



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



INTERIM REPORT 2025

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Definitions

"A Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed in RMB and listed on the Shenzhen Stock Exchange (stock code: 002050)
"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"China" or the "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "the Company"	Zhejiang Sanhua Intelligent Controls Co., Ltd. (浙江三花智能控制股份有限公司), a joint stock company established in the PRC with limited liability, the A Shares (stock code: 002050) and the H shares (stock code: 02050) of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, respectively
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and the Corporate Governance Report set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Hield International"	Hield International (H.K.) Limited, a Hong Kong company established on May 14, 2007, one of the Controlling Shareholders of the Company
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars (stock code: 02050)
"Latest Practicable Date"	September 22, 2025, being the latest practicable date for ascertaining certain information in this report before its publication
"Listing Date"	the date, being June 23, 2025, on which the H Shares are listed on the Stock Exchange and from which dealings in the H Shares are permitted on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

Definitions

"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Prospectus"	the prospectus of the Company dated June 13, 2025
"Reporting Period"	from January 1, 2025 to June 30, 2025
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Sanhua Green Energy"	Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司), a PRC company established on September 30, 2001, one of the Controlling Shareholders of the Company
"Sanhua Holding"	Sanhua Holding Group Co., Ltd. (三花控股集團有限公司), a PRC company established on July 11, 2000, one of the Controlling Shareholders of the Company
"Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"the Group"	the Company and its subsidiaries
"U.S. dollars"	United States dollars, the lawful currency of the United States
"Wealth Info"	Wealth Info Limited, a Hong Kong company established on June 2, 2005, one of the Controlling Shareholders of the Company
"Xinchang Huaqing Investment"	Xinchang Huaqing Investment Co., Ltd. (新昌華清投資有限公司), a PRC company established on February 29, 2016, one of the Controlling Shareholders of the Company
"Xinchang Huaxin Industrial"	Xinchang Huaxin Industrial Co., Ltd. (新昌華清新實業有限公司), a PRC company established on March 16, 2016, one of the Controlling Shareholders of the Company
"Zhejiang Huateng Industrial"	Zhejiang Huateng Industrial Co., Ltd. (浙江華騰實業有限公司), a PRC company established on April 19, 2010, one of the Controlling Shareholders of the Company
"%"	per cent

Corporate Information

I. COMPANY PROFILE

Chinese name of the Company	浙江三花智能控制股份有限公司
Abbreviation of the Chinese name	三花智控
English name of the Company	Zhejiang Sanhua Intelligent Controls Co., Ltd.
Abbreviation of the English name	SANHUA
Legal representative	Zhang Yabo (張亞波)
Registered address	No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province
Postal code of the registered address	312530
Website	https://www.zjshc.com
Email	shc@zjshc.com
Principal Place of Business in Hong Kong	46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

II. COMPANY STOCK OVERVIEW

Type of Shares	Stock exchange	Stock abbreviation	Stock code
A Share	Shenzhen Stock Exchange	三花智控	002050
H Share	The Stock Exchange of Hong Kong Limited	SANHUA	02050

III. MEDIA FOR INFORMATION DISCLOSURE

Type of Shares	Media for information disclosure
A Share	Websites: CNINFO Network (http://www.cninfo.com.cn) Shenzhen Stock Exchange (https://www.szse.cn) Newspapers: Shanghai Securities News, Securities Times
H Share	Websites: HKEXnews website of Hong Kong Stock Exchange (https://www.hkexnews.hk) the Company's official website (https://www.zjshc.com)

IV. CONTACT PERSON AND CONTACT INFORMATION

	Secretary to the Board	Representative of securities affairs
Name	Hu Kaicheng (胡凱程)	Lv Yifang (呂逸芳)
Address	No. 289, 12th Street, Baiyang Sub-district, Qiantang District, Hangzhou, Zhejiang Province	Office Building, Sanhua Industrial Park, No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province
Telephone	0571-28020008	0575-86255360
E-mail	shc@zjshc.com	shc@zjshc.com

Corporate Information

V. OTHER RELATED INFORMATION

Executive Directors	Mr. Zhang Yabo (張亞波先生) (<i>Chairman of the Board and Chief Executive Officer</i>) Mr. Wang Dayong (王大勇先生) Mr. Ni Xiaoming (倪曉明先生) Mr. Chen Yuzhong (陳雨忠先生)
Non-executive Directors	Mr. Zhang Shaobo (張少波先生) Mr. Ren Jintu (任金土先生)
Independent Non-executive Directors	Mr. Bao Ensi (鮑恩斯先生) Mr. Shi Jianhui (石建輝先生) Ms. Pan Yalan (潘亞嵐女士) Mr. Ge Jun (葛俊先生)
Supervisors	Mr. Zhao Yajun (趙亞軍先生) (<i>Chairman of the Supervisory Committee</i>) Mr. Mo Yang (莫楊先生) Mr. Chen Xiaoming (陳笑明先生)
Audit Committee	Mr. Bao Ensi (鮑恩斯先生) (<i>Chairman</i>) Ms. Pan Yalan (潘亞嵐女士) Mr. Shi Jianhui (石建輝先生)
Remuneration and Evaluation Committee	Mr. Shi Jianhui (石建輝先生) (<i>Chairman</i>) Mr. Ren Jintu (任金土先生) Mr. Bao Ensi (鮑恩斯先生)
Nomination Committee	Ms. Pan Yalan (潘亞嵐女士) (<i>Chairman</i>) Mr. Zhang Yabo (張亞波先生) Mr. Shi Jianhui (石建輝先生)
Strategy Management and ESG Committee	Mr. Zhang Yabo (張亞波先生) (<i>Chairman</i>) Mr. Wang Dayong (王大勇先生) Mr. Ni Xiaoming (倪曉明先生) Mr. Chen Yuzhong (陳雨忠先生) Mr. Zhang Shaobo (張少波先生) Mr. Shi Jianhui (石建輝先生) Mr. Ge Jun (葛俊先生)

Corporate Information

Joint Company Secretaries	Mr. Hu Kaicheng (胡凱程先生) Ms. Ho Wing Nga (何詠雅女士)
Authorized Representatives	Mr. Zhang Yabo (張亞波先生) Ms. Ho Wing Nga (何詠雅女士)
Legal Adviser as to Laws of Hong Kong, China	Clifford Chance 27/F, Jardine House, One Connaught Place, Central, Hong Kong
Legal Adviser as to PRC Laws	T&C Law Firm 11/F, Block A, Huanglong Century Square, No. 1 Hangda Road, Xihu District, Hangzhou, Zhejiang Province, PRC
Auditor	Confucius International CPA Limited <i>Certified Public Accountants</i> Room 1501-8, 15/F., Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong
Compliance Adviser	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center, 99 Queen's Road Central, Hong Kong
Custodian of A Shares	China Securities Depository and Clearing Corporation Limited Shenzhen Branch 25th Floor, Shenzhen Stock Exchange Plaza, No. 2012, Shennan Avenue, Lianhua Street, Futian District, Shenzhen, China
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

(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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

(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%.

Management Discussion and Analysis

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.

Management Discussion and Analysis

(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.

Management Discussion and Analysis

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	
	RMB'000	%	RMB'000	%
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.

Management Discussion and Analysis

By sales region:

	As of June 30, 2025		As of June 30, 2024	
	RMB'000	%	RMB'000	%
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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Corporate Governance and 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 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 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 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.

MATERIAL CHANGES TO THE RELEVANT INFORMATION OF DIRECTORS AND SUPERVISORS

From the Listing Date to the date of this report, there is no information in respect of any Directors and Supervisors of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at June 30, 2025, the Group had 19,139 employees and the accrued employee remuneration and benefits (including Directors, Supervisors and chief executive) 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.

The Company has also adopted two types of A Shares Incentive Schemes to attract, retain and motivate talented employees.

Corporate Governance and Other Information

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 RMB300 million and no more than RMB600 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).

Corporate Governance and Other Information

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. A total of 476,536,400 H Shares with a nominal value of RMB1.00 each were issued in the Global Offering (including the issue of H Shares pursuant to the Over-allotment Option as described in the Prospectus). The Offer Price was HK\$22.53 per H Share (exclusive of a brokerage fee of 1%, an SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%). 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.

The net proceeds from the Global Offering will be 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)	As of July 23, 2025 (after the exercise of the Over-allotment Option)			
		(HK\$ million)	(HK\$ million)			
Used for continuous global R&D and innovation of 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 global layout by expanding the Group's overseas production capabilities	25%	2,298.0	2,645.5	–	2,298.0	By the end of 2028 or before
Used to enhance the Group's 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.

Corporate Governance and Other Information

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	N/A
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	N/A
Replenishment of working capital	27.16%	815.0	–	812.7	–	N/A
Total	100.00%	3,000.0	89.7	2,513.8	610.7	N/A

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.

Corporate Governance and Other Information

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 report, the Company's total share capital is 4,208,925,935 shares, after deducting its 2,707,721 A 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 the 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 this interim report including the unaudited interim results of the Group for the six months ended June 30, 2025. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

Corporate Governance and Other Information

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 report.

Corporate Governance and Other Information

A SHARE INCENTIVE SCHEMES

The Company currently has two types of A Share incentive schemes, namely the restricted share incentive schemes (the “Restricted Share Incentive Schemes”) and the stock appreciation right incentive plans (the “Stock Appreciation Right Incentive Plans”).

(I) Restricted Share Incentive Schemes

During the Reporting Period, the Company’s existing Restricted Share Incentive Schemes included the 2022 Restricted Share Incentive Scheme and the 2024 Restricted Share Incentive Scheme. The terms of Restricted Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of restricted Shares by the Company after the listing. Save as otherwise disclosed, the terms of each of the Restricted Share Incentive Schemes are substantially similar and are summarized below.

1. Purpose

The purpose of the Restricted Share Incentive Schemes is to improve the Group’s corporate governance structure, establish and enhance the long-term incentive mechanism of the Company, attract and retain talents, and incentivize the Directors, senior management and other key employees to achieve a sustained and healthy development of the Group in order to realize the Group’s long-term objectives. The Restricted Share Incentive Schemes are implemented under the premise of protecting Shareholders’ interests and with a principle of evaluating the benefits according to contribution.

2. Participants

The participants of the Restricted Share Incentive Schemes include Directors, senior management and other key personnels of the Group who have significant contributions to the business operation and development of the Group. The scope of participants excludes independent directors, supervisors and Shareholders or actual controller who individually or collectively hold 5% or more of the shares of the Company and their spouse, parents and children.

3. Source and maximum number of Shares

The Shares underlying the Restricted Share Incentive Schemes are A Shares purchased by the Company from the secondary market. The maximum number of restricted Shares that can be granted under each of the Restricted Shares Incentive Schemes and their respective percentage of the issued Shares (excluding treasury shares) as of the date of the interim report are as follows:

Restricted Share Incentive Scheme	Maximum number of restricted Shares that can be granted and their respective percentage of the issued Shares (excluding treasury shares) as of the date of the interim report
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2022 Restricted Share Incentive Scheme	17,585,000 (0.42%)
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2024 Restricted Share Incentive Scheme	24,910,000 (0.59%)
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As of January 1, 2025 and June 30, 2025, the maximum number of restricted Shares that can be granted under the 2022 Restricted Share Incentive Scheme and the 2024 Restricted Share Incentive Scheme was 0. During the Reporting Period, no restricted A Shares were granted under the 2022 Restricted Share Incentive Scheme or the 2024 Restricted Share Incentive Scheme.

Corporate Governance and Other Information

4. Maximum entitlement of participants

The aggregate number of Shares of the Company granted to any participant through all Restricted Share Incentive Schemes within the validity period shall not exceed 1% of the total share capital of the Company.

5. Sale restriction and vesting arrangements

The Restricted Share Incentive Schemes shall be effective from the date of completion of the grant of restricted Shares under the Schemes up to the date when the restricted Shares granted under the Schemes are no longer under any lock-ups or have been repurchased and cancelled, provided that the term of the Schemes shall not each exceed 48 months. The lock-up period for restricted Shares commences from date of grant of restricted Shares to the grantee. The lock-up periods of the restricted Shares are divided into three schedules: 12 months, 24 months and 36 months. During the lock-up period, the restricted Shares granted to the grantee shall not be transferred, used as guarantee or for repayment of debt. The restricted Shares may only be unlocked upon fulfilment of the conditions set out in the schemes. The vesting arrangements of the restricted Shares are as follows:

- (a) unlocked in tranche of 30% in each of the three unlocking periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 24-month anniversary of the date of grant;
- (b) unlocked in tranche of 30% in each of the three unlocking periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 36-month anniversary of the date of grant;
- (c) unlocked in tranche of 40% in each of the three unlocking periods that occur between the first trading date after the 36-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant.

6. Consideration for the grant of restricted Shares

Upon the grant of restricted Shares, the participants shall pay the funds for the subscription of restricted Shares to the designated account of the Company in accordance with the grant price, which shall be confirmed by a certified public accountant; otherwise, it shall be deemed that the participants have given up the subscription of the restricted Shares granted to them.

No consideration was paid/required to be paid by the participants upon the unlocking of restricted Shares under the Restricted Share Incentive Schemes.

Corporate Governance and Other Information

7. Determination basis of grant price

The grant price of each restricted Shares under the 2022 Restricted Share Incentive Scheme shall not be lower than the higher of (1) 50% of the average trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) 50% of the average trading price of the A Shares during the 20 trading dates before the announcement of the draft 2022 Restricted Share Incentive Scheme.

The grant price of each restricted Shares under the 2024 Restricted Share Incentive Scheme shall not be lower than the higher of (1) 50% of the average trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) 50% of the average trading price of the A Shares during the 60 trading dates before the announcement of the draft 2024 Restricted Share Incentive Scheme. The grant prices of restricted Shares will be adjusted upon the occurrence of certain events during the period from the date of the announcement of the draft scheme to the date on which registration is completed with respect to the grant of restricted Shares to the participants, including payment of dividend, rights issue, increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares.

8. Changes in the number of restricted Shares during the Reporting Period

				Number of restricted	Number of restricted				Weighted average	
				Number of locked-up restricted	A Shares unlocked (i.e. vested)	Number of restricted A Shares lapsed during	A Shares cancelled and repurchased during	Repurchase price of the cancelled restricted	Number of locked-up restricted A Shares as of	closing price of relevant Shares immediately before the vesting date
Name of Restricted Share Incentive Scheme	Name and category of the participants	Date of grant ⁽¹⁾	Grant price (RMB/share)	A Shares as of January 1, 2025 (shares) ⁽¹⁾⁽²⁾	the Reporting Period (shares) ⁽¹⁾	the Reporting Period (shares)	the Reporting Period (shares)	A Shares (RMB)	June 30, 2025 (shares) ⁽¹⁾⁽³⁾	(RMB/share)
2022 Restricted Share Incentive Scheme	WANG Dayong	2022.5.31	10.00	32,000	–	–	–	N/A	32,000	N/A
	NI Xiaoming	2022.5.31	10.00	28,000	–	–	–	N/A	28,000	N/A
	CHEN Yuzhong	2022.5.31	10.00	32,000	–	–	–	N/A	32,000	N/A
	Non-director employees	2022.5.31	10.00	6,714,000	–	134,000	–	N/A	6,580,000	N/A
Total				6,806,000	–	134,000	–		6,672,000	
2024 Restricted Share Incentive Scheme	WANG Dayong	2024.6.03	11.75	100,000	–	–	–	N/A	100,000	N/A
	NI Xiaoming	2024.6.03	11.75	80,000	–	–	–	N/A	80,000	N/A
	CHEN Yuzhong	2024.5.13	11.75	80,000	–	–	–	N/A	80,000	N/A
	Non-director employees	2024.5.13	11.75	24,190,000	–	414,000	–	N/A	23,776,000	N/A
		2024.6.03	11.75	160,000	–	–	–	N/A	160,000	N/A
Total				24,610,000	–	414,000	–		24,196,000	

Corporate Governance and Other Information

Notes:

- (1) The vesting arrangements of the restricted Shares are as follows:
 - (a) unlocked in tranche of 30% in each of the three unlocking periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 24-month anniversary of the date of grant;
 - (b) unlocked in tranche of 30% in each of the three unlocking periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 36-month anniversary of the date of grant;
 - (c) unlocked in tranche of 40% in each of the three unlocking periods that occur between the first trading date after the 36-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant.
- (2) No consideration was paid/required to be paid by the participants on the unlocking of restricted Shares under the Restricted Share Incentive Schemes.
- (3) During the Reporting Period, the Company has not granted restricted Shares under any Restricted Shares Incentive Scheme. 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 scheme and remained subject to lock-up restrictions. None of the participants is a connected person of the Company.

(II) Stock Appreciation Right Incentive Plans

During the Reporting Period, the Company's existing Stock Appreciation Right Incentive Plans included the 2022 Stock Appreciation Right Incentive Plan and the 2024 Stock Appreciation Right Incentive Plan. Given the Stock Appreciation Right Incentive Plans do not involve the issue of new Shares by the Company and are not funded by any existing Shares, the terms of the Stock Appreciation Right Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The Stock Appreciation Right Incentive Plans aim to complement the effective implementation of the Company's Restricted Share Incentive Schemes, further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, effectively motivate core talents working overseas, and promote steady and rapid improvement in the Company's operating performance. The Stock Appreciation Right Incentive Plans are implemented under the premise of protecting Shareholders' interests and with a principle of evaluating the benefits according to contribution.

2. Participants

The participants of the Stock Appreciation Right Incentive Plans include foreign core talents who play an important role in the future operation and development of the Company, as well as Chinese core talents who have employment or labor relations with the Company or its branches and subsidiaries and work overseas. The scope of participants excludes independent directors, Supervisors and Shareholders or actual controller who individually or collectively hold 5% or more of the shares of the Company and their spouse, parents and children. All participants must be engaged or have entered into employment contracts with the Group when the stock appreciation rights were granted and during the appraisal period.

Corporate Governance and Other Information

3. Total number of stock appreciation rights held by the Stock Appreciation Right Incentive Plans

The maximum number of stock appreciation rights that can be granted under each of the Stock Appreciation Right Incentive Plans and their respective percentage of the issued Shares (excluding treasury shares) as of the date of the interim report are as follows:

Stock Appreciation Right Incentive Plans	Maximum number of stock appreciation rights that can be granted and their respective percentage of the issued Shares (excluding treasury shares) as of the date of the interim report
2022 Stock Appreciation Right Incentive Plan	485,000 (0.012%)
2024 Stock Appreciation Right Incentive Plan	560,000 (0.013%)

As of January 1, 2025 and June 30, 2025, the maximum number of stock appreciation rights that can be granted under the 2022 Stock Appreciation Right Incentive Plan and the 2024 Stock Appreciation Right Incentive Plan was 0. During the Reporting Period, no stock appreciation rights were granted under the 2022 Stock Appreciation Right Incentive Plan or the 2024 Stock Appreciation Right Incentive Plan.

4. Maximum entitlement of participants

The aggregate number of Shares of the Company granted to any participant through all Stock Appreciation Right Incentive Plans within the validity period shall not exceed 1% of the total share capital of the Company.

5. Source of Shares and participants' interest

The Stock Appreciation Right Incentive Plans do not involve actual Shares of the Company. Instead, they anchor at the Shares as virtual stock targets.

6. Term

Each Stock Appreciation Right Incentive Plan is valid from the date of completion of the grant of stock appreciation rights under the Stock Appreciation Right Incentive Plans up to the date when all the stock appreciation rights are vested or deregistered, provided that the term of each Stock Appreciation Right Incentive Plans shall not exceed 48 months.

7. Waiting period and exercising period of the stock appreciation rights

The stock appreciation rights held by the Stock Appreciation Right Incentive Plans are subject to a waiting period of 12 months, commencing from date of grant of the stock appreciation rights and the date when the rights can be vested. After the waiting period, subject to the exercising of rights during 12 months, 24 months, and 36 months, respectively, and the attainment of performance targets and personal evaluation, the participants' entitlement to the corresponding portion of the stock appreciation rights will be exercised in three tranches in the proportion of 30%, 30% and 40% respectively. Upon vesting, the Company will pay for each stock appreciation right the difference between the price of each Share of the day of vesting and the vesting price.

Corporate Governance and Other Information

8. Changes in the number of stock appreciation rights during the Reporting Period

Name of Stock Ownership Scheme	Name and category of the participants ⁽¹⁾	Date of grant	Number of locked-up A Share appreciation rights as of January 1, 2025 (shares) ⁽²⁾	Number of A Share appreciation rights vested during the Reporting Period (shares) ⁽²⁾	Number of A Share appreciation rights lapsed during the Reporting Period (shares)	Number of A Share appreciation rights cancelled during the Reporting Period (shares)	Exercise price (RMB/share) ⁽³⁾	Number of locked-up A Share appreciation rights as of June 30, 2025 (shares) ⁽²⁾⁽⁴⁾	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)
2022 Stock Appreciation Right Incentive Plan	Non-director employees	2022.5.31	170,000	-	38,000	-	N/A	132,000	N/A
2024 Stock Appreciation Right Incentive Plan	Non-director employees	2024.5.13	560,000	-	100,000	-	N/A	460,000	N/A

Notes:

(1) No award shares were granted under any Stock Appreciation Right Incentive Plans to Directors, chief executive, or substantial Shareholders, or their respective associates.

(2) The vesting arrangements of the stock appreciation rights are as follows:

The stock appreciation rights held by the Stock Appreciation Right Incentive Plans are subject to a waiting period of 12 months, commencing from date of grant of the stock appreciation rights and the date when the rights can be vested. After the waiting period, subject to the exercising of rights during 12 months, 24 months, and 36 months, respectively, and the attainment of performance targets and personal evaluation, the participants' entitlement to the corresponding portion of the stock appreciation rights will be exercised in three tranches in the proportion of 30%, 30% and 40% respectively. When vesting, the Company will pay for each stock appreciation right the difference between the price of each Share of the day of vesting and the vesting price.

(3) During the validity period of the stock appreciation right granted under the Stock Appreciation Right Incentive Plans, the vest price will be adjusted in the event of payment of dividend, increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares or share reduction, or rights issue in accordance with the relevant provisions of the Stock Appreciation Right Incentive Plans.

(4) During the Reporting Period, the Company has not granted stock appreciation rights under any Stock Appreciation Right Incentive Plan.

During the Reporting Period, the number of Shares that could be issued in respect of options and awards granted under all share schemes of the Company was 0.

Corporate Governance and Other Information

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

(A) Interest/Short Positions in the Shares of the Company

As at June 30, 2025, to the best knowledge of the Directors, the Directors, Supervisors and chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provision of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to herein, or will be required, pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange after the H Shares are listed thereon (for this purpose, the relevant provisions of the SFO will be interpreted as if they apply to the Supervisors and the chief executive), are as follows:

Name of Director/ Supervisor/ chief executive	Nature of interests	Class of Shares	Number of Shares held ⁽¹⁾	Percentage in total share capital of the Company ⁽²⁾	Percentage in equity interests of the relevant class of Shares of the Company ⁽²⁾
Zhang Yabo	Beneficial owner ⁽³⁾	A Shares	39,024,200 (L)	0.94%	1.05%
	Interest in controlled corporation ⁽³⁾	A Shares	1,629,046,278 (L)	39.28%	43.65%
Wang Dayong	Beneficial owner	A Shares	352,562 (L)	0.01%	0.01%
Ni Xiaoming	Beneficial owner	A Shares	325,062 (L)	0.01%	0.01%
Chen Yuzhong	Beneficial owner	A Shares	416,750 (L)	0.01%	0.01%
Zhang Shaobo	Interest in controlled corporation ⁽³⁾	A Shares	1,629,046,278 (L)	39.28%	43.65%
	Interest held jointly with other persons ⁽³⁾	A Shares	39,024,200 (L)	0.94%	1.05%
Mo Yang	Beneficial owner	A Shares	14,568 (L)	0.0004%	0.0004%
Chen Xiaoming	Beneficial owner	A Shares	11,100 (L)	0.0003%	0.0003%

Notes:

- (1) The letter (L) denotes the long positions in the Shares.
- (2) The calculation is based on the total number of 4,146,769,035 Shares, comprising 3,732,389,535 A Shares (including treasury shares) and 414,379,500 H Shares, in issue as at June 30, 2025.
- (3) 39,024,200 A Shares directly held by Mr. Zhang Yabo and 1,629,046,278 A Shares held through Sanhua Holding, of which 155,103,526 A Shares held through Sanhua Green Energy were pledged and placed in a security and trust account maintained in respect of the Sanhua Green Energy Exchangeable Bonds and the 2,707,721 A Shares repurchased by the Company as treasury shares as of the Latest Practicable Date. Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo are parties acting in concert in respect of their shareholding interests in the Company. Therefore, each of Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo is deemed to be interested in the interest of each other under the SFO. Sanhua Holding was held as to (i) 28.77% by Xinchang Huaqing Investment, which was held as to 51% by Mr. Zhang Daocai, 6% by Ms. Yu Qingjuan, who is the spouse of Mr. Zhang Daocai, 22% by Mr. Zhang Yabo, and 21% by Mr. Zhang Shaobo, (ii) 11.78% by Mr. Zhang Yabo, (iii) 10.04% by Mr. Zhang Shaobo, (iv) 12.35% by Xinchang Huaxin Industrial, which was held as to 38.84% by Mr. Zhang Yabo, and (v) 9.04% by Zhejiang Huateng Industrial, which was held as to 45.45% by Mr. Zhang Shaobo. Therefore, the A Shares held by Sanhua Holding are deemed to be held by Mr. Zhang Yabo and Mr. Zhang Shaobo.

Corporate Governance and Other Information

(B) Interest in associated corporations of the Company

Name of Director/ Supervisor/ chief executive	Name of associated corporations	Nature of interests	Number of Shares held in associated corporations ⁽¹⁾	Approximate percentage of shareholding interests in associated corporations
Zhang Yabo	Sanhua Holding	Beneficial owner ⁽²⁾	86,000,000 (L)	11.78%
		Interest held jointly with other persons ⁽²⁾	349,300,000 (L)	47.85%
		Interest in controlled corporation ⁽²⁾	90,120,000 (L)	12.35%
Wang Dayong	Sanhua Holding	Beneficial owner	19,000,000 (L)	2.60%
Ren Jintu	Sanhua Holding	Beneficial owner	16,000,000 (L)	2.19%
Ni Xiaoming	Sanhua Holding	Beneficial owner	15,000,000 (L)	2.05%
Chen Yuzhong	Sanhua Holding	Beneficial owner	14,000,000 (L)	1.92%
Zhang Shaobo	Sanhua Holding	Beneficial owner ⁽²⁾	73,300,000 (L)	10.04%
		Interest held jointly with other persons ⁽²⁾	386,120,000 (L)	52.89%
		Interest in controlled corporation ⁽²⁾	66,000,000 (L)	9.04%
Wang Dayong	Ningbo Fuerda ⁽³⁾	Beneficial owner	800,000 (L)	0.46%
Ren Jintu	Ningbo Fuerda	Beneficial owner	1,200,000 (L)	0.69%
Ni Xiaoming	Ningbo Fuerda	Beneficial owner	250,000 (L)	0.14%
Chen Yuzhong	Ningbo Fuerda	Beneficial owner	700,000 (L)	0.40%
Zhang Shaobo	Ningbo Fuerda	Beneficial owner	9,970,000 (L)	5.70%
Zhao Yajun	Ningbo Fuerda	Beneficial owner	80,000 (L)	0.05%

Notes:

(1) The letter (L) denotes the long positions in the Shares.

(2) Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo are parties acting in concert in respect of their shareholding interests in the Company. Therefore, each of Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo is deemed to be interested in the interest of each other under the SFO. Sanhua Holding was held as to (i) 28.77% by Xinchang Huaqing Investment, which was held as to 51% by Mr. Zhang Daocai, 6% by Ms. Yu Qingjuan, who is the spouse of Mr. Zhang Daocai, 22% by Mr. Zhang Yabo, and 21% by Mr. Zhang Shaobo, (ii) 11.78% by Mr. Zhang Yabo, (iii) 10.04% by Mr. Zhang Shaobo, (iv) 12.35% by Xinchang Huaxin Industrial, which was held as to 38.84% by Mr. Zhang Yabo, and (v) 9.04% by Zhejiang Huateng Industrial, which was held as to 45.45% by Mr. Zhang Shaobo. Therefore, the A Shares held by Sanhua Holding are deemed to be held by Mr. Zhang Yabo and Mr. Zhang Shaobo.

(3) As at June 30, 2025, Sanhua Holding, one of the Company's Controlling Shareholders, holds approximately 51% equity interest in Ningbo Fuerda Intelligent Technology Co., Ltd. (the "Ningbo Fuerda"). Ningbo Fuerda is a subsidiary of Sanhua Holding.

Save as disclosed above, as at June 30, 2025, none of the Directors, Supervisors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at June 30, 2025, to the best knowledge of the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests or short positions in Shares and underlying Shares of the Company that shall be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or shall be recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholders	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Percentage in total share capital of the Company ⁽²⁾	Percentage in equity interests of the relevant class of Shares of the Company ⁽²⁾
Zhang Daocai	Interest in controlled corporation ⁽³⁾⁽⁴⁾	A Shares	1,629,046,278 (L)	39.28%	43.65%
	Interests held jointly with other persons ⁽³⁾	A Shares	39,024,200 (L)	0.94%	1.05%
Yu Qingjuan	Interest in controlled corporation ⁽³⁾	A Shares	1,629,046,278 (L)	39.28%	43.65%
	Interests held jointly with other persons ⁽³⁾	A Shares	39,024,200 (L)	0.94%	1.05%
Sanhua Holding	Beneficial owner	A Shares	948,487,077 (L)	22.87%	25.41%
	Interest in controlled corporation	A Shares	680,559,201 (L)	16.41%	18.23%
Sanhua Green Energy	Beneficial owner	A Shares	677,851,480 (L)	16.35%	18.16%
China International Capital Corporation Limited	Interest in controlled corporation	H Shares	54,511,703 (L)	1.31%	13.15%
	Interest in controlled corporation	H Shares	62,156,900 (S)	1.50%	15.00%
	Beneficial owner	H Shares	874,000 (S)	0.02%	0.21%
China International Capital Corporation (International) Limited	Interest in controlled corporation	H Shares	54,511,703 (L)	1.31%	13.15%
	Interest in controlled corporation	H Shares	63,030,900 (S)	1.52%	15.21%
China International Capital Corporation Hong Kong Securities Limited	Underwriter	H Shares	47,108,703 (L)	1.14%	11.37%
	Underwriter	H Shares	62,156,900 (S)	1.50%	15.00%
	Beneficial owner	H Shares	6,529,000 (L)	0.16%	1.58%
Schroders PLC	Investment manager	H Shares	73,647,300 (L)	1.78%	17.77%
Baillie Gifford & Co	Interest in controlled corporation	H Shares	54,607,625 (L)	1.32%	13.18%
	Investment manager	H Shares	2,499,375 (L)	0.06%	0.60%
GIC Private Limited	Investment manager	H Shares	38,301,200 (L)	0.92%	9.24%
FMR LLC	Interest in controlled corporation	H Shares	29,520,328 (L)	0.71%	7.12%

Corporate Governance and Other Information

Notes:

- (1) The letter (L) denotes the long positions in the Shares, and the letter (S) denotes the short positions.
- (2) The calculation is based on the total number of 4,146,769,035 Shares, comprising 3,732,389,535 A Shares (including treasury shares) and 414,379,500 H Shares, in issue as at June 30, 2025.
- (3) As at June 30, 2025, Mr. Zhang Yabo directly held 39,024,200 A Shares in the Company. Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo are parties acting in concert in respect of their shareholding interests in the Company. Therefore, each of Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo is deemed to be interested in the interest of each other under the SFO. Sanhua Holding was held as to (i) 28.77% by Xinchang Huaqing Investment, which was held as to 51% by Mr. Zhang Daocai, 6% by Ms. Yu Qingjuan, who is the spouse of Mr. Zhang Daocai, 22% by Mr. Zhang Yabo, and 21% by Mr. Zhang Shaobo, (ii) 11.78% by Mr. Zhang Yabo, (iii) 10.04% by Mr. Zhang Shaobo, (iv) 12.35% by Xinchang Huaxin Industrial, which was held as to 38.84% by Mr. Zhang Yabo, and (v) 9.04% by Zhejiang Huateng Industrial, which was held as to 45.45% by Mr. Zhang Shaobo. Mr. Zhang Daocai is the father to Mr. Zhang Yabo and Mr. Zhang Shaobo. Therefore, the A Shares held by Sanhua Holding are deemed to be held by Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo.
- (4) Sanhua Green Energy is held as to 46.22% by Sanhua Holding, 28.20% by Wealth Info, which is ultimately wholly-owned by Sanhua Holding through Hield International. Therefore, Sanhua Holding is deemed to be interested in all the A Shares held by Sanhua Green Energy under the SFO. Interest in controlled corporation also includes the 2,707,721 A Shares repurchased by the Company as treasury shares as at June 30, 2025. Out of the 677,851,480 A Shares held by Sanhua Green Energy, 155,103,526 A Shares of Sanhua Green Energy were pledged and placed in a security and trust account maintained in respect of the Sanhua Green Energy Exchangeable Bonds.

Save as disclosed above, as at June 30, 2025, no other persons (excluding Directors, Supervisors and chief executive of the Company) had any interests or short positions in Shares, underlying Shares and debentures of the Company as required to be recorded under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

ROUNDING

Any discrepancies in the amounts and percentage figures in the tables of this interim report are due to rounding adjustments.

STATUS OF THE POTENTIAL SPIN-OFF

As disclosed in the Prospectus, considering, amongst others, the market conditions, financing needs and development of the subsidiaries and business, the Company retains the possibility to spin off certain business of the Group, such as the controllers business (the "Potential Spin-off"). The Company has obtained from the Hong Kong Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15 in relation to the Potential Spin-off of the controller business of the Group. The Potential Spin-off will remain subject to other requirements of Practice Note 15.

As of the date of the Latest Practicable Date, the Company does not have any detailed plan in relation to the Potential Spin-off, including the timetable, the listing venue and the entity to be spun off. The Company will comply with the applicable rules and regulations, and announce the details of the Potential Spin-off, if any, in accordance with the rules and regulations, when it becomes available. Notwithstanding the above waiver, whether or when to proceed with the Potential Spin-off, depends on various factors such as market conditions, the regulatory approval procedure, and the financial performance and valuation of business segments. The Potential Spin-off remains highly uncertain and could be subject to material changes in the future.

Report on Review of Interim Condensed Consolidated Financial Statements



天健國際會計師事務所有限公司

Confucius International CPA Limited

Certified Public Accountants

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TO THE BOARD OF DIRECTORS OF ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 39 to 72, which comprises the interim condensed consolidated statement of financial position of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as of June 30, 2025 and the related 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-month period then ended and notes to the interim financial statements, including material accounting policy information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2024. The comparative information for 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, and related explanatory notes, for the period ended June 30, 2024 has not been audited or reviewed.

Confucius International CPA Limited

Certified Public Accountants

Hong Kong

August 28, 2025

Interim Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended June 30, 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	4	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	5	178,528	165,687
Other gains/(losses), net	6	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	7	(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	9	0.57	0.40
– Diluted	9	0.57	0.40

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	2,138,111	1,521,665
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	153,225	(170,920)
Other comprehensive income for the period, net of tax	153,225	(170,920)
Total comprehensive income for the period	2,291,336	1,350,745
Attributable to:		
– Owners of the Company	2,263,165	1,343,595
– Non-controlling interests	28,171	7,150
	2,291,336	1,350,745

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	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	12	4,810,240	5,280,442
Prepayments and other receivables		273,140	417,039
Trade and notes receivables	11	12,212,207	9,628,337
Financial assets at fair value through profit or loss	3.3	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	13	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

	Notes	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Current liabilities			
Borrowings	13	2,772,711	2,053,766
Trade and notes payables	14	10,030,681	9,777,262
Contract liabilities	4	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	3.3	10,718	79,678
Accruals and other payables		1,248,061	1,407,120
Other current liabilities		1,677	1,274
Total current liabilities		14,386,044	13,633,304
Total liabilities		17,071,175	16,835,105
EQUITY			
Equity attributable to owners of the Company			
– Share capital	15	4,146,769	3,732,390
– Other reserves		12,500,432	4,296,916
– Treasury shares	16	(409,971)	(381,848)
– Retained earnings		12,827,832	11,650,312
		29,065,062	19,297,770
Non-controlling interests		246,595	221,874
TOTAL EQUITY		29,311,657	19,519,644
TOTAL LIABILITIES AND EQUITY		46,382,832	36,354,749

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended at June 30, 2025 (Unaudited)	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Treasury shares	Other reserves	Retained earnings	Sub-total		
	RMB'000 (Note 15)	RMB'000 (Note 16)	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2025	3,732,390	(381,848)	4,296,916	11,650,312	19,297,770	221,874	19,519,644
Profit for the period	–	–	–	2,109,940	2,109,940	28,171	2,138,111
Other comprehensive income	–	–	153,225	–	153,225	–	153,225
Total comprehensive income	–	–	153,225	2,109,940	2,263,165	28,171	2,291,336
Issuance of H shares (Note 15)	414,379	–	7,972,833	–	8,387,212	–	8,387,212
Share-based payment	–	7,855	77,458	–	85,313	–	85,313
Dividends declared (Note 8)	–	–	–	(932,420)	(932,420)	(3,450)	(935,870)
Repurchase of shares (Note 16(ii))	–	(35,978)	–	–	(35,978)	–	(35,978)
Balance at June 30, 2025	4,146,769	(409,971)	12,500,432	12,827,832	29,065,062	246,595	29,311,657

Six months ended at June 30, 2024 (Unaudited)	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Treasury shares	Other reserves	Retained earnings	Sub-total		
	RMB'000 (Note 15)	RMB'000 (Note 16)	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2024	3,732,616	(423,469)	4,582,315	10,002,942	17,894,404	169,304	18,063,708
Profit for the period	–	–	–	1,514,515	1,514,515	7,150	1,521,665
Other comprehensive income	–	–	(170,920)	–	(170,920)	–	(170,920)
Total comprehensive income	–	–	(170,920)	1,514,515	1,343,595	7,150	1,350,745
Capital injection	–	–	–	–	–	35,103	35,103
Share-based payment	–	288,028	(250,897)	–	37,131	–	37,131
Dividends declared (Note 8)	–	–	–	(926,626)	(926,626)	(1,200)	(927,826)
Repurchase of shares (Note 16(ii))	–	(299,978)	–	–	(299,978)	–	(299,978)
Transaction with non-controlling interests	–	–	(6,363)	–	(6,363)	6,363	–
Balance at June 30, 2024	3,732,616	(435,419)	4,154,135	10,590,831	18,042,163	216,720	18,258,883

Interim Condensed Consolidated Statement of Cash Flows

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	1,557,610	1,475,210
Interest received	19,367	47,718
Income tax paid	(374,450)	(482,046)
Net cash generated from operating activities	1,202,527	1,040,882
Cash flows from investing activities		
Proceeds from return on investments	13,400	7,418
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	224	358
Withdraw of term deposits and wealth management products	4,166,519	3,059,807
Government grant received in relation to assets	66,547	66,427
Payments for purchase of investments	–	(3,500)
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets	(1,596,603)	(1,595,171)
Placement of term deposits and wealth management products	(3,453,593)	(2,835,990)
Payments for settlement of derivative financial instruments	(34,885)	(19,788)
Others	28,833	13,644
Net cash used in investing activities	(809,558)	(1,306,795)
Cash flows from financing activities		
Gross proceeds from issuance of H shares	8,528,595	–
Capital contributions from the non-controlling interests	–	44,931
Proceeds from share schemes (Note 17)	–	292,693
Transaction with non-controlling interests	7,394	–
Proceeds from borrowings	1,026,776	1,406,918
Repayments of borrowings	(884,084)	(1,140,000)
Principal elements of lease payments	(42,183)	(48,502)
Interests paid	(74,412)	(73,175)
Dividends paid to the Company's shareholders	(932,420)	(926,626)
Dividends paid to the non-controlling interests	(5,978)	(1,200)
Payments for repurchase of shares	(35,978)	(299,978)
Payments for listing expenses	(131,302)	–
Others	48,062	6,000
Net cash generated from/(used in) financing activities	7,504,470	(738,939)
Net increase/(decrease) in cash and cash equivalents	7,897,439	(1,004,852)
Cash and cash equivalents at beginning of the period	3,443,503	3,624,955
Effects of exchange rate changes on cash and cash equivalents	(11,490)	(44,543)
Cash and cash equivalents at the end of the period	11,329,452	2,575,560

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. (三花控股集團有限公司) (hereinafter referred to as the “Holding Company”), which is also incorporated in the PRC.

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

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”).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRESENTATION (continued)

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. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Historical Financial Information as set out in the Accountant's Report included in the Prospectus. There were no significant changes in any material risk management policies during the six months ended June 30, 2025.

3.2 Capital Management

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

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2024 and the six months ended June 30, 2025.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital Management (continued)

The Group monitors capital on the basis of the debt to asset ratio as at June 30, 2025 and December 31, 2024 are as follows:

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Total assets	46,382,832	36,354,749
Total liabilities	17,071,175	16,835,105
Debt to asset ratio	36.8%	46.3%

3.3 Fair Value Estimation

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

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

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

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

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

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

As at June 30, 2025 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Derivative financial assets	1,673	4,347	–	6,020
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	80	10,638	–	10,718

As at December 31, 2024 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Derivative financial assets	–	6,237	–	6,237
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	2,819	76,859	–	79,678

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

(b) Valuation Techniques Used to Determine Fair Values

The fair value of financial instruments traded in an active market is determined using quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

4. 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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

(b) Segment Information (continued)

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

	Refrigeration and air- conditioning product components RMB'000 (Unaudited)	Automotive components RMB'000 (Unaudited)	Inter segment elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with external customers	10,382,763	5,871,026	–	16,253,789
Inter-segment revenue	–	–	–	–
Other revenue (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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

4. 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 RMB'000 (Unaudited)	Automotive components RMB'000 (Unaudited)	Inter segment elimination RMB'000 (Unaudited)	Total RMB'000 (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				1,853,961
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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

(b) Segment Information (continued)

(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
	RMB'000	RMB'000
	(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
	16,253,789	13,667,694

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
	16,262,787	13,676,072

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

(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 June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Contract liabilities	64,221	49,462

	Six months ended June 30, 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue recognized that was included in the beginning balance	49,462	51,789

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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

5. OTHER INCOME

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	91,039	97,996
Additional deduction for VAT (i)	57,246	28,494
Interest income (ii)	27,539	37,135
Others	2,704	2,062
	178,528	165,687

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

6. OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net losses on disposal of financial instruments	(23,454)	(17,624)
Fair value changes on derivative financial instruments	68,743	(43,078)
Net foreign exchange differences	(12,175)	55,950
Net losses on disposal of property, plant and equipment and other long-term assets	(8,311)	(6,146)
Others	(894)	936
	23,909	(9,962)

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

7. 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
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	377,861	334,408
Deferred income tax	20,516	(2,112)
	398,377	332,296

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 ("HNTE") and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years. Other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25%.

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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

7. 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 two quarters, 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.

8. 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)	—	—
	932,420	926,626

- (i) Final dividends attributable to owners of the Company in respect of 2024 and 2023 of RMB2.50 per 10 shares (tax inclusive) and RMB2.50 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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

9. 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 (Unaudited)	2024 (Unaudited)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS (RMB'000)	2,109,940	1,514,515
Less: Dividends payable to expected vested restricted shares (RMB'000)	(7,855)	(3,057)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS (RMB'000)	2,102,085	1,511,458
Weighted average number of ordinary shares in issue (thousands)	3,717,672	3,746,287
Basic EPS (RMB per share)	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 (Unaudited)	2024 (Unaudited)
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB'000)	2,109,940	1,514,515
Weighted average number of ordinary shares in issue (thousands)	3,717,672	3,746,287
Adjustments for potential shares arising from share schemes (thousands)	15,498	—
Weighted average number of ordinary shares used in calculating diluted EPS (thousands)	3,733,170	3,746,287
Diluted EPS (RMB per share)	0.57	0.40

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (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 RMB'000 (Unaudited)	2024 RMB'000 (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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

11. TRADE AND NOTES RECEIVABLES

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (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)
	12,212,207	9,628,337

- (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 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (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
	9,723,003	7,317,720

- (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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

12. INVENTORIES

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Finished goods	3,438,201	3,833,666
Work in progress	629,444	787,733
Raw materials	817,848	774,517
Others	29,674	10,127
	4,915,167	5,406,043
Less: provision for impairment	(104,927)	(125,601)
	4,810,240	5,280,442

13. BORROWINGS

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

13. BORROWINGS (continued)

- (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 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (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	115,000	649,537
	4,281,711	4,099,539

- (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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

14. TRADE AND NOTES PAYABLES

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

15. SHARE CAPITAL

The Group and The Company

	Six months ended June 30,			
	2025		2024	
	Share capital	Number of shares	Share capital	Number of shares
	RMB'000	'000	RMB'000	'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At the beginning of the period	3,732,390	3,732,390	3,732,616	3,732,616
Issuance of H shares (i)	414,379	414,379	–	–
At the end of the period (unaudited)	4,146,769	4,146,769	3,732,616	3,732,616

- (i) On June 23, 2025, the Company issued 414,379,000 H Shares (immediately before completion of the allotment and issue of the Over-Allotment Shares) to the public and listed with trading on The Stock Exchange of Hong Kong Limited ("HKEX").

Each H share issued by the Company has a par value of RMB1.00 and was offered at HKD22.53 per share, raising total gross capital proceeds of HKD9,335,970,000, equivalent to RMB8,528,595,000. After deducting issuance expenses, the net proceeds amounted to RMB8,387,212,000, of which RMB414,379,000 was credited to share capital and RMB7,972,833,000 to share premium.

As of June 30, 2025, the Company had a total of 4,146,769,000 ordinary shares (immediately before completion of the allotment and issue of the Over-Allotment Shares) issued. The details of the Company's ordinary shares as at June 30, 2025 and 2024 are as follows:

	As at June 30, 2025 '000 (unaudited)	As at June 30, 2024 '000 (unaudited)
A Shares	3,732,390	3,732,616
H Shares	414,379	–
	4,146,769	3,732,616

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

16. TREASURY SHARES

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	381,848	423,469
Repurchase of shares (i)	35,978	299,978
Treasury shares transferred to the grantees (ii)	—	(577,663)
Recognition of restricted share repurchase obligation (ii)	—	292,693
Redemption of dividends on restricted shares	(7,855)	(3,058)
At the end of the period	409,971	435,419

- (i) For six months ended June 30, 2025 and 2024, the Group repurchased treasury shares amounting to approximately RMB35,978,000 and RMB299,978,000, respectively.
- (ii) For six months ended June 30, 2024, the Group granted 24,910,000 restricted shares to certain incentive participants at RMB11.75 per share with a total cash consideration of RMB292,693,000, of which RMB284,970,000 were debited to "Share premium" and RMB577,663,000 were credited to "treasury shares". Correspondingly, RMB292,693,000 were also debited to "treasury shares" and credited to "accruals and other payables" to recognize the repurchase obligation.

17. SHARE INCENTIVE SCHEME

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

17. SHARE INCENTIVE SCHEME (continued)

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

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

	Six months ended June 30,	
	2025	2024
	('000)	('000)
	(Unaudited)	(Unaudited)
At the beginning of the period	32,146	12,452
Granted	–	25,470
Vested	–	–
Lapsed	(686)	–
At the end of the period	31,460	37,922

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

The weighted average remaining contractual life of restricted shares outstanding as at June 30, 2025 was 0.82 years. The weighted average remaining contractual life of share appreciation rights outstanding as at June 30, 2025 was 0.81 years.

The total expenses arising from share-based payments during the Reporting Period are recorded as part of employee benefit expenses.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in the ordinary course of business from time to time. As at June 30, 2025, the Directors of the Company did not anticipate that any material liabilities would arise from the contingent liabilities other than those provided for in the interim condensed consolidated financial statements.

18.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Property, plant and equipment commitments:		
– Contracted, but not provided for	1,004,274	1,525,863
– Authorized, but not contracted	5,622,399	5,457,978
	6,626,673	6,983,841

19. RELATED PARTY TRANSACTIONS

(a) Parent Entities

Name	Place of incorporation	Ownership interest As at June 30, 2025 (Unaudited)	As at December 31, 2024 (Audited)
Sanhua Holding Group Co., Ltd.	Zhejiang, PRC	40.16%	45.31%

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS (continued)

(b) Names and Relationship with Related Parties

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

The Directors of the Company are of the view that the following parties were significant related parties of the Group, that had transactions or balances with the Group during the Reporting Period:

Name of the related parties	Relationship with the Group
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司)	A shareholder of the Company
Hangzhou Sanhua Research Institute Co., Ltd. (杭州三花研究院有限公司)	A fellow subsidiary of the parent company
Xinchang County Sanhua Property Management Co., Ltd. (新昌縣三花物業管理有限公司)	A fellow subsidiary of the parent company
Shanghai Sanhua Electric Co., Ltd. (上海三花電氣有限公司)	A fellow subsidiary of the parent company
Zhejiang Haoyuan Technology Co., Ltd. (浙江灝源科技有限公司)	A fellow subsidiary of the parent company
Wuhu Alda Technology Co., Ltd. (蕪湖艾爾達科技有限責任公司)	A fellow subsidiary of the parent company
Hangzhou Formost Material Technology Co., Ltd. (杭州福膜新材料科技股份有限公司)	An associate of the parent company
Ningbo Jiaerling Pneumatic Machinery Co., Ltd. (寧波佳爾靈氣動機械有限公司)	An associate of the parent company
Tianjin Sanhua Industrial Park Management Co., Ltd. (天津三花產業園管理有限公司)	A fellow subsidiary of the parent company
Shaoxing Sanhua Zhiyue Real Estate Development Co., Ltd. (紹興三花智越房地產開發有限公司)	A fellow subsidiary of the parent company
Shanghai Shijia Technology Co., Ltd. (上海時駕科技有限公司)	A fellow subsidiary of the parent company
Chongqing Tainuo Machinery Co., Ltd. (重慶泰諾機械有限公司)	A non-executive director of the Company is a director of this Company
Qingdao Sanhua Jinlifeng Machinery Co., Ltd. (青島三花錦利豐機械有限公司)	An associate of the Group
Zhongshan Xuanyi Pipe Making Co., Ltd. (中山旋藝制管有限公司)	An associate of the Group
Xinchang Jiaerling Technology Co., Ltd. (佳爾靈科技(新昌)有限公司)	A fellow subsidiary of the parent company
Fuerda Smartech S DE R.L. DE C.V. (福爾達智能科技(墨西哥)有限公司)	A fellow subsidiary of the parent company
Ningbo Hongrong Business Managing Partnership Enterprise (寧波鴻榕企業管理合夥企業(有限合夥))	A key management personnel of the Company is the controlling shareholder of this entity

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS (continued)

(c) Material Transactions with Related Parties

The following transactions and balances were carried out between the Group and its related parties during the six months ended June 30, 2025 and 2024. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchase of goods and services:		
Fellow subsidiaries of the parent company	32,974	36,118
Associates of the Group	8,367	9,133
Associates of the parent company	1,271	42
	42,612	45,293
Sales of goods and rendering of services:		
Fellow subsidiaries of the parent company	1,724	40
Parent company	169	204
Associates of the parent company	166	179
Associates of the Group	66	45
Others	–	18
	2,125	486
Rental income:		
Fellow subsidiaries of the parent company	1,317	–
Associates of the parent company	643	627
Parent company	–	17
	1,960	644
Rental expenses:		
Fellow subsidiaries of the parent company	2,544	305
	2,544	305

For six months ended June 30, 2025 and 2024, additions of right-of-use assets is nil and RMB12,572,000, respectively.

As at June 30, 2025, the balance of lease liabilities is RMB12,675,000.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS (continued)

(c) Material Transactions with Related Parties (continued)

	Six months ended June 30, 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Utility cost reallocation – received from:		
Fellow subsidiaries of the parent company	16,859	15,831
Parent company	295	404
Associates of the parent company	269	305
	17,423	16,540
Utility cost reallocation – paid to:		
Fellow subsidiaries of the parent company	5,197	3,813
	5,197	3,813

(d) Balance with Related Parties

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Trade and notes receivables		
– Fellow subsidiaries of the parent company	3,466	7,765
– Associates of the Group	144	80
– Associates of the parent company	105	–
– Parent Company	42	–
– Others	–	125
	3,757	7,970
Less: credit loss allowance	(181)	(398)
	3,576	7,572

For six months ended June 30, 2025, the amount of expense reserved in respect of bad and doubtful debts is RMB217,000.

For six months ended June 30, 2024, the amount of expense recognized in respect of bad and doubtful debts is RMB45,000.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS (continued)

(d) Balance with Related Parties (continued)

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Prepayments, other receivables and other assets:		
– Fellow subsidiaries of the parent company	3,856	670
– Others	–	458
	3,856	1,128
Less: provision for impairment	(193)	(67)
	3,663	1,061

For six months ended June 30, 2025 and 2024, the amounts of expense recognized in respect of bad and doubtful debts are RMB126,000 and RMB1,000, respectively.

	As at June 30, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000 (Audited)
Trade and notes payables:		
– Associates of the Group	6,250	9,565
– Associates of the parent company	939	–
– Fellow subsidiaries of the parent company	443	4,937
	7,632	14,502
Accruals and other payables:		
– Fellow subsidiaries of the parent company	252	4,763
– Associates of the parent company	100	100
	352	4,863

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

20. 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 8 (ii).