Xpeng, and also served automotive thermal management integrators such as Denso, Hanon, MAHLE and Valeo. Furthermore, the Company has become the exclusive supplier of thermal management products for multiple automotive platforms.

(VI) Profound Industry and Management Experience, Progressive Value Concepts and Forward-thinking Leadership

The Company's management team is highly experienced in the thermal management industry, possessing extensive industry expertise, clear market insights and strong management capabilities. The founder, Mr. ZHANG Daocai, and the chairman, Mr. ZHANG Yabo, have extensive experience in the thermal management industry. A significant majority of the core members of the Company's management team comprise individuals with technical backgrounds and extensive expertise who possess a keen awareness of technology and product iterations. Beyond their management responsibilities, they actively lead different business segments, optimizing execution efficiency and exploring new possibilities for business growth. With their expertise in refrigeration and air-conditioning product components, automotive components and bionic robot electromechanical actuators, the management team have established a solid groundwork for the Company's evolution into a global industrial group spanning multiple industries and product categories.

III. ANALYSIS OF MAIN BUSINESSES

Overview

In the first half of 2025, global geopolitics faced complex and severe challenges, including continued volatility in Sino-US relations and frequent changes in tariffs and trade policies, which also spread to the investment sector and imposed greater challenges on globalization. AI, triggering disruptive technological change, is reshaping the global industrial and economic ecosystem. The Company, with a deep understanding of environmental changes, proactively faced challenges in policy, market, and technology. Using a systematic approach, it engaged in forward-looking thinking and planning, enhanced its response capabilities and seized strategic initiative.

During the Reporting Period, the Company achieved operating revenue of RMB16,262.8 million, representing a period-on-period increase of 18.9%; profit attributable to owners of the Company was RMB2,109.9 million, representing a period-on-period increase of 39.3%. By product, operating revenue from the refrigeration and air-conditioning product component business was RMB10,388.7 million, representing a period-on-period increase of 25.5%; and operating revenue from the automotive component business was RMB5,874.1 million, representing a period-on-period increase of 8.8%.

1. *Refrigeration and air-conditioning product component business*

In the first half of 2025, the Company actively adjusted its market strategy to consolidate key customers. By strengthening its presence in the overseas market, the Company seized high-growth opportunities, kept abreast of technological advancements, and expanded the application scenarios of core products. The Company also maintained its near-exclusive position in the supply of electronic expansion valves and solenoid valves for air conditioners, so as to increase the market share of its leading products and promoting the commercialization of iterative products. At the same time, the Company developed key market projects, conducted market research, and significantly reduced costs and increased efficiency, steadily increasing its market share. Furthermore, the Company continuously adjusted its sales strategy, optimized its product sales structure, actively promoted cost reduction and efficiency improvement, planned and implemented negotiations on the U.S. tariff sharing plan, and optimized its global production capacity layout. This further consolidated its product competitiveness and maintained a high overall gross profit margin.

2. *Automotive component business*

In the first half of 2025, the Company focused on internal cost reduction and efficiency improvement in line with its annual operating policy of refined operations, and achieved management improvements through organizational optimization, strong talent pool and refined operations. The Company reached a consensus on customer pain points and product selling points, implemented a grading strategy for components and process equipment, continued to enhance product competitiveness, created flexible and intelligent benchmark production lines to enhance self-research capabilities, promoted the development of digital intelligence and AI applications, and actively applied new tools such as digital employees and AI to improve work efficiency.

3. *Strategic emerging businesses (including bionic robot electromechanical actuator industry)*

In the first half of 2025, the Company focused on technical improvements for a number of key product models, cooperated with customers in the R&D, trial production, iteration, and sampling of a full range of products. These efforts received high praise from customers and led to a series of innovative achievements related to existing products, resulting in an overall improvement in product competitiveness.

IV. PROSPECTS AND STRATEGIES

(I) The Company's Development Strategy

The Company adheres to the business philosophy of “focusing on excellence and innovating for success”, and firmly grasps the product development themes of energy conservation, environmental protection and intelligent control, with a strong emphasis on researching and applying heat pump technology and thermal management systems. By expanding its global business layout through continuous and leading product and technological innovation, the Company is transitioning from “cost leadership” to “technology leadership”, and advancing from “developing mechanical parts” to “providing integrated electronic control system solutions”, so as to provide competitive intelligent environment control solutions for high-quality customers around the world, and become a global leader in the intelligent climate control system industry.

(II) 2025 Business Plan

1. Refrigeration and air-conditioning product components business

Under an accelerating global green transition, the Company will continue to strengthen its product advantages and further expand its business. Focusing on the three core elements of “cost, efficiency and quality”, it will enhance every stage of process, including design, process, manufacturing, procurement and quality, to continuously improve its operational efficiency and establish, consolidate and maintain its comprehensive comparative advantages. Leveraging the Company's well-established global production capacity, and guided by an assessment of the current environment and future international developments, the Company will proactively develop capacity synergy solutions for its global manufacturing bases. Emphasizing both technological breakthroughs and customer development, the Company will leverage synergies among its multiple business units to promote the development of its data center business. The Company will actively explore market opportunities in new regions to enable future growth.

2. *Automotive components business*

The Company will proactively respond to the evolving competitive landscape in the NEVs market, shifting its focus from rapid market expansion to intensive cultivation, and implementing a philosophy of streamlined processes and improved workforce efficiency. Product development will be based on common technologies to increase the reuse of technology modules while strengthening product performance in integrated components, valves, pumps, and heat exchangers. Efforts will be made to streamline and integrate the entire process planning chain to optimize organizational capabilities and operational efficiency. To meet customer needs, the Company will strengthen collaboration with strategic customers while maintaining effective risk control. The Company will further standardize lean management practices at its overseas factories and increase their process equipment capabilities and automation levels.

3. *Strategic emerging businesses (including the bionic robot electromechanical actuator industry)*

In the bionic robot business, the Company will continue to focus on electromechanical actuators, cooperate with customers in the R&D, trial production, iteration, and sampling of a full range of products, and increase its efforts in the development of key electromechanical actuator components. Furthermore, the Company will actively expand overseas production of electromechanical actuators and continuously expand its R&D team to consolidate its first-mover advantage in the emerging market of bionic robot electromechanical actuators.

FINANCIAL REVIEW

Overview

During the Reporting Period, the revenue of the Group increased by 18.9% compared to the first half of 2024, mainly due to the growth of the Group's revenue driven by sales of refrigeration and air-conditioning product components and automotive components. Profit attributable to owners of the Company increased by 39.3% compared to the corresponding period of the last year, mainly due to sales growth and effective cost control.

Revenue

During the Reporting Period, the revenue of the Group was primarily generated from the sales of refrigeration and air-conditioning components and automotive components. The total revenue increased by RMB2,586.7 million from RMB13,676.1 million for the six months ended June 30, 2024 to RMB16,262.8 million for the six months ended June 30, 2025.

Revenue analysis by product and region

The following table sets forth an analysis of revenue by product category and sales region for the periods indicated, presented in absolute amounts and as a percentage of total revenue, respectively.

By product category:

	As of June 30, 2025		As of June 30, 2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Refrigeration and air-conditioning product components	10,388,693	63.9	8,278,700	60.5
Automotive components	5,874,094	36.1	5,397,372	39.5
Total	16,262,787	100.0	13,676,072	100.0

During the Reporting Period, revenue from refrigeration and air-conditioning product components increased by 25.5% from RMB8,278.7 million for the six months ended June 30, 2024 to RMB10,388.7 million for the six months ended June 30, 2025, primarily attributable to an increase in sales volume, supported by favorable policies promoting low energy consumption and the trade-in programs for household appliances, which have stimulated the industry and accelerated the iteration and upgrading of air-conditioning products.

Revenue from automotive components increased by 8.8% from RMB5,397.4 million for the six months ended June 30, 2024 to RMB5,874.1 million for the six months ended June 30, 2025, primarily driven by an increase in sales volume, as the strong performance of the NEVs market boosted demand for thermal management systems.

By sales region:

	As of June 30, 2025		As of June 30, 2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Mainland China	9,051,921	55.7	7,826,338	57.2
Other countries or regions	7,210,866	44.3	5,849,734	42.8
Total	16,262,787	100.0	13,676,072	100.0

The Group generated revenue from both China and overseas markets. For the six months ended June 30, 2025, revenue from Mainland China and other countries or regions increased compared with the same period last year, mainly due to the Group's continued penetration into the Chinese market and the ongoing expansion of its global presence.

Operating costs

For the six months ended June 30, 2025, the Group's operating costs increased in line with revenue.

Operating cost analysis by product

By product category:

	As of June 30, 2025		As of June 30, 2024	
	RMB'000	%	RMB'000	%
Refrigeration and air-conditioning product components	7,461,833	63.6	6,033,836	60.6
Automotive components	4,278,804	36.4	3,929,468	39.4
Total	11,740,637	100.0	9,963,304	100.0

Gross profit and gross profit margin

During the Reporting Period, the gross profit margin of the Group was 27.8%, representing an increase of 0.7% from 27.1% for the six months ended June 30, 2024, and the gross profit margin remained stable.

Gross profit analysis by product

By product category:

	As of June 30, 2025		As of June 30, 2024	
	RMB'000	%	RMB'000	%
Refrigeration and air-conditioning product components	2,926,860	64.7	2,244,864	60.5
Automotive components	1,595,290	35.3	1,467,904	39.5
Total	4,522,150	100.0	3,712,768	100.0

General and administrative expenses

During the Reporting Period, the general and administrative expenses of the Group amounted to RMB1,002.2 million, representing an increase of 2.8% from RMB975.2 million for the six months ended June 30, 2024, mainly due to the increase in employee salaries for administrative personnel resulting from the Company's business expansion during the Reporting Period.

Selling and marketing expenses

During the Reporting Period, the selling and marketing expenses of the Group amounted to RMB308.1 million, representing an increase of 3.7% from RMB297.0 million for the six months ended June 30, 2024, mainly due to the increase in share-based compensation for sales personnel during the Reporting Period.

Research and development expenses

During the Reporting Period, the research and development expenses of the Group amounted to RMB705.0 million, representing an increase of 11.4% from RMB632.6 million for the six months ended June 30, 2024, accounting for 4.3% of the Group's revenue for the six months ended June 30, 2025, mainly due to the increase in employee salaries for research and development personnel during the Reporting Period.

Net impairment losses on financial assets

Net impairment losses on financial assets mainly included impairment losses from changes in the loss allowance for trade receivables and notes receivable at amortized cost, as well as impairment losses from changes in the loss allowance for other receivables. During the Reporting Period, the net impairment losses on financial assets of the Group amounted to RMB129.0 million, representing an increase of 68.0% from RMB76.8 million for the six months ended June 30, 2024, mainly due to the increase in sales revenue during the Reporting Period, which resulted in a greater increase in accounts receivable at the end of the Reporting Period compared with the beginning of the period, exceeding the growth level recorded in the same period last year.

Other income

The other income of the Group mainly included government grants, additional deduction for VAT, interest income and others. During the Reporting Period, the other income of the Group amounted to RMB178.5 million, representing an increase of RMB12.8 million from RMB165.7 million for the six months ended June 30, 2024, mainly due to an increase in additional deduction for VAT during the Reporting Period.

Other gains/(losses), net

The Group's other gains primarily consists of net losses on disposal of financial instruments, fair value changes on derivative financial instruments, net foreign exchange differences, net losses on disposal of property, plant and equipment and other long-term assets, and others. During the Reporting Period, the Group recorded other gains, net of RMB23.9 million, compared to other losses, net of RMB10.0 million for the six months ended June 30, 2024. The period-to-period change was primarily due to changes in the fair value of derivative financial instruments during the Reporting Period.

Income tax expense

During the Reporting Period, the Group's income tax expense was RMB398.4 million, representing an increase of RMB66.1 million from RMB332.3 million for the six months ended June 30, 2024, primarily due to the growth in profit before tax during the Reporting Period.

FINANCIAL CONDITION

Non-current assets increased by RMB827.4 million from RMB14,053.6 million as of December 31, 2024 to RMB14,881.0 million as of June 30, 2025, primarily due to the increase in property, plant and equipment during the Reporting Period.

Current assets increased by RMB9,200.6 million from RMB22,301.2 million as of December 31, 2024 to RMB31,501.8 million as of June 30, 2025, primarily due to the increase in cash and cash equivalents, notes receivable and accounts receivable during the Reporting Period, among which the increase in cash and cash equivalents was mainly attributed to the successful raising of funds through the issuance of H Shares during the Reporting Period.

Non-current liabilities decreased by RMB516.7 from RMB3,201.8 million as of December 31, 2024 to RMB2,685.1 million as of June 30, 2025, primarily due to certain long-term borrowings during the Reporting Period will be due for repayment within one year, and the corresponding amounts have been reclassified from non-current liabilities to current liabilities.

Current liabilities increased by RMB752.7 million from RMB13,633.3 million as of December 31, 2024 to RMB14,386.0 million as of June 30, 2025, primarily due to an increase in trade and notes payables and borrowings due within one year.

As at December 31, 2024 and June 30, 2025, the Group's net current assets were RMB8,667.9 million and RMB17,115.7 million, respectively, and its net assets were RMB19,519.6 million and RMB29,311.7 million, respectively.

As at December 31, 2024 and June 30, 2025, the Group's cash and cash equivalents were RMB3,443.5 million and RMB11,329.5 million, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The operating cash inflow of the Group for the six months ended June 30, 2025 amounted to RMB1,202.5 million, representing an increase of RMB161.6 million as compared to the operating cash inflow of RMB1,040.9 million for the six months ended June 30, 2024, which was mainly attributable to the expansion of the Group's revenue scale and the increase in sales receipts.

The bank and cash balances (including pledged and restricted bank deposits) of the Group as at June 30, 2025 amounted to approximately RMB13,202.0 million (December 31, 2024: RMB5,248.6 million).

The total borrowings of the Group as at June 30, 2025, including all bank loans, amounted to approximately RMB4,281.7 million (December 31, 2024: RMB4,099.5 million). The repayment terms of the bank loans are as follows: approximately RMB2,772.7 million are due within one year, RMB1,394.0 million are due from the first to second year and RMB115.0 million from the second to fifth year.

The Group had sufficient liquidity to meet the requirements of its daily liquidity management and capital expenditure, and to control internal operating cash flows.

CAPITAL STRUCTURE

The financial management department under the Group is responsible for its financial risk management, aiming to ensure that the liquidity structure of the assets, liabilities and other commitments of the Group could meet its funding needs on an ongoing basis.

The borrowings of the Group were mainly settled in Renminbi, while its cash and cash equivalents were mainly held in Renminbi, Euro, U.S. dollars and Hong Kong dollars. The Group planned to maintain an appropriate portfolio of equity and debt during the period to ensure an effective capital structure. As at June 30, 2025, the outstanding loans of the Group were RMB-denominated loans with approximately 49.8% of these outstanding loans bearing interest at fixed rates and the remainder at floating rates.

The Group monitored the capital structure by the gearing ratio (i.e. total debt (including total borrowings) divided by total equity and multiplied by 100%), with its policies to maintain financial stability and support the sustainable, healthy and rapid development of the Group's business. The gearing ratio of the Group as at June 30, 2025 was 14.6% (December 31, 2024: 21.0%). The decrease in the gearing ratio was mainly due to the inflow of funds raised from the Company's H-share listing. The Group maintained its financial stability amidst rapid business development.

CAPITAL EXPENDITURES

During the Reporting Period, the Group's capital expenditures amounted to RMB1,475.9 million representing a decrease of RMB120.1 million from RMB1,596.0 million for the six months ended June 30, 2024. Capital expenditures primarily consist of expenditure on purchase of property, land and equipment (including right-of-use assets) and intangible assets. The Group's capital expenditures were primarily funded by cash flow generated from operating activities, bank borrowings and proceeds from share issuance.

CAPITAL COMMITMENTS

The contracted commitments decreased from RMB1,525.9 million as of December 31, 2024 to RMB1,004.3 million as of June 30, 2025, primarily reflecting the Company's ongoing construction of factories and R&D center in Zhongshan, Hangzhou and overseas.

The authorized, but not contracted commitments increased from RMB5,458.0 million as of December 31, 2024 to RMB5,622.4 million as of June 30, 2025, primarily reflecting the Company's ongoing construction plans of factories for automotive components, in particular, for NEVs, in Shaoxing, Zhongshan and Mexico.

PLEDGE ASSETS

As of June 30, 2025, assets with a total carrying value of RMB1,179.0 million of the Group were used as collaterals for bank loans and other banking facilities. Such assets mainly included RMB1,179.0 million of notes receivable pledged for daily payment for goods.

FOREIGN EXCHANGE RISK

The production bases and sales markets of the Company are located in major developed and developing countries and regions, including the United States, the European Union, Japan, India and Mexico. A significant portion of its business is settled in Euros and U.S. dollars, exposing it to significant exchange rate risk. Based on its internal risk management policies, the Company's management has implemented several measures to address exchange rate risk. Firstly, export settlement was promptly settled or deferred based on forecasts of exchange rate fluctuations. Secondly, overseas financing was conducted through domestic guarantees and foreign loans to hedge foreign currency assets and control net risk exposure. Thirdly, forward settlement and foreign currency swaps were implemented to lock in exchange rates.

CONTINGENT LIABILITIES

The Group may incur contingent liabilities arising from various claims or legal proceedings in the ordinary course of business. As of June 30, 2025, the Group did not have any significant contingent liabilities.

MATERIAL INVESTMENTS HELD

As at June 30, 2025, the Group did not hold any material investment, which refers to an investment with investment amounts in an investee company that accounted for 5% or more of the Group's total assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended June 30, 2025, the Group did not undertake any material acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITIONS OF CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

As at June 30, 2025, the Group had no other plans for material investments or acquisitions of capital assets.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the Reporting Period, the Group accrued employee remuneration and benefits totaling RMB2,157.3 million. There were no significant changes to the Company's remuneration policy in the first half of 2025. In terms of employee training, the Group is committed to building a multi-level, multi-sequence talent development system, covering position-related professional knowledge, skills and management abilities to comprehensively enhance employees' personal growth. The Group offers leadership development programs such as Navigator, Voyager, Landlubber, Navigator for New Managers, and Management Trainee programs, as well as specialized training for excellence classes and potential talent classes of different sequences, including Quality Excellence, Production Planning Excellence, Procurement Excellence, Financial Excellence, Human Resources Business Partner Training Camp, IT Project Manager Training Camp, Marketing Young Talent Camp, Process Designer.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders. The Group has adopted the corporate governance code set out in Appendix C1 (the “**Corporate Governance Code**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. During the period from the Listing Date until June 30, 2025, to the best knowledge of the Directors, except for the deviation from code provision C.2.1 of part 2 of the Corporate Governance Code below, the Company has complied with all applicable code provisions in the Corporate Governance Code.

Pursuant to code provision C.2.1 of part 2 of the Corporate Governance Code, companies listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman of the Board and the chief executive officer should be segregated and should not be performed by the same individual. The Group does not have a separate chairman of the Board and chief executive officer, and Mr. ZHANG Yabo currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement is not impaired, and this structure will enable the Company to make and implement decisions promptly and effectively.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors and supervisors. Having made specific enquiries of all Directors and supervisors, they have confirmed that they have fully complied with the required standard of dealings set out in the Model Code from the Listing Date until June 30, 2025. No instances of non-compliance with the Model Code by relevant employees of the Company have been identified from the Listing Date until June 30, 2025.

Purchase, Sale or Redemption of Listed Securities of the Company

The Company convened the 30th extraordinary meeting of the seventh session of the Board on December 30, 2024, at which the Resolution on the Repurchase of the Company's Shares was considered and approved.

The Company repurchased its A shares by self-owned funds and special loan funds for stock repurchase through centralized bidding transactions, with a repurchase price not exceeding RMB36.00 per share (on May 15, 2025, due to the Company's implementation of cash dividends, bonus shares, conversion of capital reserve into share capital, rights issues and other ex-rights and ex-dividend matters during the repurchase period, the upper limit of the repurchase price was adjusted in accordance with relevant regulations from RMB36.00 per share to RMB35.75 per share from the date of the ex-right and ex-dividend of share price). The total amount of funds for the repurchase was no less than RMB30 million and no more than RMB60 million. The specific number of shares repurchased and the proportion of the total share capital shall be subject to the actual number of shares repurchased upon the expiration of the repurchase period. The implementation period for this repurchase of shares is within 12 months from the date on which the Board of the Company considers and approves the share repurchase plan. The repurchased shares will subsequently be used for equity incentive plan or employee stock ownership plan. As of June 30, 2025, the Company held 2,707,721 treasury A shares.

During the Reporting Period, the Company repurchased an aggregate of 1,506,800 A shares through centralized bidding transactions on the Shenzhen Stock Exchange, representing approximately 0.03634% of the Company's total issued share capital as at June 30, 2025. The highest trading price was RMB31.00 per share, the lowest trading price was RMB22.69 per share, and the total repurchase fund was approximately RMB35,971,525.86 (excluding transaction fees).

The monthly reports of the Company during the repurchase period are as follows:

Unit: Yuan Currency: RMB

Month of repurchase	Number of repurchase	Lowest trading price per share	Highest trading price per share	Total funds (excluding transaction fees)
March 2025	191,300	30.13	31.00	5,811,903.86
April 2025	1,315,500	22.69	31.00	30,159,622.00

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold, redeemed listed securities of the Company during the six months ended June 30, 2025 (including sales of treasury shares).

USE OF PROCEEDS

1. Use of Proceeds from the Listing of H Shares

The Company's H Shares were listed on the Main Board of the Stock Exchange on June 23, 2025 (“**Listing Date**”). As of June 30, 2025 (before the exercise of the Over-allotment Option), the total proceeds from the Global Offering of the Company amounted to approximately HK\$9,336.0 million, the net proceeds amounted to approximately HK\$9,192.2 million, and as of July 23, 2025 (after the exercise of the Over-allotment Option), the total proceeds from the Global Offering of the Company amounted to approximately HK\$10,736.4 million, the net proceeds amounted to approximately HK\$10,582.0 million.

During the Reporting Period, net proceeds from the Global Offering were utilized in accordance with the plan disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, namely:

Item	Percentage of net proceeds	Net proceeds planned to be used		Utilized amount as of June 30, 2025 (HK\$ million)	Unutilized net amount as of June 30, 2025 (HK\$ million)	Expected timeline of full utilization ⁽¹⁾
		As of June 30, 2025 (before the exercise of the Over-allotment Option) (HK\$ million)	As of July 23, 2025 (after the exercise of the Over-allotment Option) (HK\$ million)			
Used for continuous global R&D and innovation of our product mix	30%	2,757.7	3,174.6	–	2,757.7	By the end of 2028 or before
Used to expand and establish production facilities and increase the production automation level in China over the next three years	30%	2,757.7	3,174.6	–	2,757.7	By the end of 2028 or before
Used to deepen our global layout by expanding our overseas production capabilities	25%	2,298.0	2,645.5	–	2,298.0	By the end of 2028 or before
Used to enhance our digital intelligence infrastructure	5%	459.6	529.1	–	459.6	By the end of 2028 or before
Used as working capital and for general corporate uses	10%	919.2	1,058.2	–	919.2	By the end of 2028 or before
Total	100%	9,192.2	10,582.0	–	9,192.2	

Note:

- (1) The expected timeline for the utilization of unutilized net proceeds set out in the table above represents the Group's best estimates based on the anticipated market conditions, which may be subject to change in response to current and future market developments.

2. Use of Proceeds from A Shares Convertible Bonds

Pursuant to the Approval on the Public Offering of Convertible Corporate Bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd. (Zheng Jian Xu Ke [2021] No. 168) (《關於核准浙江三花智能控制股份有限公司公開發行可轉換公司債券的批覆》(證監許可[2021]168號)) issued by the China Securities Regulatory Commission, the Company publicly issued 30.0 million convertible corporate bonds (the “**Sanhua Convertible Bonds**”) in June 2021, each with a nominal value of RMB100. A total of RMB3,000 million was raised. After deducting the issuance expenses of RMB12.5 million, the net amount of proceeds was RMB2,987.5 million.

During the Reporting Period, the Company used the net proceeds from the issuance of A shares convertible bonds as described in the Prospectus for the Public Offering of Convertible Corporate Bonds of Zhejiang Sanhua Intelligent Controls Co., Ltd.. As at June 30, 2025, the details of the use of proceeds are as follows:

Item	Percentage of the total proceeds	Total proceeds planned to be used (RMB million)	Utilized amount during the Reporting Period (RMB million)	Utilized amount as of June 30, 2025 (RMB million)	Balance as of June 30, 2025 ⁽¹⁾ (RMB million)	Expected time for using the total amount of unutilized proceeds ⁽²⁾
The construction project for annual production of 65 million sets of commercial refrigeration and air-conditioning intelligent control components	49.57%	1,487.0	32.7	1,247.0	309.4	NA
The technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components	23.27%	698.0	57.0	454.1	301.3	NA
Replenishment of working capital	27.16%	815.0	–	812.7	–	NA
Total	100.00%	3,000.0	89.7	2,513.8	610.7	NA

Notes:

- (1) The remaining proceeds amounted to approximately RMB610.7 million, comprising the balance of the proceeds together with interest income and gains from wealth management products. Among these, approximately RMB295.7 million has been allocated to a new project (i.e. the Zhejiang Sanhua Intelligent Drive Future Industry Center construction project), which is expected to be fully utilized by 2026.
- (2) On August 21, 2025, the Company convened the first extraordinary general meeting of 2025, at which the resolution on the conclusion of proceeds-funded projects and the investment of surplus proceeds into new projects and the permanent replenishment of working capital was considered and approved. For details, please refer to the circular of the Company dated July 30, 2025, and the announcement dated August 21, 2025.

INTERIM DIVIDEND

The 2025 interim profit distribution plan of the Company is proposed as follows: based on the total share capital of the Company on the record date for dividend distribution, the Company will distribute to A shareholders and H shareholders whose names appear on the register of members of the Company on the record date for the dividend distribution a cash dividend of RMB1.20 (tax inclusive) for every 10 shares. The Company's A shares in the Company's designated securities account for repurchase are not entitled to dividend distribution. As at the date of this announcement, the Company's total share capital is 4,208,925,935 shares, after deducting its 2,707,721 shares in the special account for repurchase, the total amount of cash dividends to be distributed is approximately RMB504.7 million, accounting for 23.9% of the net profit attributable to the owners of the parent company in the first half of 2025 consolidated statements.

The proposed interim dividend shall be denominated and declared in Renminbi, and paid in Renminbi to A Shareholders and in Hong Kong dollars to H Shareholders. The actual amounts of distribution in Hong Kong dollars will be calculated based on the average benchmark exchange rates of RMB to Hong Kong dollars published by the People's Bank of China for the five working days prior to the date of the Company's 2025 second extraordinary general meeting.

The 2025 interim profit distribution plan is subject to approval by the shareholders of the Company at the extraordinary general meeting. The Company will disclose in due course, among other things, further details regarding the expected timetable and arrangement for closure of register of H shareholders in respect of the proposed payment of interim dividend for the purpose of ascertaining shareholders' entitlement to the payment of interim dividend by the Company.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**"), which comprises three independent non-executive Directors, namely Mr. BAO Ensi, Mr. SHI Jianhui and Ms. PAN Yalan, with Mr. BAO Ensi being the chairman of the Audit Committee.

The Audit Committee under the Board of the Company has reviewed the accounting policies and practices adopted by the Group and has discussed matters of auditing, internal control, risk management and financial reporting (including the financial statements for the six months ended June 30, 2025) before making recommendations to the Board for approval of the relevant matters.

The Audit Committee and the auditor of the Company have reviewed the unaudited interim results of the Group for the six months ended June 30, 2025.

EVENTS AFTER THE REPORTING PERIOD

Full Exercise of Over-allotment Option

Reference is made to the announcement of the Company dated July 18, 2025 in relation to the full exercise of the Over-allotment Option, stabilizing actions and end of stabilization period. On July 18, 2025, the Over-allotment Option was fully exercised, with an aggregate of 62,156,900 H Shares allotted and issued at HK\$22.53 per H Share (the “**Over-allotment Shares**”), representing approximately 15.0% of the total number of Offer Shares available under the Global Offering (after taking into account the full exercise of the Offer Size Adjustment Option but before any exercise of the Over-allotment Option). The net proceeds of approximately HK\$1,390 million to be received by the Company from the issuance of the Over-allotment Shares will be used by the Company on a pro rata basis for the purposes as set out in the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in the Prospectus.

Repurchase and Cancellation of Certain Restricted Shares

Reference is made to the announcement and circular of the Company dated July 30, 2025 and the announcement dated August 21, 2025 in relation to repurchase and cancellation of certain restricted shares. Upon consideration and approval at the Company’s 2025 first extraordinary general meeting held on August 21, 2025, the Company resolved to repurchase and cancel the 912,000 restricted A shares that had been granted to participants who no longer qualified under the incentive plan (the “**Participants**”) and remained subject to lock-up restrictions. None of the Participants is a connected person of the Company. 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.

Amendments to the Articles of Association

Reference is made to the announcement and circular of the Company dated July 30, 2025 and the announcement of the Company dated August 21, 2025 in relation to the 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 A shares under the 2022 Restricted Share Incentive Scheme and 714,000 A 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. On August 21, 2025, the Company held an extraordinary general meeting, at which the resolution on the amendments to the Articles of Association was considered and approved.

Save as disclosed above, there are no other material events after the Reporting Period undertaken by the Group after June 30, 2025 and up to the date of this announcement.

PUBLICATION OF 2025 INTERIM RESULTS ANNOUNCEMENT AND 2025 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<https://www.zjshc.com>). The interim report of the Company for the six months ended June 30, 2025 will be published on the aforesaid websites in due course and dispatched to the shareholders of the Company who requested the printed copy.

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

Hong Kong, August 28, 2025

As at the date of this announcement, the Board comprises: (i) Mr. ZHANG Yabo, Mr. WANG Dayong, Mr. NI Xiaoming and Mr. CHEN Yuzhong as executive Directors; (ii) Mr. ZHANG Shaobo and Mr. REN Jintu as non-executive Directors; and (iii) Mr. BAO Ensi, Mr. SHI Jianhui, Ms. PAN Yalan and Mr. GE Jun as independent non-executive Directors.