

SANHUA

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stock Code:
002050.SZ
2050.HK



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About this Report

This Report is the third Environmental, Social and Governance (ESG) Report issued by Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereafter referred to as "SANHUA" or "the Company"). It discloses to all stakeholders the Company's philosophies, approaches, initiatives, and performance concerning ESG topics.

Report Scope

This Report covers Zhejiang Sanhua Intelligent Controls Co., Ltd. and its subsidiaries (hereafter referred to as "the Group"). Unless otherwise specified, this scope is consistent with the consolidated financial statement scope of SANHUA (Stock Codes: 002050.SZ, 2050.HK) for the same period.

Report Period

This Report covers the period from 1 January 2025 to 31 December 2025. Unless otherwise stated, all data and information disclosed in this Report relate to this period.

Basis of Preparation

This Report has been prepared in accordance with the following regulatory requirements and guidelines issued by Shenzhen Stock Exchange (hereafter referred to as "SZSE"):

- *Self-Regulatory Guidelines No. 17 for Companies listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation) (April 2024) (hereinafter referred to as the "Guidelines")*;
- *Self-Regulatory Guidance No. 3 for Companies listed on Shenzhen Stock Exchange—Sustainability Report Preparation (January 2026) (hereinafter referred to as the "Guidance")*;
- *Appendix C2 Environmental, Social and Governance Reporting Code of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "SEHK") (Effective from January 1, 2025) (hereinafter referred to as the "ESG Code")*.

This Report also refers to the Global Sustainability Standards Board (GSSB) GRI Sustainability Reporting Standards (2021 Edition) (hereinafter referred to as the "GRI Standards") and the United Nations Sustainable Development Goals (SDGs).

Data Statement

The financial data in this Report is derived from the Company's 2025 financial report, while other data is sourced from the Company's internal documents and actual operational records.

All financial information is presented in RMB. In the event of any inconsistency between the Company's data disclosed in this Report and the Company's annual financial report, the annual financial report shall prevail.

Access to the Report

This Report is published in three language versions: Simplified Chinese, Traditional Chinese, and English. In the event of any discrepancies between the versions, the Simplified Chinese version shall prevail. An electronic version of this Report is available on the Company's official website (<https://www.zjshc.com>), the SZSE website (<http://www.szse.cn>), the SEHKnews website (<https://www.hkexnews.hk>), and the CNINFO website (<http://www.cninfo.com.cn>).

Contact Us

If you have any comments or suggestions regarding this Report, please contact us through the following channels:

Address: Office Building, Sanhua Industrial Park, No. 219 Woxi Avenue, Chengtan Street, Xinchang County, Shaoxing City, Zhejiang Province

Email: shc@zjshc.com

Reporting Principles

Materiality

The Company identifies ESG topics that are of concern to stakeholders and relevant to its operations, and uses them as the key focus of this Report. While reporting on material topics, the Report also considers the characteristics of the industry and the Company's business operations. Details of the materiality assessment process and results are set out in the section "Materiality Assessment."

Accuracy

The Company endeavors to ensure the accuracy of the information disclosed in this Report. For quantitative information, the data scope, calculation methodologies, and key assumptions are described to ensure that any potential margin of error does not mislead users of the information. Detailed quantitative disclosures and notes are provided in the section "ESG Data and Notes."

Balance

This Report reflects objective and factual information and provides an unbiased disclosure of both positive and negative aspects of the Company's performance. During the reporting period, no negative events that should have been disclosed were omitted.

 **Clarity**

This Report is published in both Simplified Chinese, Traditional Chinese, and English. Tables, charts, and diagrams are included as supplementary information to facilitate stakeholders' understanding of the narrative content. A table of contents and ESG standards indexes are provided to assist stakeholders in quickly locating relevant information.

 **Quantifiability**

This Report discloses key quantitative indicators and, where practicable, presents historical data.

 **Comparability**

The statistical methods and disclosure approaches for the same quantitative indicators are applied consistently across reporting periods. Where changes have been made to data collection, measurement, or calculation methodologies, historical data have been restated where applicable, and the nature and reasons for such adjustments are explained in the notes, to enable meaningful analysis and trend evaluation.

 **Completeness**

Unless otherwise stated, this scope is consistent with the consolidated financial statement scope of SANHUA (Stock Codes: 002050.SZ, 2050.HK) for the same period.

 **Timeliness**

This is an annual report covering the period from 1 January 2025 to 31 December 2025. In accordance with relevant regulations, the Company prepares and discloses this Report within four months after the end of the fiscal year. The report is released no earlier than the Annual Report, providing stakeholders with timely information for decision-making.

 **Verifiability**

The cases and data disclosed in this Report are derived from the Company's original operating records or financial reports. The sources of data and calculation processes are traceable and can support external assurance activities.

Message from the Chairman

SANHUA is committed to a vision of low-carbon intelligence, focusing on the domains of household appliances, commercial refrigeration, and thermal management for new energy vehicles. Through innovative products and cutting-edge technologies, we serve our customers, drive industry advancement, and ensure sustainable business growth. In 2025, SANHUA was successfully listed on the Main Board of the Hong Kong Stock Exchange, establishing an "A+H" dual capital market structure. This milestone enhances SANHUA's global brand presence, strengthens governance frameworks, expands international operations, attracts top global talent, accelerates technological innovation, embraces green development responsibilities, and propels our pursuit of a future that is "more global, more tech-driven, more sustainable."

Enduring Excellence through Sound Governance: Forging a Foundation for Development

Robust governance ensures clarity of responsibility and transparency of information. We continuously enrich the diversity and expertise of our board, enhancing strategic foresight and risk-compliance guidance. In 2025, our ESG performance achieved significant breakthroughs: MSCI ESG rating rose to BBB, EcoVadis awarded a Bronze medal, and Wind ESG rating improved to A. These accolades reinforce SANHUA's image as a responsible and resilient corporate citizen in global capital markets.

Intelligent Control for the Future: Driving Industrial Transformation through Technological Innovation

Innovation fuels R&D depth and industrial expansion. In 2025, our focus on heat pump technologies and thermal management systems led to 576 newly authorized patents and prestigious recognition, including the First Prize in Science and Technology Progress from the Chinese Society of Refrigeration. Leveraging sustained technological accumulation and systematic innovation, we expanded into frontier domains such as bionic robotic electromechanical actuators, accelerating the conversion of technological breakthroughs into industrial value and supporting the advent of a smart society.

People-Oriented Approach: Fostering Talent Prosperity with a Global Vision

Talent drives vitality, engagement, and shared value. We are dedicated to fostering a diverse, inclusive, and dynamic global professional community. In 2025, through an internal-development-first philosophy, the TDR talent growth framework, the "Voyage Elite Program," cross-cultural development initiatives, and diversified incentive mechanisms, our employees worldwide shared in SANHUA's growth platform, enhancing local cohesion in international operations and laying a strong foundation for global business sustainability.

Environmental Responsibility: Promoting Carbon Reduction through Green Operations

Protecting ecosystems inspires operational transformation and resource regeneration. In 2025, we steadfastly advanced our "carbon neutrality" roadmap through distributed photovoltaic systems and intelligent energy management, continuously optimizing energy structures and refining lean production. Circular packaging initiatives and enhanced water recycling further extend our low-carbon ecosystem. From green valve manufacturing to low-carbon park operations, SANHUA is delivering tangible action through our signature "SANHUA Solution" to cool the planet.

Looking ahead to 2026, the momentum of the global energy transition and intelligent transformation remains unstoppable. SANHUA will continue to empower global customer value creation through rigorous governance, forward-looking R&D investment, and resilient supply chain systems. We firmly believe that deeply embedding ESG principles into our business core not only supports sustainable growth in operational performance but also strengthens the foundation for a greener, smarter, and more sustainable future for all.

Chairman Yabo Zhang

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About SANHUA



Company Overview

Zhejiang Sanhua Intelligent Controls Co., Ltd. was established in 1994. The Group is the world's largest manufacturer of refrigeration control components and the global leader in automotive thermal management system control components. The Group has deep expertise in the field of thermal management components, with substantial technological accumulation and wide customer recognition, serving as a strategic partner for numerous global refrigeration, air-conditioning, and automotive manufacturers.

Committed to improving the energy efficiency of various end products, the Group leads the advancement of energy-saving and environmentally friendly solutions worldwide. Over more than 30 years of development, it has established a leading position in the global refrigeration and automotive thermal management sectors, with multiple products ranking among the top in international markets.

Company Profile

Chinese Name	浙江三花智能控制股份有限公司
English Name	ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.
Headquarter Address	Xinchang County, Shaoxing City, Zhejiang Province
Stock Code and Listed Date	002050.SZ, 2005 2050.HK, 2025

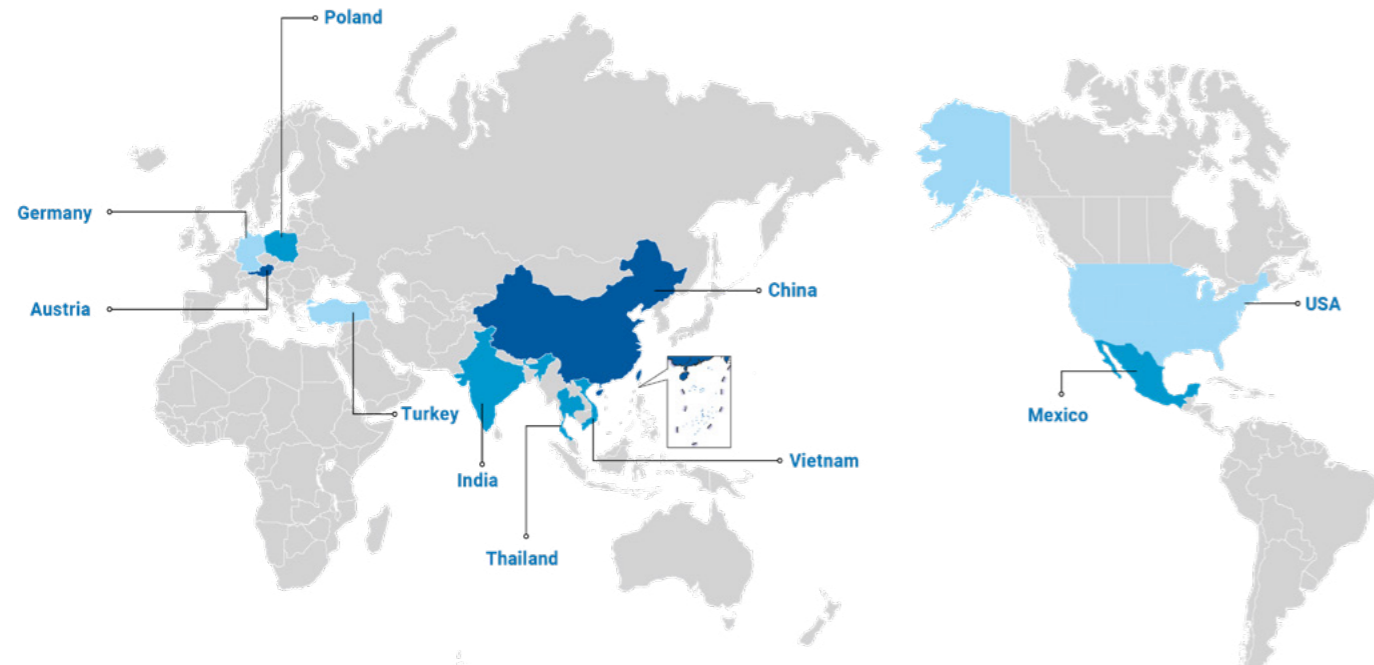
Business Layout

The Group adheres to the development strategy of "Dedication and Leadership, Innovation and Surpassing", maintaining a consistent focus on the research, promotion, and application of thermal management technologies. It provides global customers with energy-efficient solutions through industry-leading, high-quality products. Centered on the research and application of heat pump technologies and thermal management systems, the Group specializes in developing environmental thermal management solutions that enable efficient heat exchange and intelligent temperature control. Its business spans two main segments: refrigeration and air-conditioning control components, and automotive components. Leveraging long-term technological accumulation and R&D innovation, the Group is also expanding into emerging areas such as bionic robot electromechanical actuators.

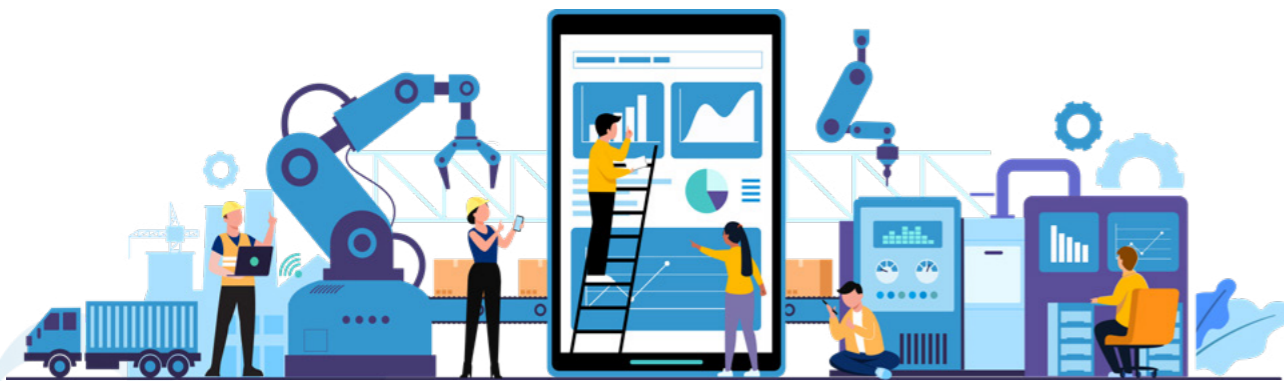
Group's Business Distribution in 2025

 <p>Refrigeration and air-conditioning control components</p>	 <p>Automotive components</p>	 <p>Strategic emerging industries, including bionic robot electromechanical actuators</p>
<ul style="list-style-type: none"> The Group primarily engages in the development and application of control components, subsystems, and technical solutions, delivering high-performance thermal management systems for building HVAC and home appliance equipment. It is a key supplier of refrigeration and air-conditioning control components for global markets, including residential air conditioning, commercial air conditioning, commercial refrigeration, industrial refrigeration, and small household appliances. Its product portfolio includes valves, heat exchangers, pumps, controllers, and sensors. Within this business segment, the core products are various types of valves, such as electronic expansion valves, four-way reversing valves, service valves, solenoid valves, and ball valves. The Group also provides heat exchangers—particularly microchannel heat exchangers—pump products (e.g., Omega pumps), and controllers. 	<ul style="list-style-type: none"> The Group focuses on providing comprehensive and reliable thermal management control solutions for new energy vehicles, while continuously delivering high-performance, energy-efficient products for traditional internal combustion vehicles. It actively invests in the development of key technologies, including strategic products such as electronic expansion valves, electronic water pumps, electronic water valves, plate heat exchangers, and integrated modules. These solutions comprehensively address diverse applications, including cabin thermal management, battery thermal management, and motor/electronic control system thermal management, enabling precise control and efficient coordination of the vehicle's overall thermal management. 	<ul style="list-style-type: none"> Leveraging its R&D and large-scale production capabilities, the Group has entered the electromechanical actuator market for bionic robots, providing customers with competitive development services and solutions. It focuses on technical improvements across multiple key product models, collaborating with customers on targeted product development, prototyping, iteration, and sample delivery, earning high recognition from clients.

The Group has built eight production bases globally, which serve as production centres comprising factory clusters, warehouses and logistics hubs, designed to support key nearby markets. The Group has allocated R&D resources at its production facilities worldwide to support product innovation and promotion.

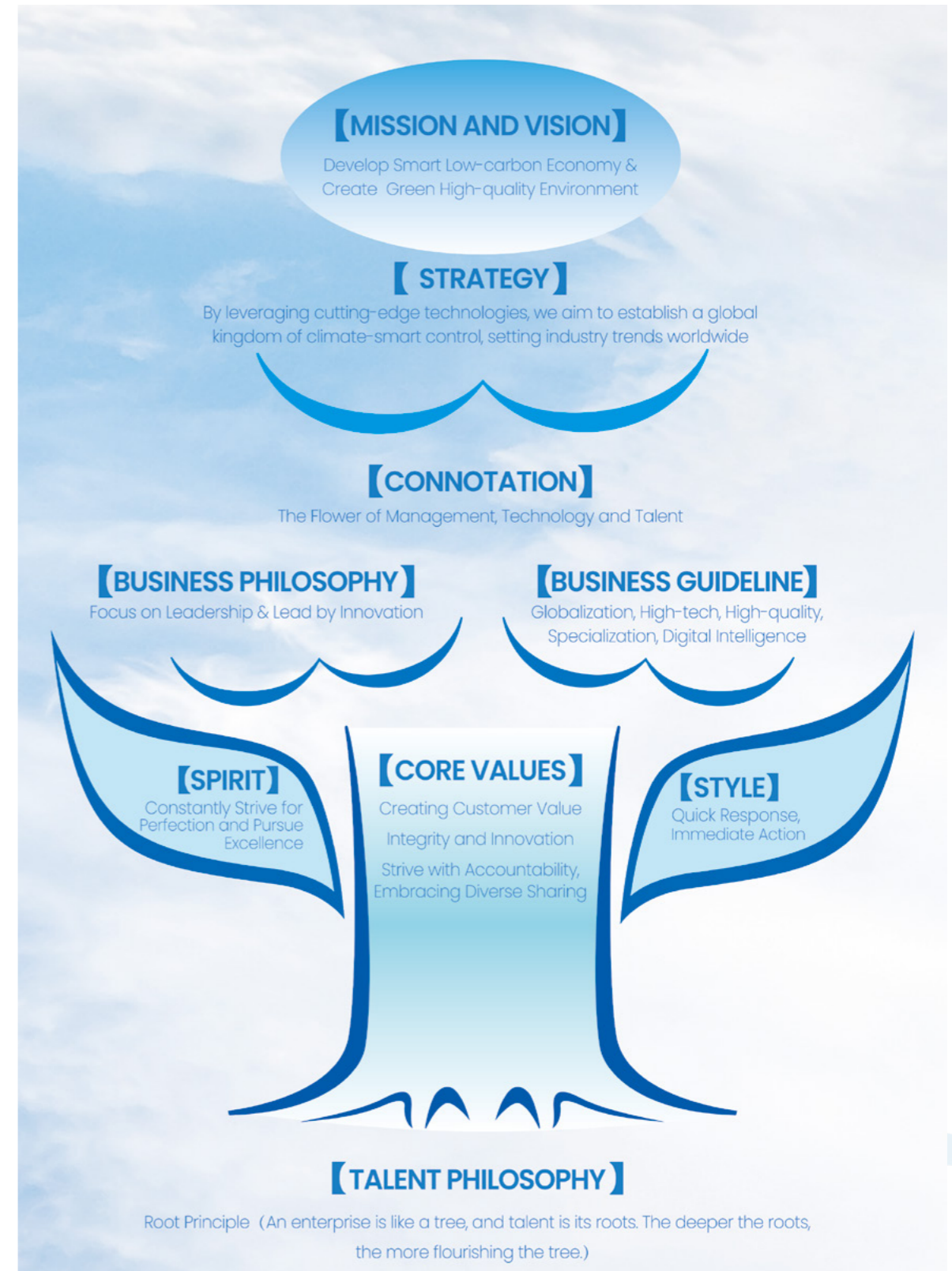


Note: As of 31 December 2025, the Group's products had reached America, Europe, Asia, Oceania, and Africa, covering over 80 countries and regions worldwide.



Corporate Culture

SANHUA Evergreen Tree



02 SANHUA 2025 Highlights Overview

Domestic and International ESG Ratings



EcoVadis Sustainability Rating
Awarded the
Bronze Medal



MSCI ESG Rating
Improved from B to **BBB**



CDP Climate Change Questionnaire
Maintained at **B**



CNINDEX ESG Rating
Maintained at **AAA**



CSINDEX ESG Rating
Maintained at **AA**



Wind ESG Rating
Improved from BB to **A**

Qualifications and Honors

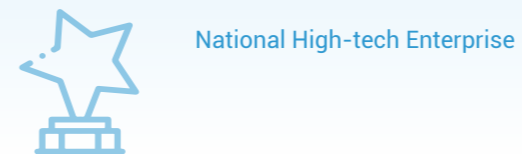
United Nations Global Compact Member
(UN Global Compact)

National Enterprise Technology Centre
Certification
National Development and Reform Commission (NDRC)

National Postdoctoral Research Workstation
(Ministry of Human Resources and Social Security)

Zhejiang Provincial Science and
Technology Leading Enterprise
(Department of Science and Technology of Zhejiang Province)

Honors and Awards in 2025



National High-tech Enterprise



National Technology Innovation
Demonstration Enterprise



Zhejiang Key Enterprise
Research Institute



Zhejiang Advanced-level Smart
Factory

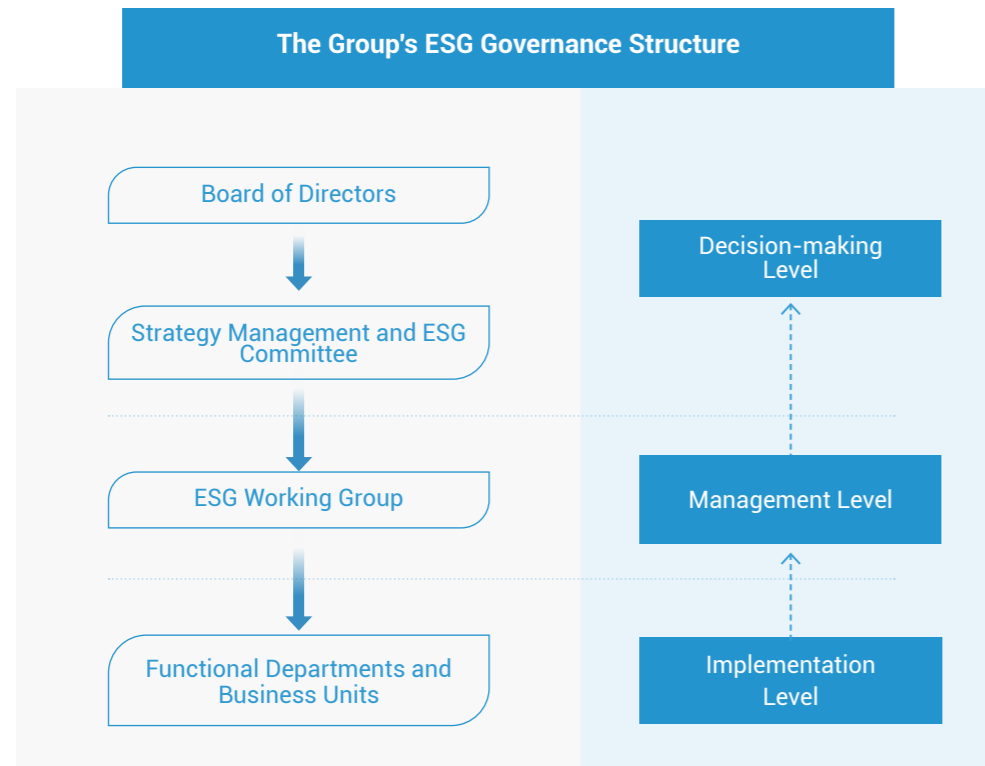


03

ESG Management

ESG Governance Mechanism

The Group, based on its own business characteristics and industry landscape, deeply integrates ESG concepts into its strategy and operations. Guided by the *SZSE Guidelines*, the *SEHK ESG Code*, and the *GRI Standards* and other internationally authoritative standards, the Group has established a three-tier ESG governance structure comprising the decision-making level, management level, and implementation level, systematically enhancing the maturity and effectiveness of ESG management. The Strategy Management and ESG Committee under the Company's Board of Directors is chaired by the Chairman, with independent non-executive directors and industry professionals serving as members.



The Group's Responsibilities and Duties of ESG Governance



As the highest decision-making body, the Board of Directors assumes ultimate responsibility for ESG-related matters. Its main responsibilities include:

- Reviewing and approving the Group's ESG strategy, goals, and key policies to ensure close alignment with the Group's overall strategy;
- Regularly reviewing the potential impacts of material ESG risks and opportunities on the Group's long-term value and operational resilience;
- Reviewing and approving material strategies and ESG-related proposals submitted by the Strategy Management and ESG Committee.



As a specialized committee under the Board of Directors, the Strategy Management and ESG Committee coordinates strategic planning and ESG governance. Its main responsibilities include:

- Conducting research on, and making recommendations regarding, the Group's operating strategies, including but not limited to product strategy, market strategy, marketing strategy, R&D strategy, and talent strategy;
- Conducting research on the Group's ESG governance and providing decision-making and advisory recommendations, reviewing the progress of the implementation of the Group's ESG strategies and targets, and putting forward opinions.



As the management-level coordination mechanism, the ESG Working Group is composed of cross-departmental representatives and is responsible for carrying out the Group's day-to-day ESG management. Its primary responsibilities include:

- Implementing ESG strategic arrangements, formulating annual work plans, and promoting cross-departmental coordination for implementation;
- Conducting routine identification and preliminary assessment of ESG risks and opportunities;
- Organizing the collection, verification, and analysis of ESG performance data to support ESG report preparation, information disclosure, and responses to external ratings;
- Driving the implementation of actions for key topics (such as carbon emissions management, green supply chain, employee health and safety, and compliant operations, etc.);
- Regularly reporting to the Strategy Management and ESG Committee on implementation progress, risk developments, and optimization recommendations.



- Integrating ESG requirements into each department's strategic planning, annual business objectives, and routine management processes;
- Organizing the implementation of ESG targeted action plans (such as emissions reduction and consumption reduction, compliance management, employee development, and supply chain responsibility, etc.);
- Organizing ESG data collection, ledger management, and preliminary review to ensure that data are true, complete, and traceable;
- Regularly reporting work progress, key metrics, risk matters, and improvement recommendations to the ESG Working Group.

The Company continues to strengthen the role of the Board of Directors and the specialized committees in fulfilling their duties in the ESG field and in providing strategic leadership. In 2025, the Strategy Management and ESG Committee of the Board of Directors held one formal meeting, at which it reviewed and approved proposals including the *2024 Annual Report and Its Summary* and the *2024 Environmental, Social and Governance (ESG) Report*, and continued to promote the integration of ESG into its long-term development strategy, while overseeing the implementation progress of major ESG topics.

In 2025, all directors of the Company participated in targeted training on topics such as “Key Points of ESG Information Disclosure Policies and Challenges in Going Global” and “Analysis of Breach of Trust Crimes in Private Enterprises”. The training covered key topics including international ESG standards and regulatory trends, climate-related information disclosures, and anti-corruption and anti-bribery, effectively enhancing the Board members’ understanding of ESG topics and decision-making capabilities.



In 2025, under the guidance of the Strategy Management and ESG Committee, the Group's ESG Working Group coordinated and advanced the optimization of the Group's ESG management system, and conducted ESG training as well as discussion seminars for personnel from various functional departments and business units. The Group revised and issued the second editions of the *Environmental Management Statement*, the *Business Ethics Statement*, and the *Labor and Human Rights Statement*, and re-established ESG management targets. The Group promoted the implementation of Scope 1 and Scope 2 greenhouse gas (GHG) emissions accounting and emissions reduction measures, and engaged with international ESG rating agencies to respond to concerns from stakeholders such as the capital market, continuously improving ESG performance.

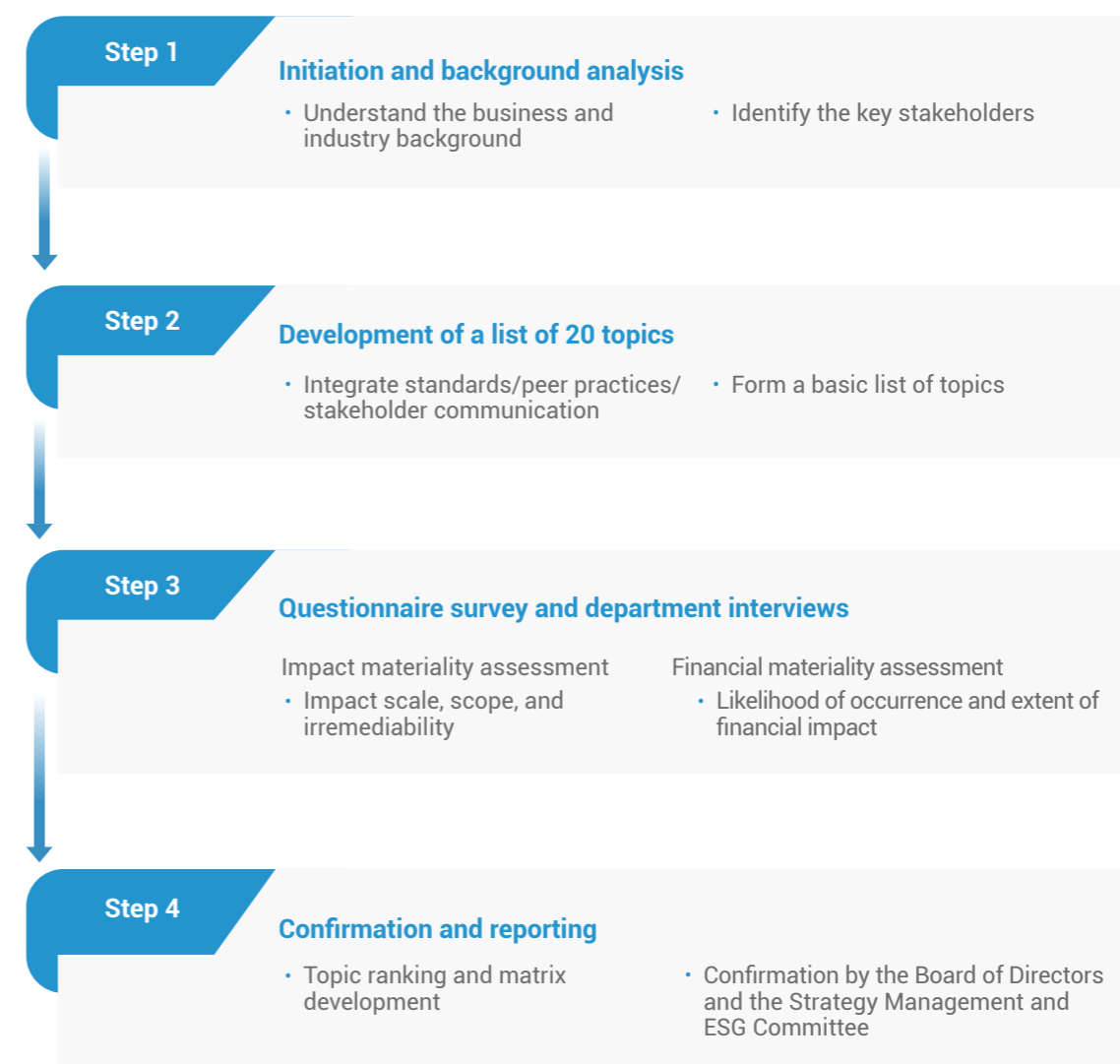


Materiality Assessment

Double Materiality Assessment Process

In 2025, Group, in accordance with the ESG topic materiality assessment methods specified in the *SZSE Guidelines and Guidance*, referenced the *GRI Standards*, the International Sustainability Standards Board (ISSB) *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1), and other international sustainability information disclosure standards, as well as international ESG rating requirements such as MSCI, to analyze various ESG topics, so as to identify topics that have impact materiality and/or financial materiality to the Group, and to assess the impacts of these topics on the Group's operations and on its key stakeholders.

The Group's Double Materiality Assessment Process in 2025






Stakeholder Communication and Due Diligence

Based on its business model and the characteristics of its industry, the Group identifies government and regulatory authorities, investors, employees, suppliers, customers, industry associations, community and the public as its primary stakeholders, and has established regular communication approaches with each stakeholder.

Key Topics of Concern and Communication Methods for Main Stakeholders of the Group

Key Stakeholder	Topics of Concern	Communication Channels and Frequency
 Government and regulatory authorities	<ul style="list-style-type: none"> Risk and Compliance Management Corporate Governance Environmental Policies and Management Emissions and Waste Water Resource Management Energy Management 	<ul style="list-style-type: none"> Government-enterprise communication meetings (irregularly) Government pollution discharge permit management, waste management systems (annually) Regular government department filings (irregularly)
 Investors	<ul style="list-style-type: none"> Opportunities in Clean Tech Innovation and Intellectual Property Rights Risk and Compliance Management Responding to Climate Change 	<ul style="list-style-type: none"> News updates of official website, WeChat official account (real-time) SZSE Interaction Platform (real-time) Investor research activities (irregularly) Shareholders' Meeting and earnings briefings (annually) Investors' meetings, roadshow events (annually)
 Employees	<ul style="list-style-type: none"> Occupational Health and Safety Labor Rights and Talent Retention Human Capital Development Business Ethics 	<ul style="list-style-type: none"> Employee Representative Congress (annually) Employee training and sports/cultural activities (irregularly) "Department Head's Mailbox", "Employee Complaint Forms", and Sanhua Employee Service Platform (real-time) Employee Performance Feedback Mechanism (annually)
 Suppliers	<ul style="list-style-type: none"> Product Safety and Quality Sustainable Procurement Business Ethics Circular Economy 	<ul style="list-style-type: none"> Supplier information security self-assessment actions (irregularly) Supplier performance evaluation actions, supplier conferences (annually) Social responsibility surveys, on-site audits (irregularly) Daily communication and visits (real-time)

Key Stakeholders	Topics of Concern	Communication Channels and Frequency
 Customers	<ul style="list-style-type: none"> Innovation and Intellectual Property Rights Product Safety and Quality Customer Relationship Management Sustainable Procurement Product Eco-design and Carbon Footprint Management Opportunities in Clean Tech Responding to Climate Change Cyber and Information Security 	<ul style="list-style-type: none"> Product carbon footprint verification report (irregularly) Pre-sale, in-sale, and after-sale customer service (real-time) Customer factory audits, and CSR audits (annually) Customer satisfaction surveys (annually)
 Industry associations	<ul style="list-style-type: none"> Innovation and Intellectual Property Rights Opportunities in Clean Tech Responding to Climate Change 	<ul style="list-style-type: none"> External exhibitions, industry meetings (irregularly) Internal technical meetings (irregularly)
 Community and the public	<ul style="list-style-type: none"> Emissions and Waste Circular Economy Responding to Climate Change Corporate Citizens and Public Welfare 	<ul style="list-style-type: none"> Media reports (irregularly) News updates of official website, WeChat official account (real-time) Public welfare and volunteer activities (irregularly)

Under the overall coordination of the ESG Working Group, the Group, in conjunction with relevant functional departments, has established and continuously operated a regular due diligence system covering identification, assessment, and response management of risks and opportunities. Focusing on the 20 identified topics, the Group systematically sorts out its business activities and management practices in relevant areas, analyzes the actual or potential impacts they may have on the economy, society, and the environment, and simultaneously identifies the risk exposures and development opportunities that these topics bring to the Group itself.

In the process of due diligence, on the one hand, the Group identifies the impacts of the topics on the external economy, society, and environment by maintaining regular communication with key stakeholders such as government and regulatory authorities, investors, and customers, with a focus on judging from dimensions such as the scale, scope, and irremediability of the impacts; on the other hand, considering industry development trends, changes in the regulatory environment, and its own operational characteristics, the Group conducts a structured analysis of the likelihood of potential risks and opportunities and the extent of financial impacts of each topic in the short term (0-1 year), medium term (2-5 years), and long term (more than 6 years) from the perspectives of market structure, technological evolution, and policy and regulation.

On this basis, the Group further assesses the extent of the impact of relevant risks on daily operations, strategic layout, and resource allocation, and embeds the assessment results into the process of formulating risk response plans, optimizing internal controls, and improving ESG governance mechanisms. This promotes the forward-looking identification, hierarchical ranking, and dynamic management of major risks and negative impacts, achieving systematic and closed-loop risk control. In 2025, the Group collected a total of 103 valid questionnaires. The conclusions of the questionnaire survey serve as an important basis to develop risk prevention and control measures, improve management mechanisms, and carry out remedial actions, and are disclosed correspondingly in this report.

Impacts, Risks, and Opportunities of ESG Topics of the Group in 2025

Topic	Impacts, Risks and Opportunities	Position in Value Chain	Affected Stakeholders	Time Span	Scale/Extent of Impact
Corporate Governance	<ul style="list-style-type: none"> Potential negative impacts: If corporate governance is inadequate, it may result in opaque decision-making or untimely information disclosure, reducing the trust of shareholders and investors in its management capabilities and operations. 	Self-owned operations	Government and regulatory authorities, investors	Medium-term, long-term	■■■
	<ul style="list-style-type: none"> Policy and regulatory risks: Failure to comply with regulations such as the <i>Code of Governance for Listed Companies</i> may result in the Group being subject to administrative penalties and litigation risks, increasing compliance costs. 				■■
Business Ethics	<ul style="list-style-type: none"> Potential negative impacts: If its business ethics management is inadequate, bribery or unfair trading practices may occur. Improper employee actions may lead to the disclosure of trade secrets, which may trigger litigation, customer claims, etc., and harm the interests of customers, suppliers, and investors. 	Upstream, self-owned operations, downstream	Employees, suppliers, customers	Medium-term, long-term	■■■
	<ul style="list-style-type: none"> Policy and regulatory risks: If improper transfer of benefits or non-compliant conduct by third parties occurs in sales, procurement, channel partnerships, and dealings in government affairs, the Group may face risks including substantial fines, criminal liability, business restrictions, and restricted market access. 				■■
	<ul style="list-style-type: none"> Operational risks: If employees have improper associations or financial dealings with customers, suppliers, or competitors, this may lead to resource bias, transfer of benefits, and loss of business opportunities, bringing direct financial losses to the Group, such as asset losses. Reputational risks: The Group focuses closely on issues such as price manipulation, market monopoly, and exclusive agreements. If unfair competition incidents occur, this may trigger anti-monopoly investigations, substantial fines, and customer claims, resulting in revenue losses, increased legal costs, and damage to market reputation. 				

Topic	Impacts, Risks and Opportunities	Position in Value Chain	Affected Stakeholders	Time Span	Scale/Extent of Impact
Risk and Compliance Management	<ul style="list-style-type: none"> Potential negative impacts: If its risk and compliance management is inadequate, it may expose suppliers, customers, and investors to risks of opacity or business non-compliance. 	Self-owned operations	Government and regulatory authorities, investors	Medium-term, long-term	■■
	<ul style="list-style-type: none"> Policy and regulatory risks: Failure to comply with relevant laws, regulations, and regulatory requirements may result in the Group being subject to administrative penalties, contractual disputes, or litigation, increasing compliance costs and financial burden. 				■■
Innovation and Intellectual Property Rights	<ul style="list-style-type: none"> Actual positive impacts: Through continuous innovation and intellectual property protection, the Group provides customers with high-performance refrigeration and automotive thermal management products, enhancing customer value while strengthening investor confidence and partners' recognition of its technological capabilities. 	Self-owned operations, downstream	Investors, customers, industry associations	Short-term, medium-term, long-term	■■■
	<ul style="list-style-type: none"> Policy risks: During its refrigerant R&D process, the Group is subject to the impact of the EU F-Gas Regulation, which requires the gradual phase-out of hydrofluorocarbon content in products. After 2035, household refrigerators and freezers, split-type air conditioners below 12 kW, and chillers will not be able to use fluorinated refrigerants. The placing of hydrofluorocarbons on the market requires an application for purchase quotas. If the Group fails to develop eco-friendly refrigerant substitution solutions for each product in a timely manner, the Group will face risks such as restricted access to overseas markets and the payment of additional compliance costs. Market opportunities: The development of AI computing power is driving increased market demand for robots, data centres, and liquid cooling solutions. As an upstream component supplier, if the Group can respond rapidly to product demand in emerging markets, this will deliver clear order prospects. 				■■■

Topic	Impacts, Risks and Opportunities	Position in Value Chain	Affected Stakeholders	Time Span	Scale/Extent of Impact
Product Safety and Quality	<ul style="list-style-type: none"> Potential negative impacts: If the Group's product safety and quality management are inadequate, refrigeration and automotive component products may malfunction or fail to meet performance standards, affecting customer safety and user experience. 	Upstream, self-owned operations, downstream	Suppliers, customers	Medium-term, long-term	■■■
	<ul style="list-style-type: none"> Market risks: Product safety and quality issues may result in product recalls, compensation, or breach of contract, increasing the Group's operating costs. 				■■■
Customer Relationship Management	<ul style="list-style-type: none"> Potential negative impacts: If the Group's customer relationship management is inadequate, delays in responding to customer needs, untimely handling of issues, or a deterioration in service experience may affect customer satisfaction. 	Self-owned operations, downstream	Customers	Medium-term, long-term	■■■
	<ul style="list-style-type: none"> Reputational risks: A decline in customer satisfaction or an increase in service disputes may damage the Group's brand image, affecting market competitiveness and customer retention. 				■■■
Sustainable Procurement	<ul style="list-style-type: none"> Actual positive impacts: Through sustainable procurement, the Group can ensure that suppliers comply with environmental and social requirements, thereby reducing the negative environmental and social impacts of the supply chain. 	Upstream, self-owned operations, downstream	Suppliers, customers	Medium-term, long-term	■■
	<ul style="list-style-type: none"> Market risks: If the Group's suppliers' environmental or compliance performance fails to meet standards, this may lead to disruptions in raw material supply, contractual risks, or increased costs, while also affecting its market competitiveness. 				■■
Cyber and Information Security	<ul style="list-style-type: none"> Potential negative impacts: If the Group's cyber and information security measures are inadequate, customer data or supply chain information may be leaked or tampered with. 	Self-owned operations, downstream	Customers	Medium-term, long-term	■■■
	<ul style="list-style-type: none"> Operational risks: Cyber security incidents may lead to system outages, increased data recovery costs, and compliance penalties. 				■■

Topic	Impacts, Risks and Opportunities	Position in Value Chain	Affected Stakeholders	Time Span	Scale/Extent of Impact
Labour Rights and Talent Retention	<ul style="list-style-type: none"> Potential negative impacts: If the Group's labour rights management is inadequate and employees' remuneration, benefits, or career development are affected, this may lead to decline in employee satisfaction and an increase in staff turnover. 	Self-owned operations	Employees	Medium-term, long-term	■■■
	<ul style="list-style-type: none"> Reputational risks: Labour disputes may damage the Group's employer image and brand reputation, affecting recruitment and market reputation. 				■■
Human Capital Development	<ul style="list-style-type: none"> Actual positive impacts: Through training, career development, and skills enhancement programmes, the Group can strengthen employees' professional capabilities and innovation capacity. 	Self-owned operations	Employees	Medium-term, long-term	■■
	<ul style="list-style-type: none"> Key talent turnover risks: If the Group's training and development mechanisms are inadequate, key talent may leave, resulting in impediments to its R&D, production, and project progress, and increasing recruitment and training costs. 				■■
Occupational Health and Safety	<ul style="list-style-type: none"> Potential negative impacts: If the Group's occupational health and safety management is inadequate, employees may suffer work-related injuries or occupational diseases during production and R&D processes, affecting employee wellbeing and job satisfaction. 	Self-owned operations	Employees	Short-term, medium-term, long-term	■■■
	<ul style="list-style-type: none"> Policies and regulatory risks: Failure to comply with relevant laws and regulations on labor, occupational disease prevention and control, and work safety may result in the Group being subject to administrative penalties, work injury compensation, and increased costs arising from production suspension and rectification. 				■
Corporate Citizens and Public welfare	<ul style="list-style-type: none"> Actual positive impacts: Through charitable activities, community support, and social responsibility projects, the Group can improve the community's well-being, education, and environmental conditions. 	Self-owned operations	Community and the Public	Medium-term, long-term	■■
	<ul style="list-style-type: none"> Reputational opportunities: Actively fulfilling corporate citizenship responsibilities can enhance its brand image and market reputation and strengthen customer loyalty and investor confidence. 				■

Topic	Impacts, Risks and Opportunities	Position in Value Chain	Affected Stakeholders	Time Span	Scale/Extent of Impact
Responding to Climate Change	<ul style="list-style-type: none"> Potential negative impacts: If the Group fails to respond effectively to climate change, the occurrence of extreme weather or carbon emission restrictions may lead to delays in product delivery, increasing customers' costs and operational uncertainty. 	Upstream, self-owned operations, downstream	Investors, customers, industry associations, community and the public	Short-term, medium-term, long-term	■
	<ul style="list-style-type: none"> Acute physical risks: Extreme weather events such as heavy rainfall, floods, and heatwaves may cause factory shutdowns, equipment damage, or logistics disruptions, increasing repair costs and affecting business continuity. Market opportunities: As the global low-carbon transition accelerates, the Group may capture market opportunities through the R&D and sales of automotive thermal management and high-efficiency refrigeration products. 				
Opportunities in Clean Tech	<ul style="list-style-type: none"> Actual positive impacts: Through R&D and application of high-efficiency refrigeration and thermal management technologies, the Group can help customers reduce energy consumption and operating costs, and enhance the supply chain's green performance. 	Self-owned operations, downstream	Investors, customers, industry associations	Short-term, medium-term, long-term	■■■
	<ul style="list-style-type: none"> Technology risks: During the promotion of new technologies, the Group may face issues such as R&D failure, performance falling short of expectations, immature production processes, or long payback periods for equipment investment, thereby increasing its financial expenditure and operational uncertainty. Product and service opportunities: The growing demand for low-carbon and high-energy-efficiency products provides the Group with commercial opportunities in the R&D and market promotion of high-efficient refrigeration and integrated automotive thermal management modules. 				
Environmental Policies and Management	<ul style="list-style-type: none"> Potential negative impacts: If environmental policies are not effectively implemented, environmental non-compliance may arise in its production and operations, as well as the supply chain, resulting in local environmental pollution and affecting stakeholders' trust and willingness to cooperate. 	Upstream, self-owned operations	Government and regulatory authorities, suppliers	Short-term, medium-term, long-term	■

Topic	Impacts, Risks and Opportunities	Position in Value Chain	Affected Stakeholders	Time Span	Scale/Extent of Impact
Environmental Policies and Management	<ul style="list-style-type: none"> Policy and regulatory risks: If emissions and waste management are inadequate, the Group may experience excessive air pollutant and wastewater discharges during production, or non-compliant disposal of hazardous waste, resulting in environmental pollution in the surrounding communities and health risks to residents. Product opportunities: If the Company reduces pollutant generation through innovations in production processes, etc., the Company can enhance the green attributes of its products, build differentiated competitive advantages in the market, strengthen its brand reputation, and win favour with customers and consumers. 	Upstream, self-owned operations	Government and regulatory authorities, suppliers	Short-term, medium-term, long-term	■■■
Emissions and Waste	<ul style="list-style-type: none"> Potential negative impacts: If emissions and waste management are inadequate, the Group may experience excessive air pollutant and wastewater discharges during production, or non-compliant disposal of hazardous waste, resulting in environmental pollution in the surrounding communities and health risks to residents. 	Self-owned operations	Government and regulatory authorities, community and the public	Short-term, medium-term, long-term	■■■
	<ul style="list-style-type: none"> Policies and regulatory risks: Failure to meet the requirements of laws and regulations on environmental protection and pollutant prevention and control may result in the Group being subject to administrative penalties, as well as increased rectification costs and restrictions on production permits. 				
Energy Management	<ul style="list-style-type: none"> Actual positive impacts: By optimising the energy mix, advancing energy-saving retrofits, and constructing its own photovoltaic power generation facilities, the Group can help customers reduce the carbon footprint of their own products, while also reducing community carbon emissions and environmental pressures. 	Self-owned operations	Government and regulatory authorities	Short-term, medium-term, long-term	■■■
	<ul style="list-style-type: none"> Market risks: Fluctuations in energy prices, policy adjustments, or changes in energy efficiency standards may increase its production costs, affecting product pricing and market competitiveness. 				

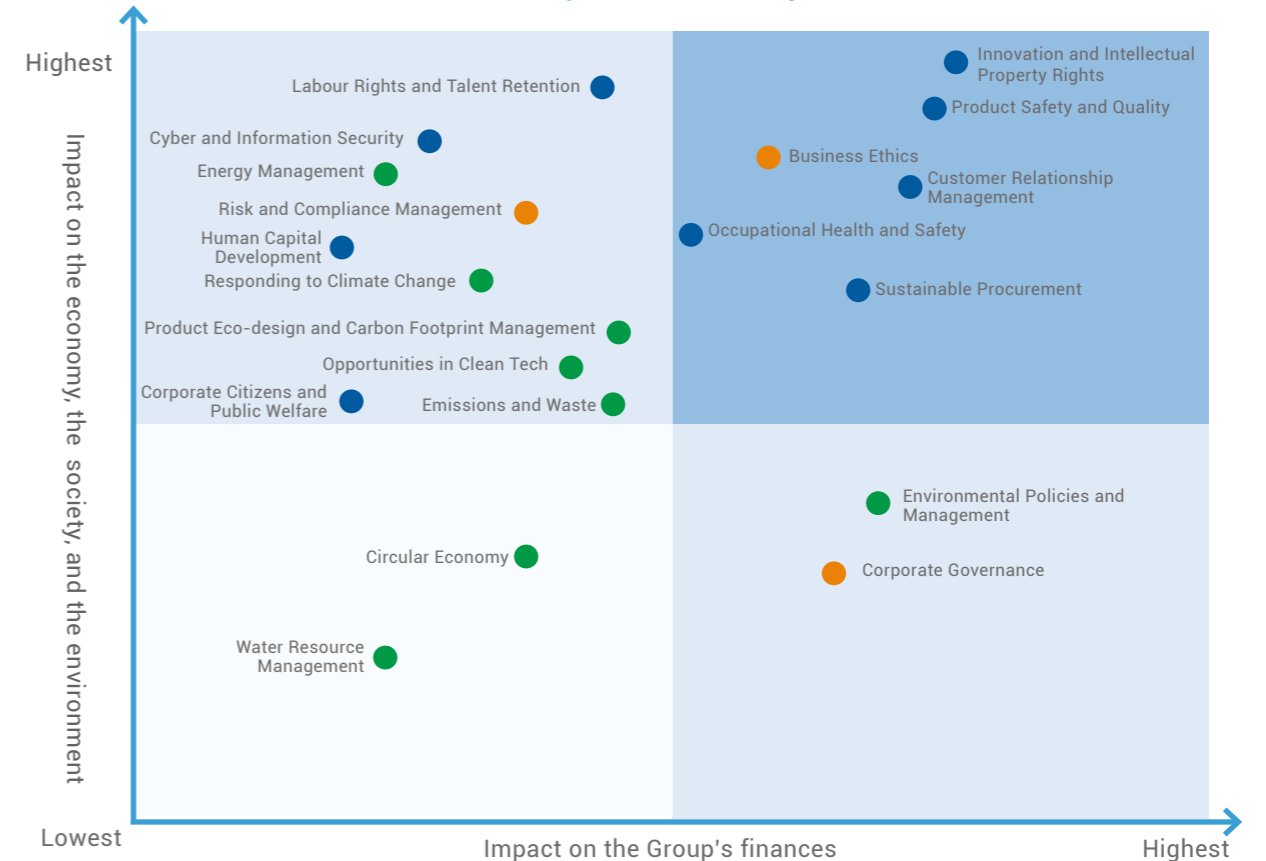
Topic	Impacts, Risks and Opportunities	Position in Value Chain	Affected Stakeholders	Time Span	Scale/Extent of Impact
Circular Economy	<ul style="list-style-type: none"> Actual positive impacts: Through measures such as wastewater reuse and the recycling and reuse of waste materials, the Group can reduce the environmental burden on local communities, decrease resource consumption, and enhance supply chain sustainability. 	Upstream value chain, self-owned operations	Suppliers, community and the public	Medium-term, long-term	■ ■
	<ul style="list-style-type: none"> Resource efficiency opportunities: Recycling can enhance the production resource utilisation rate, reduce material costs, and optimise operational efficiency. 				■ ■
Water Resource Management	<ul style="list-style-type: none"> Potential negative impacts: If water resource management is inadequate, the Group may face difficulties in water abstraction across production and the supply chain, affecting the community environment and residents' lives. 	Self-owned operations	Government and regulatory authorities, community and the public	Medium-term, long-term	■
	<ul style="list-style-type: none"> Resource efficiency opportunities: Through water recycling and reuse, reclaimed water reuse, and optimisation of production water use, the Group can reduce water resource consumption and operating costs, and improve production efficiency. 				■
Product Eco-design and Carbon Footprint Management	<ul style="list-style-type: none"> Potential positive impacts: Through green product design, the Group can provide customers with refrigeration and automotive thermal management products with higher energy efficiency and better environmental performance, reducing the costs of use and environmental impacts. 	Self-owned operations, downstream	Customers	Medium-term, long-term	■ ■
	<ul style="list-style-type: none"> Technical risks: The green design and ecological optimisation of products may face risks such as lengthy R&D cycles, complex production processes, or performance falling short of expectations, resulting in an extended payback period for R&D investment and increased production costs. Product and service opportunities: Green products and ecological design provide green brand advantages for its refrigeration and automotive thermal management products, which can expand the customer base. 				■ ■

Note: The impact scale/extent of impact materiality and financial materiality for each ESG topic is classified as high, medium, or low based on questionnaire survey results (statistically divided into three tiers according to final scores). Orange indicates the major actual or potential positive or negative impacts that the Group may have on the economy, society, and the environment under this topic, as well as the scale of such impacts; blue indicates the risks/opportunities that the Group may face under this topic, as well as the extent of their financial impacts on the Group.

Conclusion of Materiality Assessment

In 2025, based on the results of the impact materiality and financial materiality assessments, among the 20 topics related to the Group, there were a total of six topics of double materiality, two topics of financial materiality, 10 topics of impact materiality, and two topics that were not material.

The Group's 2025 Materiality Matrix











Note: "●" indicates environmental topics, "●" indicates social topics, and "●" indicates governance topics.

Changes in Material topics of the Group in 2025

2025	2024	Changes	Reasons
Product Safety and Quality	Product and Service Safety and Quality	Topic split	Making the topic boundaries clearer and presenting in a more structured manner its practices under Product Safety and Quality and Customer Relationship Management, so as to better align with the specific division of responsibilities among departments.
Customer Relationship Management			
Product Eco-design and Carbon Footprint Management	Product Lifecycle Management	Topic revision	Presenting the progress of the Group's practices in 2025 in mitigating the negative environmental impacts of its products and responding to the concerns of customers and other stakeholders.
—	Chemicals and Hazardous Substances	Topic deletion	Making the content more focused, incorporating the topic of emissions and waste management.

Contribution to the United Nations Sustainable Development Goals (SDGs)

SDGs											
Metrics	GHG emission intensity	The proportion of electricity generated from renewable sources	Volatile organic compounds (VOCs) emission intensity	Waste generation intensity	The proportion of recycled packaging materials for finished products	Work-related injury rate	Average training hours per employee	The proportion of anti-discrimination and anti-harassment training	The proportion of female employees	The proportion of business conduct risk audits	The signing rate of the <i>Agreement of Employees' Integrity</i>
Targets	Reduce carbon emission intensity by over 30% from the 2020 level by 2030 Achieve carbon neutrality by 2050 and strive for full product lifecycle carbon neutrality by 2060	The proportion of electricity generated from renewable sources remains ≥15% annually	Reduce VOCs emission intensity by 10% from the 2024 level by 2030	Reduce waste generated per unit of revenue by 10% from the 2024 level by 2030	The proportion of recycled packaging materials for finished products reaches 25% by 2030	Reduce work-related injury rate by 5% from 2024 to 2026 compared to the previous year	Increase average training hours per employee by 30% from the 2022 level by 2030	Achieve over 95% coverage in anti-discrimination and anti-harassment training by 2030	The proportion of female employees reaches 38% by 2030	Internal audit of business conduct risks covers 100% of operational sites	The annual signing rate of the <i>Agreement of Employees' Integrity</i> reaches 100%
2025 Progress	The 2025 level was 0.13 tCO ₂ e/RMB10,000, representing a 18.70% decrease compared with the 2020 level (0.15 tCO ₂ e/RMB10,000).	16.82%	The 2025 level was 0.0056 kg/RMB10,000, representing a 10.49% increase compared with the 2024 level (0.0050 kg/RMB10,000).	The 2025 level was 0.0131 t/RMB10,000, representing a 5.85% decrease compared with the 2024 level (0.0139 kg/RMB10,000).	24.29%	The 2025 level was 0.21%, representing a 30% decrease compared with the 2024 level (0.30%).	The 2025 level was 35.48 hours, representing a 16% increase compared with the 2022 level (30.68 hours).	62.29%	35%	100%	100%
Annual Key Actions	Implemented the carbon emission reduction roadmap, and accelerated energy efficiency improvements and the transition to clean energy alternatives	Steadily increased the proportion of electricity generated from renewable sources	Integrated pollution reduction and waste minimization into operations, and optimized the allocation of resources in production processes.		Promoted the reduction of packaging materials, and the development of a recycling and circular utilization system	Implemented workplace injury accident prevention mechanisms, and strengthened risk identification and equipment upgrades	Increased investment in employee training, and systematically planned capability development pathways	Promoted equal recruitment and employment, provided anti-discrimination and anti-harassment training, and fostered a respectful and inclusive work environment.		Audits of all operational sites were conducted at home and abroad every three years	Implemented the signing of the <i>Agreement of Employees' Integrity</i> and strengthened internal control mechanisms for anti-corruption and anti-bribery, among others.

04

Feature 1

Creating Green Products, Reshaping Transformation Opportunities



In 2025, China formally submitted to the United Nations Framework Convention on Climate Change (UNFCCC) a new round of Nationally Determined Contributions (NDGs): By 2035, China will reduce its economy-wide net GHG emissions by 7% to 10% from peak levels, and will increase the share of non-fossil fuels in total energy consumption to over 30%. Guided by China's new round of NDCs, the Group actively responds to the global consensus and actions on addressing climate change, incorporates climate change into its sustainable development and long-term operations considerations, and continues to improve its climate-related management mechanisms, systematically advancing its climate change response efforts

Climate Change Adaptation and Mitigation

In response to the physical risks and transition requirements arising from climate change, the Group systematically advances adaptation and mitigation actions, embedding the promotion of operational resilience and low-carbon development throughout the entire process of production and operations, energy management, and technological transformation.

2025 Key Actions on Climate Change Adaptation and Mitigation of the Group

Adaptation

- Introduced smart energy management and distributed energy systems, deployed energy storage systems in production parks, and, combining with peak shaving and valley filling electricity consumption strategies, enhanced the plant's energy security capabilities under high-temperature power restrictions, grid fluctuations, and emergency scenarios.
- Through improvements in equipment reliability and optimization of system redundancy, reduced the risk of operational interruptions caused by high temperatures, load fluctuations, or equipment ageing.

Mitigation

- Continued to advance the development of distributed renewable energy, as of the end of 2025, the Group's installed photovoltaic (PV) capacity reached 65 MW, and the annual volume of self-generated and self-consumed photovoltaic electricity was 70,230.52 MWh.
- Focusing on high energy-consuming unit systems, promoted energy-saving retrofits and implemented refined energy-saving measures, systematically reducing thermal loads and ineffective energy consumption, and cutting energy waste. For specific energy management measures, please refer to the "Energy Management" section of this Report.

Opportunities in Clean Tech

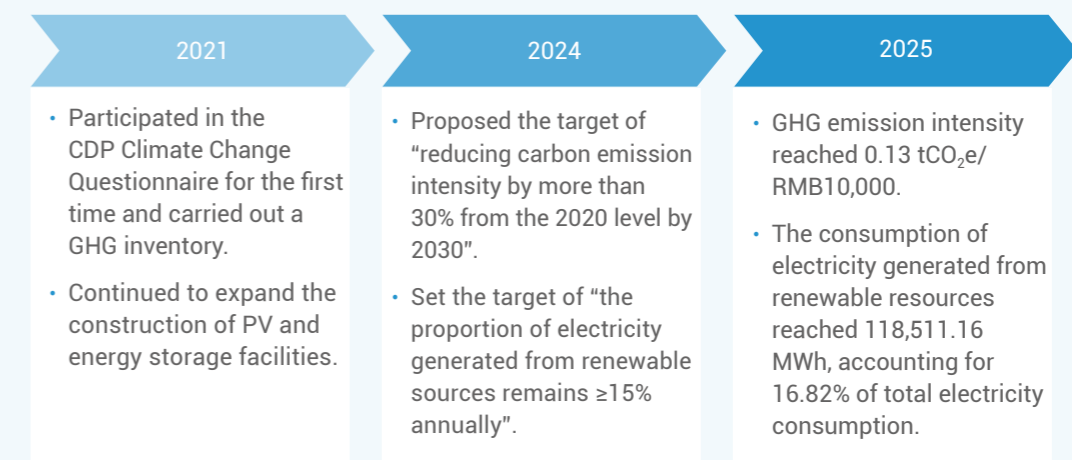
The Group continues to increase investment in R&D related to clean technologies, including R&D expenses in the fields of new energy vehicle thermal management technology and eco-friendly refrigerant technology. The Group has formulated targeted R&D plans and investment arrangements in these two areas. Through technological innovation and the promotion of green products, the Group reduces the operational impact arising from transition risks and seizes growth opportunities in the low-carbon market, thereby advancing the sustainable development of its business.

In the automotive components business, leveraging its extensive experience in integrated development and mass production of thermal management, the Group has launched an intelligent thermal management solution. This solution effectively integrates thermal management systems for the cockpit, power battery, and motor and electronic control, enabling on-demand allocation of heat across various components and optimizing overall vehicle thermal performance. In 2025, the Group's revenue from the automotive component business amounted to RMB12,427.00 million, accounting for 40.07% of total revenue.

In the refrigeration and air-conditioning control components business segment, leveraging valves for new eco-friendly refrigerants such as R290 and CO₂, as well as high-efficiency heat pump system solutions, the Group has applied products such as electronic expansion valves, four-way reversing valves, and microchannel heat exchangers widely in air conditioners, refrigerators, washing machines, industrial refrigeration, cold chain transportation, heat pump heating, data centers, and other fields, helping to empower energy-efficient buildings, heating, ventilation and air-conditioning systems and household appliances thermal management systems. In 2025, the Group's revenue from the refrigeration and air-conditioning product component business segment amounted to RMB 18,584.74 million, accounting for 59.93% of total revenue.

In 2025, the Group continued to advance its low-carbon transformation strategy. Through measures such as optimizing the energy mix, applying PV power generation and energy storage, and developing smart energy systems, it promoted the gradual achievement of the long-term goal of "achieving carbon neutrality by 2050 and striving for full product lifecycle carbon neutrality by 2060".

Key Milestones in the Low-carbon Transition of the Group



Product Eco-design and Carbon Footprint Management

The Group integrates climate- and GHG emissions-related factors into the product eco-design and lifecycle management system, focusing on the environmental impacts across key processes of the product, from raw material acquisition to production and manufacturing. By establishing carbon management systems at both product and organizational levels, the Group meets downstream customers' needs for energy conservation, emissions reduction, and low-carbon transition at the whole-vehicle and system levels.

Key Actions on Product Eco-design and Carbon Footprint Management of the Group

Product carbon footprint management

Third-party verification:

- In 2024, in accordance with *ISO14067:2018 Greenhouse Gases—Carbon Footprint of Products—Requirements and Guidelines for Quantification* and *ISO14064-3:2019 Greenhouse Gases—Part 3: Specification with Guidance for the Verification and Validation of Greenhouse Gas Statements* and other standards, the Group conducted product carbon footprint quantification and third-party verification for certain core products in the automotive components business segment, covering the "cradle-to-gate" process from raw material acquisition and raw material transport to the production and manufacturing stage.

Carbon footprint management at the organizational level

Greenhouse gas management at the organizational level:

- In 2025, in accordance with *ISO14064-1:2018 Greenhouse Gases—Part 1: Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals* and *ISO14064-3:2019 Greenhouse Gases—Part 3: Specification with Guidance for the Verification and Validation of Greenhouse Gas Statements* and other standards, the Group completed GHG emissions inventories for the relevant entities at the organisation level within the automotive component business segment and passed third-party verification.

Support for customers and the supply chain

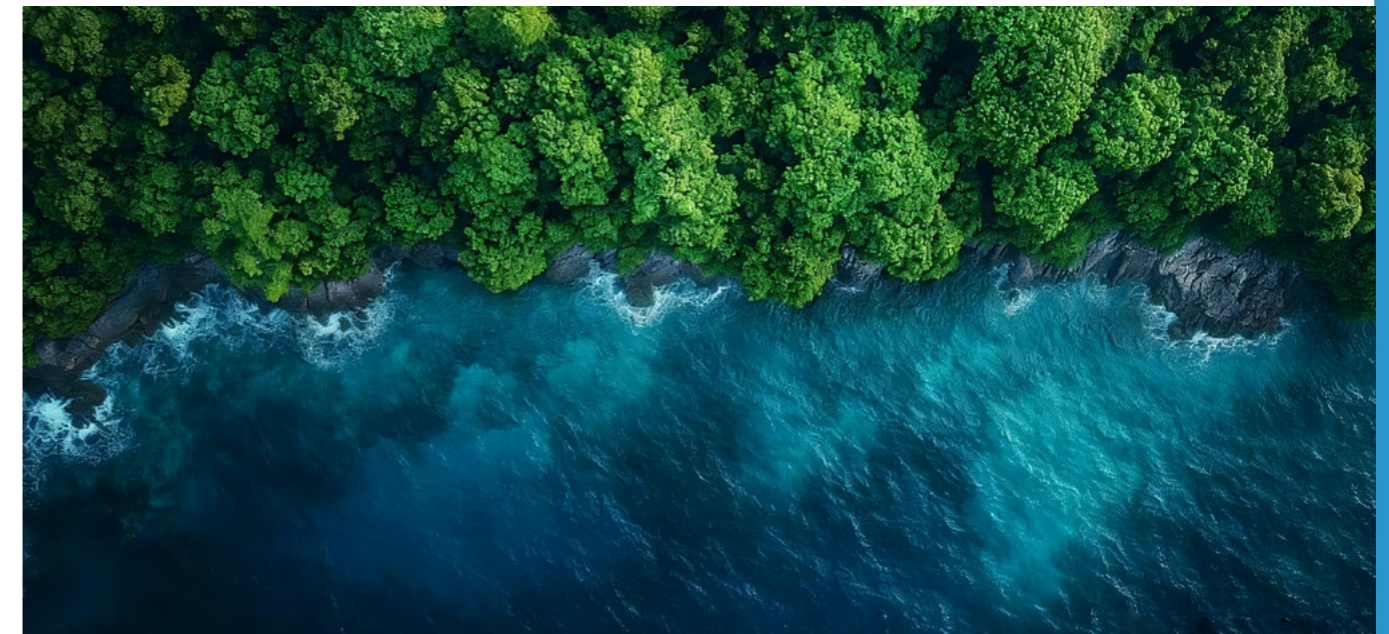
- The Group conducted product and organizational carbon footprint management primarily to respond to the information needs of its major customers in their supply chain and Scope 3 GHG emissions management, to focus on the potential impact of its products in practical applications on system efficiency and energy use, and to use this information to help customers evaluate the effectiveness of energy conservation and emissions reduction.

[Case] Stainless Steel Four-way Valve—Integrating Green and Low-carbon Principles Throughout Product Design, Production, and Use

The stainless steel four-way valve is a control component that enables switching between cooling and heating in air-conditioning systems and is also one of the Company's representative products. The Company is committed to developing more environmentally friendly and pollution-free production processes and more energy-saving and efficient product design solutions, thereby reducing the environmental impact across the entire product lifecycle. In 2025, the key technological breakthroughs achieved for its stainless steel four-way valve included:

- A breakthrough in stainless steel welding technology, using tunnel furnace protected welding, abandoning the traditional pickling process, and reducing pollutant emissions;
- Its thermal insulation performance can reduce heat dissipation losses during system operation, further improving the overall unit energy efficiency by approximately 3%;
- A bistable structural design was adopted, which had been tested by customers to improve the energy efficiency ratio of the air-conditioning system by approximately 1%;
- The use of high-energy-consumption copper materials and precious metals such as silver-containing solder was reduced.

The Company drives green upgrades of its products through technological breakthroughs, pursuing sustainable product upgrades that are energy-saving, efficient, and environmentally friendly, and providing a replicable technological paradigm for the low-carbon transition of the global heating, ventilation and air-conditioning industry.



[Case] Three-way Safety Service Valve—Empowering the Green Upgrade of Heat Recovery Air-conditioning Systems with “One Valve, Multiple Functions”

The Group continues to promote the green, intelligent, and high-efficiency development of refrigeration components. Its independently developed commercial three-way safety service valve won the “Innovation Product Award” at the 2025 China Refrigeration Expo. Designed specifically for heat recovery multi-connected air-conditioning systems, its disruptive “one valve, multiple functions” design successfully addressed long-standing industry pain points such as complex piping, cumbersome control, and difficult installation, setting a new benchmark for high-efficiency energy saving and sustainable manufacturing. In 2025, the key technological breakthroughs achieved by its three-way safety service valve included:

- Through an innovative Y-shaped flow channel and valve-core ball structure, the product efficiently amplified motor torque while reducing valve-body load, enabling single-coil actuation. The seals were highly integrated, and the flow channel and valve core were precisely matched, delivering dual functions of refrigerant on/off control and flow regulation;
- In terms of space utilization, the valve-body size was reduced by 50%. A single valve replaced four traditional valves, the number of welding points was reduced by 75%, significantly improving installation efficiency, reducing leakage risks, and cutting noise sources by 50% to 75%, balancing minimalist aesthetics with engineering practicality;
- At the level of intelligent energy saving, the three-way safety service valve supported 4,800-step high-precision stepless regulation, and the valve-core ball could be precisely held at any angle. The heat recovery multi-connected system optimized the heating and cooling switching logic, effectively improving the overall energy efficiency ratio. The product was fully compatible with A2L eco-friendly refrigerants and inherited the safety service performance of traditional two-way valves, supporting the industry’s transition to low-carbon refrigerants.

Multiple core technology patents have been filed for this product, reflecting the Group’s original capabilities in the field of fundamental components and demonstrating its ESG practice pathway of driving green and low-carbon development through technological innovation.



[Case] Intelligent Kitchen Appliance Pump-and-Valve Module—Leading the Sustainable Upgrade of Kitchen Appliances with Modular Green Design

At the 2025 Appliance & Electronics World Expo (AWE), the Company won the “AWE Best Component Award” for its independently developed pump-and-valve module for kitchen appliances. Meanwhile, the RBF series single-stage and two-stage gas valve products received the “AWE Innovation Award”, demonstrating its leading strength in core components for green and intelligent home appliances.

This pump-and-valve module innovatively integrates the Omega pump for dishwashers with an electric three-way water valve to a high degree. It was applied for the first time in a steam-and-bake integrated cooker, enabling the integration of three major functions, including automatic water filling for the inner chamber, automatic cleaning, and automatic wastewater discharge. This fully addresses long-standing pain points of traditional steam-and-bake ovens, including cumbersome cleaning, low water-use efficiency, and residual dirt. In 2025, the key technological breakthroughs achieved by the Company’s pump-and-valve module for kitchen appliances included:

- Ineffective water consumption was reduced, and water resource utilization efficiency was improved through multifunctional integration (water circuit switching, water circulation, water heating);
- Equipped with a brushless DC variable-speed motor, users can flexibly adjust speed and flow according to actual needs, reducing energy consumption while ensuring performance;
- Built-in waterless protection and over-temperature protection mechanisms effectively prevented safety hazards such as dry burning and overheating, and enhanced safety and durability throughout the product lifecycle;
- A clip-type quick-connect structure for the pump-and-valve module was adopted, enabling “plug-and-play” integrated delivery, significantly simplifying customers’ assembly processes and reducing on-site construction errors and material waste.

This module enhances the intelligence and user-friendliness of high-end kitchen appliance products. Moreover, through a modular and integrated design concept, it promotes the household appliance industry’s progress towards a green development direction characterized by lightweight design, low energy consumption, and long service life.





05 Feature 2

Breaking Through Core Technologies, Leading Industry Upgrades

The Group takes "Dedication and Leadership, Innovation and Surpassing" as its strategy, continues to increase R&D investment, applies AI to empower intelligent manufacturing and lean production, and develops green products that are more energy-efficient and more environmentally friendly; the Group actively participates in the formulation of standards, supporting the industry's regulated and standardized development.

The Group has been recognized as a National Enterprise Technology Center and a National Manufacturing Industry Single Champion Enterprise, and in 2025 won authoritative awards such as the First Prize of the Science and Technology Progress Award of the Chinese Association of Refrigeration, demonstrating its commitment to driving high-quality development through innovation. In 2025, the Group obtained new authorization for 576 patents.

2025


New authorized patents

576
2025 Key Actions and Achievements in R&D Innovation of the Group

Developing industry standards	<ul style="list-style-type: none"> Developed an enterprise standard: Magnetic pumps for household and similar purposes (Q/ZSH 077-2025), and completed the formulation and revision of eight product standards, 16 technical standards, and 78 management standards. The Company's subsidiary Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (Sanhua Commercial Refrigeration) participated in drafting two international standards: <i>Refrigeration Systems and Heat Pump-Valves-Requirements, Testing and Marking</i> (GB/T 45775-2025) and <i>Refrigeration and Air Conditioning Equipment for Commercial and Industrial Use</i> (GB/T 45780-2025). The Company's subsidiary Zhejiang Sanhua Automotive Components Co., Ltd. (Sanhua Automotive Components) led the drafting of an industry standard for electronic expansion valves for automotive thermal systems. The electronic expansion valve was awarded the Manufacturing Industry Single Champion Product by the Ministry of Industry and Information Technology, China (2023-2025). At the ISO/TC 86 Meeting of the International Organization for Standardization, the Group proposed the establishment of a new SubCommittee (SC) on "Testing and Evaluation of Core Components of Refrigeration Systems", and the proposal was approved by a vote of the professional committee. Selected as a member of the Board of Directors of the Air-Conditioning, Heating, and Refrigeration Institute (AHRI) in the United States, participating in the development of international industry standards.
Empowering industry development	<ul style="list-style-type: none"> At the China Household Electrical Appliances Technical Conference—Kitchen Appliances Professional Technical Sub-forum, the Group jointly presented with partners "Self-Cleaning Pump and Valve System Solution for Integrated Stove Steam and Oven", which addresses the pain point of difficult-to-clean grease in the inner cavity through an innovative design. Sanhua Commercial Refrigeration established a high-standard cold storage laboratory and, breaking through technical barriers, opened it for shared use by the entire industry. The laboratory covers a full-range testing environment from -40°C ultra-low temperature to room temperature and is equipped with precise energy consumption and performance monitoring systems, enabling the simulation of cold storage operating conditions across different regions and under different operating scenarios.
Improving refrigeration efficiency	<ul style="list-style-type: none"> The brazed plate heat exchanger adopted R290 eco-friendly refrigerant (low GWP value). Compared to its previous generation, refrigerant charge was reduced by 37%, while heat exchange performance improved by more than 20% on average. The core components of Sanhua Commercial Refrigeration's liquid-cooling CDU were upgraded to a design with a chuck, improving the safety of the liquid-cooling system. In Chinese data centres, the PUE (Power Usage Effectiveness) exceeded 1.2, continuously improving energy-use efficiency.
Digital transformation	<ul style="list-style-type: none"> A localised deployment of DEEPSEEK to build an AI intelligent assistant was implemented, covering 12 functional departments, integrating five core business systems, and shortening the distance to acquiring professional skills and knowledge. Through the establishment of a BI management dashboard, real-time push notifications for abnormal data and intelligent early warnings on management dashboards were achieved, improving planned delivery and inventory turnover; the standardisation of materials and production data was promoted, business processes and management metrics were embedded via digital means, and AI was leveraged to support intelligent manufacturing.
Project R&D	<ul style="list-style-type: none"> Participation in the research and analysis of three sub-topics, "domestic air conditioners", "multi-connected and unitary air conditioners", and "electric vehicle heat pumps", under the Chinese Association of Refrigeration's Research on <i>Refrigerant Replacement Technology Routes and Maturity</i>, included in the list of the Subject Steering Committee and Editorial Committee members. The project on "Key Technologies and Industrial Applications of Intelligent Low-Carbon Thermal Management for NEVs", led by Sanhua Automotive Components and completed jointly with the Technical Institute of Physics and Chemistry, Chinese Academy of Sciences, Hangzhou Group Research Institute Co., Ltd. and Zhejiang University, won the First Prize of the Science and Technology Progress Award of the 12th Chinese Association of Refrigeration and the Second Prize of the Zhejiang Provincial Science and Technology Progress Award.

Key Honors of R&D Innovation of the Group

National Enterprise Technology Centre Certification

National Development and Reform Commission

Post-doctoral Research Workstation

Ministry of Human Resources, and Social Security, National Postdoctoral Committee

Provincial High-Tech Enterprise

Department of Science and Technology of Zhejiang Province, Department of Finance of Zhejiang Province, Zhejiang Provincial Tax Service, State Taxation Administration

National Technology Innovation Demonstration Enterprise

Ministry of Industry and Information Technology

Zhejiang Provincial Key Enterprise Research Institute for Intelligent Control for Refrigeration Household Appliances

Department of Science and Technology of Zhejiang Province

Zhejiang Provincial Science and Technology Leading Enterprise

Department of Science and Technology of Zhejiang Province

Zhejiang Provincial Industrial Internet Platform

Department of Economy and Information of Zhejiang Province

National Manufacturing Industry Single Champion Enterprise

Ministry of Industry and Information Technology

2025 Key Awards of R&D Innovation of the Group

"Most Influential Enterprise in Automotive Thermal Management Industry"

World Vehicles Thermal Management System Tech Innovation Conference (WVTMS)

"AWE Best Component Award"

Appliance & Electronics World Expo (AWE)

"Well-known Brand in the Industry" "Award for Refrigeration Enterprises Going Global"

The 14th China Refrigeration "Polar Bear Award"

"Excellence Contribution Award for Liquid Cooling Core Components"

The Third AI Liquid Cooling Industry Chain Innovation Summit

"Innovation Product Award"

Chinese Association of Refrigeration, China Refrigeration and Air-conditioning Industry Association

"First Prize of the Science and Technology Progress Award"

Chinese Association of Refrigeration

China New Energy Vehicle Thermal Management "Thermal Radiance Award"

Organising Committee of the China Whole-Vehicle Thermal Management Technology Annual Conference

"Second Prize of the Zhejiang Provincial Science and Technology Progress Award"

Zhejiang Provincial Committee of the Communist Party of China and the Zhejiang Provincial People's Government

A close-up photograph of four hands from different people, wearing business suits, holding white puzzle pieces. The hands are positioned around the puzzle pieces, which are being brought together to form a larger shape. The background is blurred, showing more people in business attire. The image has a blue overlay on the right side.

06

**Sound Governance,
Focusing on Corporate Resilience**

Corporate Governance

SANHUA was first publicly listed on the SZSE in 2005 and successfully listed on the Main Board of the SEHK on June 23, 2025, becoming a dual-listed A+H company.

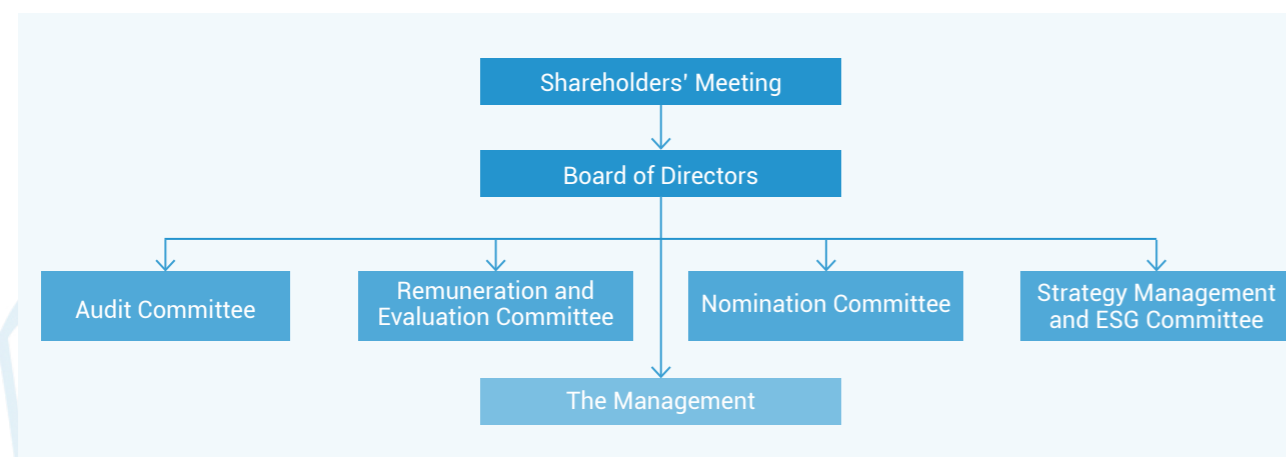
The Company strictly complies with the dual regulatory requirements of the Chinese mainland and Hong Kong, including the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Guidelines for the Articles of Association of Listed Companies*, *Code of Governance for Listed Companies of the Shenzhen Stock Exchange*, *Rules Governing the Listing of Shares on the Shenzhen Stock Exchange*, *Self-regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange – Standardized Operations of Companies Listed on the Main Board*, as well as the requirements of various laws, regulations, and normative documents such as Appendix C1 *Corporate Governance Code of Rules Governing the Listing of Securities on The SEHK*. In accordance with laws and regulations, the Company has fulfilled its information disclosure and corporate governance obligations in compliance with applicable requirements, continues to improve its corporate governance structure and enhance its governance standards, and effectively safeguards the legitimate rights and interests of all shareholders.

Governance

The Company has established a corporate governance structure consisting of the Shareholders' Meeting, Board of Directors, and Management. The Board of Directors has four specialized committees, namely the Strategy Management and ESG Committee, Audit Committee, Remuneration and Evaluation Committee, and Nomination Committee. Senior management includes the Chief Executive Officer, the President, Chief Engineer, Chief Financial Officer, Board Secretary, and other personnel as stipulated in the Articles of Association. The Audit Committee comprises independent directors and is convened by an independent director with a professional accounting background, ensuring that supervisory functions are independent and effective.

The Chairman of the Board of Directors is an executive director. A Lead Independent Non-executive Director has been appointed to act as an intermediary between the other directors and shareholders. The Board of Directors comprises four executive directors, two non-executive directors, and four independent non-executive directors. The six non-executive directors have backgrounds in different industries, which meet the relevant requirements of the SEHK Listing Rules. The Nomination Committee will continue to assess the composition of the Board of Directors and, where necessary, set measurable targets for achieving the diversity of the Board of Directors. Upon reaching a consensus, it will make recommendations to the Board of Directors.

Corporate Governance Structure of SANHUA



To meet the dual regulatory requirements of the A-share and H-share markets, the Group has revised the *Articles of Association* and relevant documents and added supervision, inspection, and risk prevention and control functions to the terms of reference of the Audit Committee, and revised 26 policies including the *Working Rules of the Remuneration and Evaluation Committee of the Board of Directors*, *Working Rules of the Audit Committee of the Board of Directors*, *Working Rules of the Nomination Committee of the Board of Directors*, *Working Rules of the Strategy Management and ESG Committee of the Board of Directors*, and *Regulations of Related Party Transactions*, so as to enhance its governance compliance standards and international competitiveness.

Strategy

The Company continues to improve its governance structure, enhance the independence of the Board of Directors, strengthen conflict-of-interest prevention mechanisms, and reinforce investor communications, effectively reducing financial risks arising from governance deficiencies, improper related party transactions, or breaches of information disclosure requirements, such as regulatory penalties and litigation compensation; meanwhile, transparent and credible governance practices can enhance investor confidence, help improve rating performance and broaden domestic and overseas financing channels, and build corporate resilience through sound corporate governance.

The Company fully recognizes the important value of the diversity of the Board of Directors to sustainable development and its core competitiveness. When reviewing and assessing candidates for Directors, the Nomination Committee will consider a range of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

Impacts, risks, and opportunities management

In 2025, the Company continued to improve its corporate governance mechanisms, enhance the Board of Directors' independence and decision-making transparency, safeguard shareholders' decision-making rights as well as the legitimate rights and interests of minority shareholders, proactively accept supervision from investors and the public, and strengthen the credibility and standardization of governance.

2025 Key Actions on Corporate Governance of SANHUA

- **Establishing an independent director system**
 - Issued the *Independent Non-Executive Director System*, systematically standardising the qualification, roles and powers, performance safeguards, and appraisal mechanisms for independent directors, and strengthening their independent judgment in key matters such as major decisions, related party transactions, financial supervision, and senior management remuneration.
- **Conducting regular independence assessments**
 - The Board of Directors issued the *Special Opinion on the Assessment of the Independence of Independent Directors*, to ensure that independent directors meet the independence requirements under the *Regulations of Independent Directors of Listed Companies* and the relevant listing rules of the SZSE and SEHK. The Company undertakes to conduct an annual self-assessment of independence and disclose the results externally.
- **Amending the rules of procedure for Shareholders' Meetings**
 - Renamed the *Rules of Procedure for the General Meeting of Shareholders* as *Rules of Procedure of the Shareholders' Meeting*, granting the Shareholders' Meeting decision-making authority over major matters such as the engagement or dismissal of an accounting firm and authorising the Board of Directors to decide on corporate bond issuance, thereby reinforcing the status of shareholders as the Company's highest authority.

The remuneration of the Company's directors and senior management is determined by multiple factors, including the achievement of the Company's financial indicators and business objectives, the scope of work and responsibilities of senior management, the fulfillment of various performance indicators by directors and senior management, and their operational performance in terms of business innovation and profitability. In 2025, the Company issued the *Management System for the Shareholdings of Directors and Senior management and Changes Thereof*, specifying the procedures for handling share changes and restrictive provisions.

In terms of remuneration structure, the remuneration of the Company's executive directors comprises basic salary, performance bonuses, position allowances and subsidies, etc. To promote the achievement of ESG goals, the Company links the compensation of certain directors and senior executives to the fulfillment of ESG targets, incorporating indicators such as product quality pass rates, workplace accident rates, the number of environmental and safety incidents, customer complaint volumes, and compliance and internal control metrics (e.g., audit issue remediation rates) into their performance evaluations.

In 2025, the Company revised the *Information Disclosure Affairs Management System* to strengthen the authenticity, accuracy, completeness, and timeliness of information disclosure, established a company-wide information submission and review mechanism, strictly implemented the requirements for synchronous disclosure of A-share and H-share, ensured that investors at home and abroad had fair access to information, and effectively prevented the risks of selective disclosure and insider dealing.

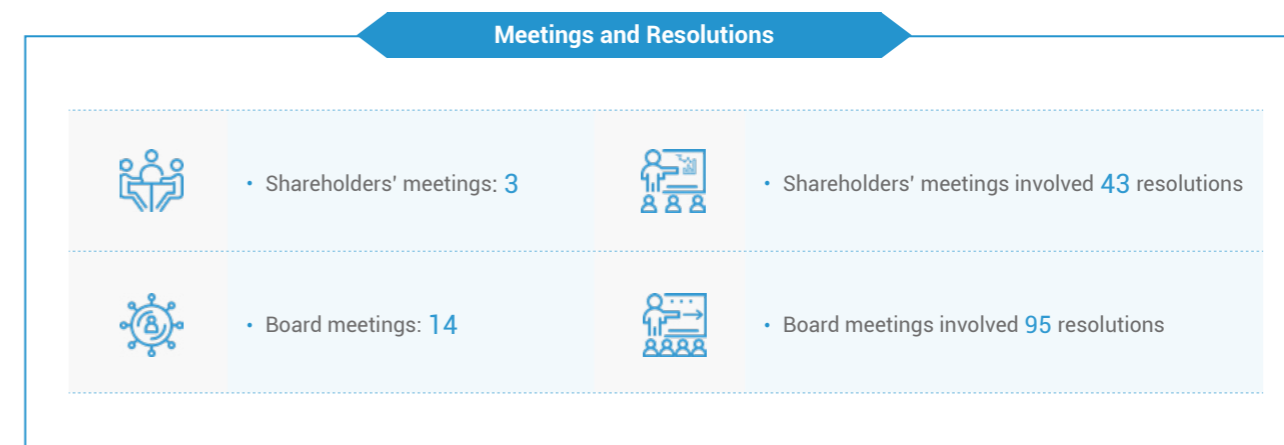
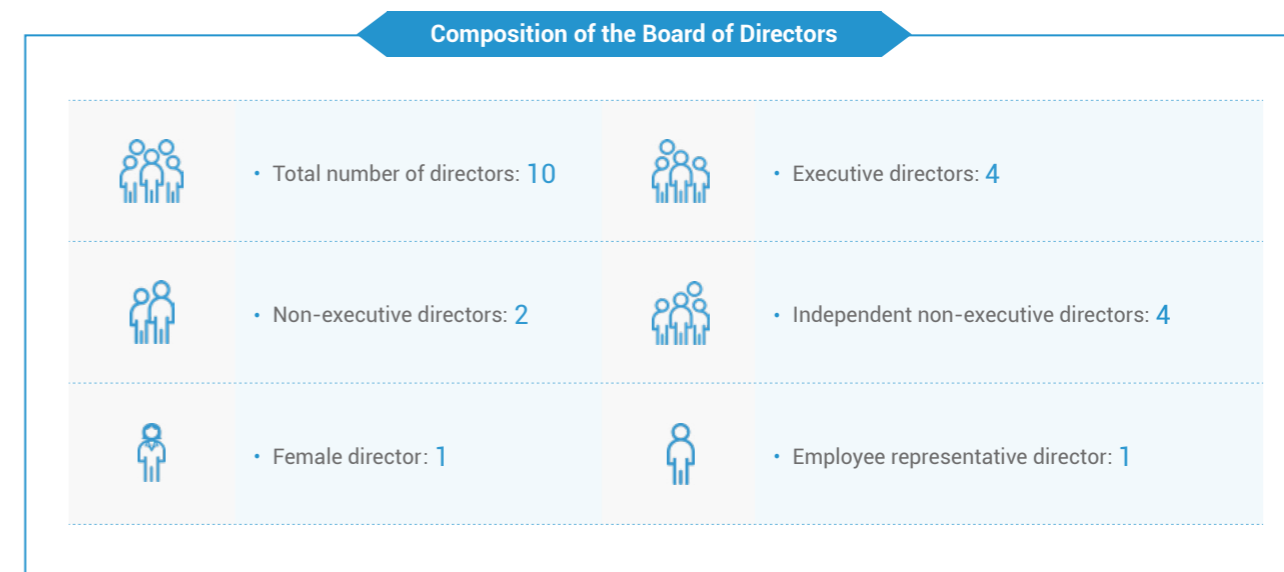
The Company, in accordance with the *Conflict-of-Interest Management System*, systematically has established a conflict-of-interest prevention and control system covering directors and senior management, clearly defining conflicts of interest and typical scenarios, and implementing a mandatory declaration mechanism, independent review procedures, and closed-loop rectification requirements. All these reinforce the integrity governance defense line at the institutional level and effectively safeguard the interests of the Company and shareholders.

The Company has optimized the *Investor Relations Management System*. Through multiple channels, including earnings briefings, the SZSE Interaction Platform, and an investor hotline, the Company has carried out regular communication, treated all types of investors equally, actively responded to investors' concerns, and established a transparent, two-way, and sustainable investor communication mechanism.

Metrics and targets

At the information disclosure level, the Company has added the HKEXnews platform as the designated channel for H-share information disclosure, forming a domestic and overseas synchronized disclosure system together with the A-share channels, including Securities Times, Shanghai Securities News and CNINFO website, thereby ensuring the timeliness, fairness, and accessibility of information disclosure. In 2025, the Company disclosed a total of 308 announcements for A-share and H-share throughout the year, including 209 A-share announcements and 99 H-share announcements; responded to 176 investor enquiries via the Interaction Platform, representing an increase of 62.96% compared with 2024, effectively improving the efficiency of investor communication and the quality of information access.

2025 Board of Directors Composition and Relevant Meetings and Resolutions of SANHUA



Business Ethics

The Group has always adhered to integrity and compliance as the basic principles of corporate operations, and strictly complies with the *Criminal Law of the People's Republic of China*, *Anti-Unfair Competition Law of the People's Republic of China*, *Anti-Monopoly Law of the People's Republic of China*, *Anti-Money Laundering Law of the People's Republic of China* and other laws, regulations, and relevant requirements. The Group maintains a zero-tolerance stance towards violations of business ethics and takes all necessary measures to prevent and combat breaches of business ethics. In 2025, the Group did not experience any violations of relevant laws and regulations due to commercial bribery, corruption, or unfair competition.

Governance

The Group has established a business ethics governance structure comprising the Board of Directors, Audit Committee, Supervision Office, and Audit Department. The Board of Directors bears ultimate responsibility for the management, implementation, and supervision of business ethics. The Audit Committee is responsible for supervising and assessing business ethics risks in its management system and internal control procedures, and reporting to the Board of Directors on the progress of audit work and major business ethics issues identified.

The Supervision Office formulates a business ethics management policy in accordance with the laws of the locations where the Group operates, and urges leaders at all levels and employees to strengthen their awareness of business ethics; prevents the occurrence of negligence, dereliction of duty, and corrupt practices; fulfils its supervisory and inspection responsibilities, establishes complaint and reporting channels, and investigates and handles reported cases received. The Audit Department is responsible for formulating the Group's internal audit system, promoting standardisation of operations and management and standardisation of work processes, and improving the management of aspects such as risk identification, assessment, response, and improvement.

In 2025, the Group revised and issued the *Business Ethics Statement*, standardizing its operational and product/service conduct, and requiring suppliers, service providers, distributors, and other third-party partners to adhere to equivalent ethical standards. The Group has established a comprehensive business ethics risk management and control framework, requiring permanent employees to sign the *Employee Integrity and Self-Discipline Commitment Letter*, thereby ensuring the effectiveness and systematic implementation of business ethics governance.

Strategy

The Group strengthens its controls and preventive measures against business ethics risks such as corruption, unfair competition, conflicts of interest, and leakage of trade secrets, with a view to enhancing the trust of customers, suppliers, and investors, and reinforcing employee codes of conduct. If any action that violates business ethics occurs, the Group may suffer consequences such as regulatory penalties, litigation compensation, loss of customers, and leakage of core technologies, resulting in financial impacts including declining profits and losses in R&D costs. Through institutional system development, integrity awareness training, the establishment of a whistleblowing protection mechanism, and risk assessments, the Group has identified potential business ethics risks and adopted corresponding preventive measures.

Impacts, risks, and opportunities management

The Group has integrated business ethics risk management into all processes of corporate governance and operations. Through measures such as business ethics audits, employee codes of conduct and awareness training, supply chain anti-corruption controls, and a mechanism for protecting trade secrets, the Group has established an effective management system to prevent risks including corruption, conflicts of interest, unfair competition, and information leakage, thereby reducing potential financial losses and compliance costs.

2025 Key Actions on Business Ethics Management of the Group

Business ethics audit

- Every three years, the Group conducts comprehensive audits of all domestic and overseas business units and relevant operating sites. The audits cover sensitive positions, large-amount transactions, and major contracts. The audit scope includes sales and collections, procurement and payments, production and inventory, fixed assets, technology R&D, manufacturing, safety, and human resources. Where risk leads are identified, they are submitted to the supervisory or responsible department for verification.

Employee integrity management

- The Group regularly assesses business ethics risks for key positions. All regular employees sign the *Agreement of Employees' Integrity and Confidentiality Agreement*.
- The Group has formulated the *Regulations of Employees Receiving Gifts* to standardise the management of employees' submission and registration of received gifts and strictly implemented the standard for receiving gifts valued at RMB200 or below and the system requiring submission and registration within 30 days.
- The Group has established an accountability and disciplinary mechanism. For employees who violate business ethics requirements, the Group initiates accountability and disciplinary procedures in accordance with regulations. Depending on the nature and severity of the violation, the Group takes disciplinary measures such as verbal warnings, performance evaluation actions, and termination of the Labour contract.

Anti-monopoly compliance management

- The Group has issued the *Anti-Monopoly Compliance Guidelines*, identified unfair competition risks, and specified concrete management requirements, such as "prohibition of concluding monopoly agreements and prohibition of abuse of a dominant market position".
- In the audit process for specific projects, procurement, and positions, the Group has included risk assessment content relating to unfair competition.

Conflict of interest management

- Employees are required to strictly manage and restrain their related parties. Employees are strictly prohibited from engaging in or instructing others to engage in, or investing in, economic activities that compete with the Group or create conflicts of interest, as well as economic activities that conflict with their job responsibilities. Employees are strictly prohibited from having employment or investment relationships with the Group's customers, suppliers, or competitors.

Supply chain anti-corruption

- The Group requires suppliers to sign the *Basic Supply Agreement* and *Cooperation Agreement of Integrity*, and to comply with the *Supplier Code of Conduct*. All the above documents include integrity provisions and reporting channels.

● Protection of trade secrets

- The Group has formulated the *Regulations Related to Trade Secrets* and carried out multiple training sessions related to trade secrets.
- The Group has implemented classified and graded management of core information and controlled confidential information through technical means such as encryption. The Group promotes regional confidentiality development within business units and clarifies confidentiality management standards for different levels such as red, orange, yellow, and green zones.
- The Group embeds the trade secrets courses into the onboarding training programme for new hires, emphasising its requirements for trade secret protection.
- The Group has revised the *Confidentiality and Intellectual Property Contract* and requires all employees to sign it, standardising the definition of trade secrets, intellectual property ownership, confidentiality obligations, and liability for breach of contract.

The Group encourages employees and all stakeholders to report non-compliant behaviors such as bribery and corruption, conflicts of interest, and unfair competition. The Group strictly protects whistleblowers' privacy and safety, and prohibits any form of retaliation; those who provide valid leads or assist in ascertaining the facts shall be given certain spiritual and material rewards, and their identity shall not be disclosed or publicized without their consent.

In 2025, the Group further promoted the development of a culture of integrity in depth through multiple forms:

- ✓ The Group continuously launched three phases of the "Sanhua Integrity Comic" series on the OA platform. Focusing on key areas such as the protection of trade secrets and solicitation and acceptance of bribes, the series vividly conveyed the concept of integrity through three modules, namely typical violations, legal consequences, and interpretation of the Group's policies.
- ✓ Relying on the Group E-Learning Platform, the Group carried out promotion and training on *Interim Provisions on Accountability for Employees' Illegal and Disciplinary Violations* and organized an all-staff examination.
- ✓ The Group piloted an "Internal Amnesty, External Exemption" initiative in business units, encouraging employees to proactively declare historical issues and mitigate potential integrity risks. The Group organized procurement personnel from business units to visit the Zhejiang Province Law and Disciplinary Education Base (Nanjiao Prison) for warning education. Through on-site visits, case analyses, and testimonies from inmates, the Group enhanced employees' awareness and self-discipline in practicing integrity.
- ✓ The Group conducted ESG risk-focused training for directors and senior management, with an emphasis on analysing the legal risks and preventive and control measures related to crimes of breach of trust by private enterprises.
- ✓ Each business unit carried out the matic training for employees in key positions. For example, Sanhua Automotive Components conducted thematic training such as "The Way of Integrity—Introduction to Sanhua Automotive Components Anti-Corruption Working Mechanism".

Metrics and targets

Considering its actual governance needs, the Group has reformulated and clarified specific targets for business ethics management, promoting the development of business ethics from the promotion of systems and policies towards a more measurable and supervisory direction, and systematically advancing improvements in the level of business ethics management. In 2025, the company received 11 internal and external reports through the reporting procedure. The Group registered, conducted graded assessments, and carried out independent investigations for all reported leads in accordance with established procedures, ensuring fairness, confidentiality, and traceability throughout the handling process.

2025 Business Ethics Targets and Progress of the Group

Proportion of high-risk positions covered by business conduct risk audits	2025 Targets: 100%
	2025 Progress: 100%
Signing rate of the Agreement of Employees' Integrity	2025 Targets: 100%
	2025 Progress: 100%
Proportion of procurement personnel receiving anti-corruption training	2025 Targets: 100%
	2025 Progress: 100%



Risk and Compliance Management

The Group has established a risk and compliance management structure comprising the Board of Directors, Audit Committee, and Audit and Legal Departments. The Audit Committee reports to the Board of Directors on the progress of risk management and internal controls, as well as major issues; the Audit Department is responsible for conducting internal control assessments and, through regular audit inspections, ensuring the effectiveness and compliance of the internal control system, and making improvement recommendations in a timely manner; the Legal Department focuses on identifying and preventing legal compliance risks in production and operations.

The Group strictly complies with laws, regulations, and relevant requirements, including the *Audit Law of the People's Republic of China*, *Basic Internal Control Norms for Enterprises*, etc. The Group has also formulated supporting internal rules and regulations such as the *Internal Audit System*, *Regulations of Contract Management*, and *Compliance Guidelines on Export Controls and Trade Sanctions* to provide institutional support for risk and compliance management.

The Group established a "Three Lines of Defence" mechanism for risk and compliance management, ensuring comprehensive and effective identification, assessment, and response to various risks.

"Three Lines of Defence" Risk and Compliance Management of the Group



The First Line

Business supervision

- Consisting of business departments that are responsible for daily operations and management, and for designing and implementing relevant internal control measures to address risks.



The Second Line

Functional supervision

- Consisting of functional departments, assisting the first line of defence in establishing and improving its control procedures, and performing supervisory duties to ensure that business departments implement internal control measures.



The Third Line

Internal audit and supervision

- Consisting of internal audit and legal departments, regularly providing independent evaluations of the effectiveness of control procedures, and promptly curbing the escalation of risks.

In 2025, the Group systematically carried out the ISO 37301:2021 Compliance Management System certification. From identifying compliance obligations and formulating the compliance management policy to institutional development and company-wide training, the Group integrated compliance requirements into business processes. Through continuous monitoring and management review, the Group ensured the effective operation and continual improvement of the system.

[Case] Building Comprehensive Employee Compliance Awareness

The Group regularly provides compliance awareness training for employees in key positions, sets up a legal and compliance column on the "Sanhua E-learning Platform", enabling employees to undertake compliance training courses through self-directed learning, and establishes a legal and compliance knowledge portal on the OA system to publish compliance updates, compliance guidelines, compliance management systems, and so forth.

In 2025, the Group carried out systematic legal and compliance training across six key areas, including trade secrets, cross-border data transfers, export controls and economic sanctions, compliance for listed companies, contract management, and compliance in external communications. The training covered nearly 1,000 attendees in total, with a cumulative training duration of approximately 2,470 hours, supporting the enhancement of its compliance capabilities and the implementation of its risk prevention and control system following its A-share and H-share listings.



07

Resilient Operations, Safeguarding Value Chain Security



Innovation and Intellectual Property Rights

The Group strictly complies with the *Law of the People's Republic of China on Scientific and Technological Progress*, *Patent Law of the People's Republic of China*, *Trademark Law of the People's Republic of China* and other laws, regulations, and related requirements. Through collaborative innovation in materials and processes, the Group systematically enhances product competitiveness.

Governance

The Group has established a research institute to coordinate innovation and R&D and to manage the R&D process for products from design to verification. The Marketing Department regularly conducts market research, monitors market trends, participates in formulating product strategies, carries out in-depth evaluations of technical objectives or products, puts forward R&D recommendations and objectives for the product line, and supervises their implementation. The technical management department of each business unit is responsible for achieving scaled-up production and manufacturing of R&D outcomes, and, considering factors such as local policy requirements, market demand, and operating costs, implements more efficient and energy-saving technical solutions.

The Group has formulated internal rules and regulations such as the *Regulations of Technology Development Project*, *Regulations of Scientific and Technological Project Management and Awards*, *Regulations of Design Review Management*, *Regulations of Technical Review Management*, and *Control Procedures for New Product Development*, thereby continuously accumulating technical experience and expanding market fields through a systematised R&D process and sustained investment in scientific research. In 2025, the Company obtained ISO 56005:2020 Innovation Management System certification, and Sanhua Commercial Refrigeration Testing and Inspection Center obtained CNAS accreditation.

Strategy

The Group adheres to the strategic layout of "reserve one generation, develop one generation, and apply one generation". Through policy and market research, the Group identifies R&D needs in advance, recognizes risks and opportunities, and assesses their financial impacts. The Group translates external needs into directions for internal R&D, formulates R&D strategies and plans, and continues to recruit and develop R&D talent, thereby driving breakthroughs and applications of key technologies.

The Group has launched an optimized version of the CO₂ condensing unit system solution and established a reserve of technical pathways for different refrigerants, mastering end-to-end system development and validation capabilities across all refrigerants, from R1234yf to blended refrigerants, as well as natural refrigerants such as R290 and R744. In terms of quality and safety, the original aluminum heat exchanger adopted the traditional pitting process, which posed a risk of leakage. Through optimization of the material formulation and innovation in the forming process, the Group has developed a new type of flat tube, significantly enhancing corrosion resistance performance.

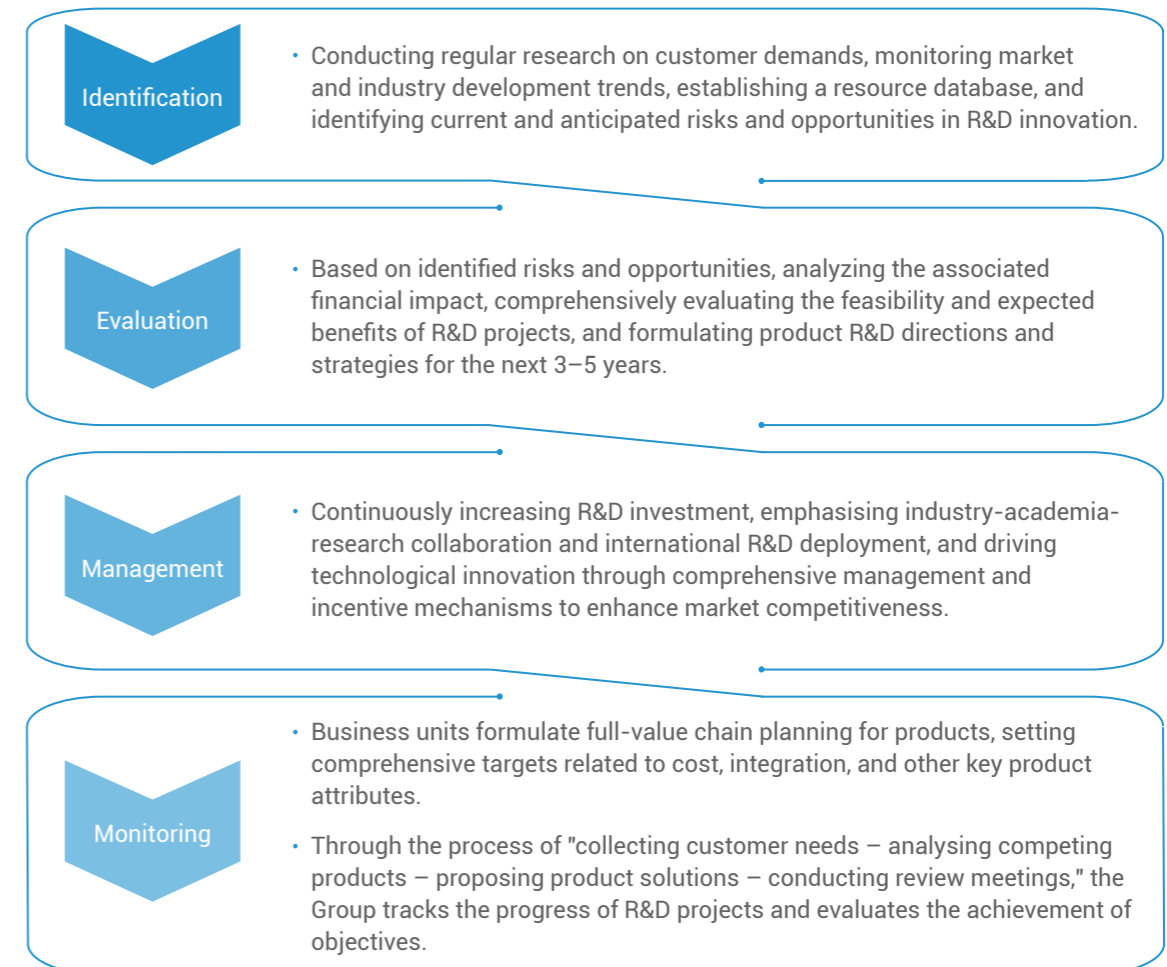
To match end needs in a more timely and accurate manner, the Group works with its customers to advance product design optimization, iteration of technical solutions, and innovative application of materials, which shortens the R&D cycle and improves R&D efficiency, jointly creating more innovative product solutions. The Group has established joint laboratories with partners to enable the simultaneous development of valves, pumps, and heat exchangers alongside air conditioners, refrigerators, water heaters, and commercial equipment, rapidly converting technological investment into confirmed orders.

Impacts, risks, and opportunities management

R&D innovation

By identifying market demand, assessing risks and opportunities, developing management tools, monitoring targets, and tracking implementation progress, the Group promotes digital process management across the product lifecycle and enhances the efficiency of R&D management. For details of the Group's achievements related to R&D innovation in 2025, please refer to the "Feature 2: Breaking Through Core Technologies, Leading Industry Upgrades" section in this Report.

R&D Innovation Management Process of the Group



Intellectual Property Protection

The Group has established internal rules and regulations such as the *Regulations of Intellectual Property*, *Regulations of Patent Work*, and *Regulations of Intellectual Property Rewards and Remuneration*, to regulate the processes for patent application and authorisation, and to provide fair incentives for R&D personnel's innovation achievements. Technical personnel in each business unit are responsible for identifying intellectual property application plans and promptly initiating the approval of patent proposal submissions. In line with new product development milestones, they promptly initiate patent searches or patent proposals; take charge of confirming the relevance between risk patents and the products under its responsibility; confirm the use of the Group's granted patents and conduct a preliminary value assessment. Intellectual property personnel are responsible for patent application and grant authorisation; take charge of patent search and analysis, infringement risk screening and analysis, and organising the assessment and disbursement of patent awards and remuneration.

In 2025, under the theme of "Innovating for the Future, Safeguarded by Intellectual Property", the Group encouraged employees to use technical tools to improve the efficiency of intellectual property management, such as using AI for patent searches and infringement analysis. The Group also carried out a series of themed intellectual property training activities, covering practical modules including in-depth explanations of patent knowledge and infringement response strategies, protection of technical secrets, application of patent search tools, and patent design-around. Through tiered and scenario-based course design, the Group enhanced the intellectual property offence and defense capabilities and risk prevention and control awareness of its R&D, production, and operation teams.

[Case] Intellectual Property Series Training—Analysis of Hot and Difficult Issues in Patent Infringement Litigation

On 17 April 2025, the Group invited a senior intellectual property lawyer to analyze cases involving the abuse of jurisdictional objections in patent matters, the strengths and weaknesses of patent administrative adjudication, and the judicial criteria for determining malicious litigation. The session also conducted discussions around practical challenges such as infringement under the "doctrine of equivalents" and the "delineation of technical features", providing strategic guidance for enterprises in addressing complex intellectual property disputes.



Training on Analysis of Hot and Difficult Issues in Patent Infringement Litigation

[Case] Intellectual Property Series Training—Patent Application "Infringement Visualisation" Training

On 17 April 2025, the Group invited an external lecturer to explain how to optimize patent drafting through the "infringement visualization" mindset, strengthening the scope of claims protection and the traceability of infringement evidence. In the patent invalidation offence and defense training, the external lecturer, focusing on high-profile cases in recent years, conducted an in-depth analysis of practical issues such as building an evidence chain in invalidation declaration procedures and the boundaries for claim amendments, with a particular emphasis on response strategies for contentious scenarios such as "determining the effectiveness of online evidence" and "techniques for adducing evidence of common general knowledge".



Patent Application "Infringement Visualization" Training

Metrics and targets

Each business unit of the Group regularly sets up R&D projects and R&D targets, proactively responding to future market and policy needs. The Group regularly reviews R&D progress, and uses the Objectives and Key Results (OKR) approach to manage the achievement of R&D targets, and conducts monthly, quarterly, and annual performance appraisals for technical R&D personnel.

2025 Performance Highlights in Intellectual Property Protection of the Group

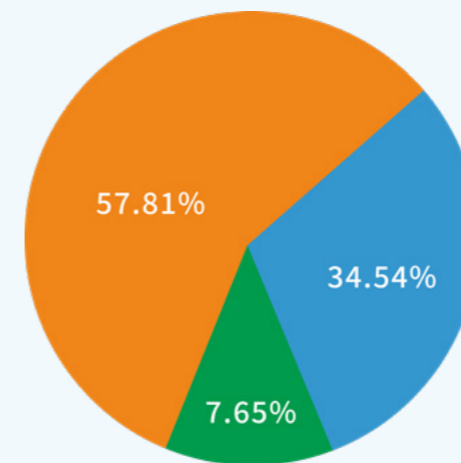
Number of patent applications during the reporting period **1,029**

Number of patents granted during the reporting period **576**

■ Number of invention patents **333**

■ Number of utility model patents **199**

■ Number of design patents **44**



Product and Service Safety and Quality

The Group regards product and service safety and quality as the foundation for the Group's stable operations and long-term value creation. The Group strictly complies with laws and regulations and relevant requirements, including the *Product Quality Law of the People's Republic of China*, *Metrology Law of the People's Republic of China*, and *Standardisation Law of the People's Republic of China*, and continues to enhance product reliability, safety, and consistency, thereby safeguarding the rights and interests of customers and end users.

In 2025, the Group had no incidents requiring the recall of products sold or delivered for safety and health reasons, and no major liability incidents relating to the safety, quality of products and services occurred.

Governance

The Group has established a quality management system led by the Smart Manufacturing and Quality Management Center, with collaboration among multiple departments, including quality and process functions across various business units. Among these, the Smart Manufacturing and Quality Management Center is responsible for coordinating the reporting escalation of major and significant quality issues submitted by each business unit, implementing professional capability-empowerment initiatives, and tracking the closed-loop resolution of issues. Meanwhile, the Marketing, Sales, and Quality Departments of each of the Group's business units work in coordination, being respectively responsible for liaising on customer needs, managing the fulfilment process, and handling quality issues, to ensure that customer opinions and demands are identified in a timely manner, communicated effectively, and properly addressed.

The Group has formulated internal rules and regulations such as the *Regulations of Quality Information*, *Regulations of Handling Customer Quality Issues*, *Supplier Management Control Procedure*, *Incoming Inspection Control Procedure*, *Internal Audit Control Procedure*, and *Product Customer Complaint Information Feedback and Handling Process*. In conjunction with the product characteristics of different business units, the Group continuously improves product quality standards and customer service specifications.

In 2025, the Group obtained ISO 9001:2015 Quality Management System certification, and the IATF 16949:2016 Automotive Quality Management System certification, with a coverage of approximately 73%.

Strategy

The Group is committed to developing advanced manufacturing technologies and implementing a standardised quality management system to provide high-quality products. The Group systematically identifies and assesses internal and external influencing factors, risks, and opportunities related to product safety and quality. Through procedural documents such as the *List of Changes in Internal, External, and Stakeholder Factors and the Management of Risks and Opportunities*, the Group continuously tracks changes in regulatory requirements, customer standards, and technology trends, providing a basis for decision-making on its quality strategy and management priorities.

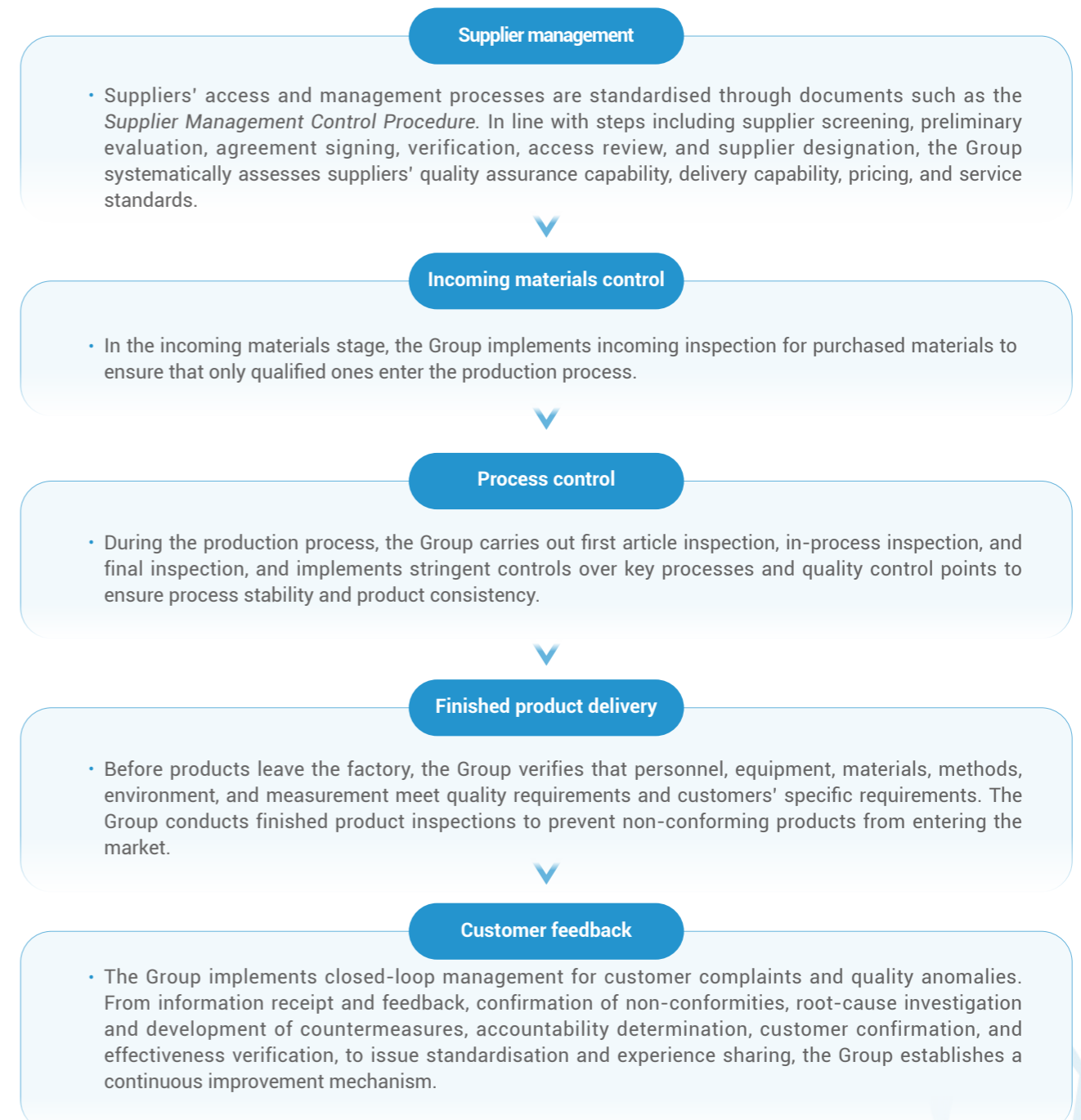
In 2025, the Group transferred part of its production capacity to overseas factories. While it rapidly responded to customer needs and leveraged regional synergy advantages, the Group also faced quality risks arising from changes in the production environment, workforce structure, and supply chain. Therefore, the Group promoted the extension of its mature quality management experience at headquarters to overseas factories and held weekly video conferences to conduct focused discussions on quality issues and improvement plans, ensuring the stability and consistency of product quality under cross-regional operating conditions.

Impacts, risks, and opportunities management

Product safety and quality

The Group established a full-process quality management mechanism covering supplier management, incoming material control, process control, finished product delivery, and customer feedback.

Product Safety and Quality Management Process of the Group



· Quality audit and inspection

In accordance with the *Compliance Evaluation Control Procedure*, the Group organizes monthly process audits and product audits and, in combination with the Quick Response Quality Control (QRQC) mechanism as well as corrective and preventive measures, promptly identifies and improves potential quality risk points. At the same time, in accordance with the *Internal Audit Control Procedure*, each of the Group's business units carries out at least one internal audit of the quality management system every year. For issues identified, corrective and preventive action forms are issued to the responsible departments, and the effectiveness of rectification is continuously tracked to ensure closed-loop management of issues.

The Group has established a product quality inspection process with key characteristic control at its core, covering incoming materials, the production process, and finished product delivery. With respect to key quality characteristics of products, the Group uniformly marks special characteristic symbols in the process flow charts, Process Failure Mode and Effects Analysis (PFMEA), control plans (CPs), and work instructions, and implements 100% online monitoring for equipment involving key characteristics, with operators conducting confirmation before equipment start-up.

· Non-conforming product management

The Group has established a rapid response and closed-loop management mechanism for non-conforming products, covering incoming inspection and the production process. During the incoming inspection stage, if any non-conformity is identified, the external inspection inspector will truthfully enter the inspection results into the Enterprise Resource Planning (ERP) system in accordance with the *Inspection Management Process*, and implement isolation and identification for the non-conforming materials; meanwhile, the Supplier Quality Engineer (SQE) will issue a *Supplier Non-Conformance Notice* to the supplier, specifying the issues and rectification requirements, and urging the supplier to take corrective actions in a timely manner.

During the production process, once any non-conforming defects are identified, the Group will initiate a rapid response mechanism at the corresponding level in accordance with the *Production Line QRQC Rapid Response Level Table*. Where necessary, the Group will also conduct investigations and containment actions for finished goods inventory, in-transit products, and products already delivered to customers, to prevent the issue from spreading. Relying on the QRQC mechanism, the Group organises special task force meetings to systematically review emergency containment measures, risk assessments, root cause analyses, and permanent corrective measures, and continuously track the effectiveness of rectification until the issue is closed.

· Quality emergency response plan

The Group has established an emergency product quality management mechanism covering the supply chain, production and operations, and delivery processes, to reduce the impact of unexpected incidents on product quality and delivery stability. On the supply side, the Group has formulated and implemented the *Emergency Plan for Purchased Parts*, clearly setting out the emergency response procedures and allocation of responsibilities in the event of quality abnormalities or supply disruptions involving key raw materials, components, or important auxiliary materials; at the same time, the Group has standardised the management of safety stock cycles through the *Management Regulations on the Safety Stock Period for Finished Products, Components, and Important Auxiliary Materials*, ensuring that, under abnormal circumstances, the necessary production and delivery capabilities are maintained.

At the production and operations level, the Group incorporates key process performance indicators, such as inventory turnover, into routine monitoring. Through dynamic management of inventory structure and turnover efficiency, the Group enhances its flexibility in responding to quality fluctuations and unexpected risks. Meanwhile, in accordance with the *Emergency Preparedness and Response Control Procedure*, the Group systematically identifies contingencies that might affect product quality and continuous production, including water supply interruptions, power outages (including power rationing), gas supply interruptions (compressed air), and critical equipment failures. Based on this, the Group formulates an annual emergency plan, regularly organises emergency drills, and produces drill reports, and continuously tests and improves its emergency response capabilities

· Quality training practices

The Group regards quality training as an important supporting approach for quality improvement initiatives, and systematically embeds it into its annual quality improvement plan. Through multi-tier, multi-format training combined with practice, including the Quality Elite Programme, Quality Control Circles (QCC) activities, Keep Improvement for Customer's Confidence, Harmony, Innovation, Reliability, and Integrity (KICCHIRI), and good-product conditions, the Group continuously enhances employees' capabilities in problem identification, analysis, and improvement.

The trainees cover different levels and positions, including frontline employees and personnel in key functions such as quality, manufacturing, and R&D. Through project-based and practice-oriented approaches, the Group promotes the application of quality tools (such as QRQC, PFMEA, and 8D) in actual work, strengthening employees' understanding of, and ability to implement, quality standards, processes, and methods. In 2025, the Group conducted a total of 17 training sessions on topics such as good product conditions, QCC, and KICCHIRI for various business units, with 771 participants.



Quality Training

Building on its internal promotion of QCC activities and good product condition activities, the Group further systematically extends the relevant quality improvement mechanisms to the supplier management process. Focusing on the market, processes, and incoming inspection performance, the Group conducts risk assessments, establishes good product condition requirements for procurement, and enhances the ability of suppliers' frontline personnel to identify and resolve quality issues.

Customer relationship management

· Responsible marketing

The Group attaches great importance to the principles of responsible marketing, taking compliance, authenticity, and consistency as the basic requirements for external market communications and customer engagement. Regarding marketing activities and sales conduct, the Group clearly defines the scope of responsibilities of marketing personnel in customer development, information disclosure, and business dealings.

In accordance with system documents such as the *Regulations of Contract Management and Business Ethics Management Procedures*, the Group imposes constraints on business ethics in the marketing process, contract compliance, and external commitment practices, ensuring that marketing activities comply with laws and regulations as well as its internal governance requirements. The Operation Departments of each business unit formulate and implement internal sales management systems based on business realities, including the *Regulations of Customer*

Credit Granting, Regulations of Financial Management on the Sales Side, and Regulations of Customer Risk Management, to regulate customer credit management, sales-related financial conduct, and the identification and control of customer risks, thereby preventing improper marketing and operational risks.

In terms of information disclosure and content review, product- and operations-related data released externally by the Group must undergo professional review by internal cross-functional departments. The product performance, technical parameters, and related data used in marketing activities are all based on official information provided by relevant technology and quality departments, ensuring that the information communicated to customers is true, accurate, and verifiable, thereby reducing, at the mechanism level, the risk of misleading publicity and improper commitments.

Customer complaints and satisfaction management

The Group has established a standardised customer complaint handling mechanism, covering key steps such as verification of customer complaint information, product containment and root cause analysis, corrective actions and verification.

Customer Complaint Handling Mechanism of the Group

Verifying compliant information

- Conduct systematic verification of complaint information, including the product model, batch, and quality data involved.
- If it is confirmed to be the company's responsibility, further assess the current quality status of the product and provide the customer with interim response measures and phased investigation progress within 24 hours.

Product containment and root cause analysis

- For confirmed quality issues, simultaneously initiate the product containment mechanism, with the relevant responsible departments conducting a preliminary confirmation of the root causes and an internal review within 48 hours, and producing a written analytical explanation.

Rectification & verification

- If a quality incident has a significant impact on a customer's production and operations, resulting in circumstances such as production stoppage or product quarantine, the After-sales Quality Management Department will take the lead in organising professionals to visit the customer's site to carry out emergency response.
- Depending on the complexity of the issue, a *Quality Anomaly Risk Review Form* will be initiated. Through necessary testing and verification or a risk control investigation, potential risks will be systematically assessed, and clear consensus will be reached with the customer on the handling plan and timeline milestones.

The Group regards customer satisfaction surveys as an important management tool for assessing customer experience and continuously improving service quality. The Group regularly conducts customer satisfaction surveys for key customers and customers within its main business coverage. Through methods such as questionnaire evaluations, customer scorecards, and internal performance indicators, the Group systematically collects customer feedback on product quality, delivery capability, after-sales service, and communication responsiveness. The results of customer satisfaction surveys are consolidated and analyzed by the relevant functional departments and used as an important reference for optimizing customer service processes, improving product quality management, and enhancing the overall level of customer relationship management, thereby driving continuous improvements in customer satisfaction.

Metrics and targets

The Group translates its product safety and quality strategies into specific, measurable, traceable, and improvable metrics and targets. Through annual target breakdowns and a dynamic adjustment mechanism, the Group strengthens its ability to identify and respond rapidly to potential safety and quality risks, providing customers with a consistent, highly reliable product experience.

2025 Product Safety and Quality Targets and Progress of the Group

External quality loss rate	2025 Targets: ≤0.38%
	2025 Progress: 0.24%
Internal quality loss rate	2025 Targets: ≤1.30%
	2025 Progress: 0.80%



Sustainable Procurement

The Group regards sustainable procurement as a key approach to enhancing supply chain resilience, fulfilling corporate responsibilities, and driving long-term value. The Group continues to advance the development of a green, compliant, and responsible procurement system, and is committed to building a transparent, secure, and win-win global supply chain ecosystem. The types of suppliers for its procurement mainly include equipment, production materials, structural parts, etc., covering its core production and operational activities.

Governance

The Group has established a procurement and supplier management system with clear division of responsibilities and coordinated operations. The Strategic Procurement Centre is responsible for the unified development and implementation of the Group's procurement system policies and processes, advancing the digitalisation of the procurement system, and identifying and building the core competitiveness of the procurement system, among other tasks; the Procurement Departments of each business unit are specifically responsible for supplier access, performance evaluation, and day-to-day procurement management.

The Group has formulated and implemented internal rules and regulations such as the *Supplier Code of Conduct*, *Regulations of Supplier Designation*, *Regulations of Supplier Performance*, *Procurement Control Procedures*, *Procurement Execution Management Process*, *Supplier Corporate Social Responsibility Agreement*, and *Cooperation Agreement of Integrity*, setting out clear requirements for suppliers' cooperative conduct in terms of compliant operations, quality management, and social responsibility.

Strategy

The Group implements a comprehensive risk management strategy to mitigate the impacts associated with supply chain volatility. Based on production plans, inventory levels, supplier lead times and product lifecycles, the Group formulates procurement plans, uses the material requirements planning (MRP) system to analyse the lead times and plan for raw materials, and takes into account factors such as the master production schedule, production plans, inventory safety, supplier lead times and minimum order quantities.

In response to supply chain risks arising from heightened geopolitical tensions and tighter trade controls, the Group proactively strengthens its capabilities for global supply chain compliance. In response to potential threats such as export controls and logistics disruptions, the Group deepens its research into tariffs and trade policies in various countries, optimises the layout of its global production bases, accelerates the development of its overseas localisation capabilities, and comprehensively carries out supply chain list screening.

Impacts, risks, and opportunities management

The Group has established stringent supplier selection and management procedures to assess suppliers' financial condition, operating performance, industry reputation, ESG commitments, and qualifications. The Group also regularly evaluates supplier performance, with a particular focus on standards such as raw material quality, delivery, cost, and the technical specifications of the products provided by suppliers.

Supplier Management Process of the Group

Admission

- Formulating supplier development principles and basic shortlisting criteria. In 2025, the Group added special management requirements for import trade suppliers, including completing the import trade partner assessment form and the safety notification letter.
- Supplier access requirements include no records of serious dishonesty or abnormal business operations on the report homepage of Credit China and signing the *Basic Supply Agreement* and *Corporate Social Responsibility Agreement* (including ESG provisions). Suppliers must also sign special documents such as the *Cooperation Agreement of Integrity* and *Confidentiality Agreement*.

Assessment

- Focusing on geopolitical and policy risks, such as high overseas tariffs, export controls, and the risk of supply cut-offs of critical technologies, and assessing suppliers' capabilities in responding to overseas trade restrictions, localised production capacity, and compliance requirements.

On-site audit

- Conducting on-site audits or self-assessments for key suppliers in accordance with the *Supplier Survey Form*.
- On-site audits focus on high-risk and key suppliers, including newly developed suppliers and annual suppliers. The audit scope covers quality management system certificates and hazardous substances management, among others.

Performance evaluation

- Performance evaluations are conducted in accordance with the updated *Regulations of Supplier Performance Evaluation*, covering quality, price, delivery, service, etc. In 2025, a dedicated evaluation for import suppliers was added.
- For suppliers with a quarterly performance rating of A, priority is given to opportunities for new projects, and preference is given in terms of supply allocation.

Supply Chain Security and Stability

Through an institutionalised and process-based supplier management mechanism, the Group continuously enhances the stability and resilience of its supply chain. The Group requires suppliers to sign procurement agreements such as the *Basic Supply Agreement* and has established standardised management requirements for the access, cooperation, and exit processes.

In 2025, the Group added the *Import Trading Partner Assessment Form* and the *Safety Notice* to the supplier access process in the automotive component business segment, further strengthening compliance review in the import process. At the same time, the Group successfully obtained the title of an Authorised Economic Operator (AEO), enhancing the efficiency and credibility of its cross-border supply chain.

In 2025, the Group communicated new quality requirements and typical quality issues to suppliers through the Supplier Relations Management (SRM) system platform, as well as online and offline meetings, and conducted targeted training to promote suppliers' continuous improvement.

· Supply chain ESG management

The Group has systematically incorporated ESG-related factors into its supplier management system to promote the sustainable development of the supply chain. During supplier access and on-site audits, the Group has incorporated ESG-related requirements as key audit criteria. Meanwhile, ESG-related indicators are included in the performance appraisal of procurement heads in business units, such as implementing and improving the supplier ESG performance management system (including requirements related to hazardous substances and conflict minerals), to strengthen internal accountability and enforcement.

In terms of capacity building, the Group provides procurement personnel with relevant training on hazardous substance management, ISO 14001 Environmental Management System, etc., enhancing the internal team's ability to identify and manage sustainable procurement and supply chain ESG risks. Meanwhile, in line with customer requirements, the Group organises themed training on carbon footprint accounting, emissions reduction quantification, and the EU Carbon Border Adjustment Mechanism (CBAM), and invites suppliers to participate, thereby enhancing the supply chain's understanding of and ability to respond to the low-carbon transition and compliance requirements.

· Hazardous substance management

The Group establishes a relatively systematic and standardised management system focusing on product compliance and supply chain risk prevention and control. The Group strictly complies with the *Hazardous Substance Process Management Standard* (QC 080000), *Automotive Restricted Substances Requirement* (GB/T 30512-2014), as well as domestic and international regulations and industry standards such as RoHS and REACH, embedding hazardous substance identification, control, and compliance requirements throughout the entire process of product design, raw material procurement, production and manufacturing, and delivery.

The Group has established systematic requirements for the management of hazardous substances across the supply

chain. In social responsibility audits and performance evaluations for suppliers, the Group explicitly incorporates hazardous substance management clauses, taking compliance performance on hazardous substances as an important basis for supplier access, grading, and ongoing cooperation. This includes prohibiting non-compliant discharge of wastewater, waste gas, or waste residues; requiring continuous monitoring and effective treatment of hazardous wastewater and waste gas; and requiring proper disposal of hazardous solid waste. Suppliers are required to provide products that meet relevant testing requirements, and, by signing a product hazardous substances assurance agreement, clearly define the boundaries of responsibility and compliance obligations at the contractual level.

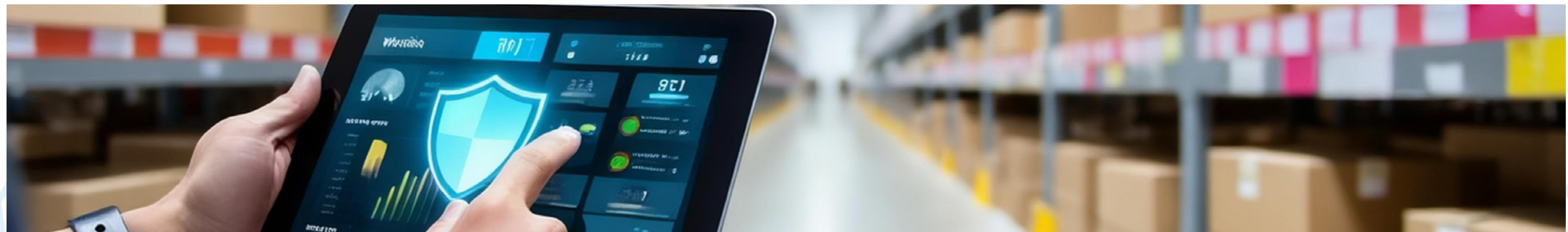
· Conflict minerals management

The Group attaches great importance to responsible mineral sourcing. The Group has incorporated conflict minerals management into supplier conduct and compliance management requirements, continued to improve responsible minerals investigation and management processes, and continuously strengthened its ability to identify and control conflict minerals risks across the supply chain.

Metrics and targets

Sustainable Procurement Related Indicators and 2025 Performance of the Group

Proportion of direct suppliers that have undergone ESG survey and assessment	2025 Progress: 73.36%
Proportion of direct suppliers with contracts including environmental, labor and human rights requirements	2025 Progress: 79.55%



Cyber and Information Security

The Group regards cyber and information security as a core component of its responsible operations. The Group strictly complies with laws and regulations and relevant requirements, including the *Data Security Law of the People's Republic of China* and *Personal Information Protection Law of the People's Republic of China*. The Group attaches great importance to the confidentiality of information of customers, employees, and suppliers, and ensures that data processing activities are lawful and compliant.

In 2025, the Group established the Process and Digitalization Center and set up a governance structure comprising the Process and Digitalization Center and the Information Technology Departments of each business unit, to drive the implementation of the information security management system across all business units.

In terms of system development, the Group has established a four-tier system framework of management systems, management regulations, management standards, and assessment forms, and formulated and implemented internal rules and regulations such as the *Information Security Risk Management Procedures*, *Internal Information Security Audit Procedure*, and *Confidentiality and Information Security Management Standards*. In 2025, the Group obtained ISO/IEC27001:2022 Information Security Management System certification.

· Information security audits

The Group conducts an internal information security audit once every quarter and organises ad hoc special audits of systems from time to time, focusing on assessing whether the compliance of internal management systems for R&D, production, and other functions, as well as staff operating procedures, meets the ISO/IEC27001:2022 Information Security Management System and internal management requirements.

The Group regularly conducts vulnerability scans on fixed assets including databases, servers, and computers, identifies security vulnerabilities and compiles statistics on the number of vulnerabilities. At the same time, the Group reviews the handling of situational alert assets across business units. Combined with threat intelligence analysis, the Group assesses the severity and priority of potential risks. Based on the *Risk List and Remediation Recommendations* and the audit report, the Group prioritise the identified risk points, providing a basis for remediation actions.

The Group reviews whether the vulnerability remediation rate meets the established targets, formulates an acceleration plan for high-priority vulnerabilities with insufficient remediation, and regularly monitors the vulnerability remediation rate and improvements to ensure the achievement of information security objectives. In addition, the Group conducts internal situation awareness inspections to monitor threat alerts in real time and track remediation progress, ensuring continuous improvement in the level of information security management.

Regarding supply chain information security, the Group has incorporated third-party information security due diligence into a key process of partner management. According to the *Supplier Security Management Procedures*, prior to establishing cooperative relationships, the Group conducts information security risk assessments for all third parties, covering data protection capabilities, cyber security safeguards, and compliance reviews; during the cooperation period, the Group continuously monitors their information security status through regular reviews, questionnaire surveys, and on-site inspections, ensuring that the entire cooperation process complies with laws and regulations as well as the Group's internal policy requirements.

· Information security capability building

The Group regularly carries out information security awareness training and promotion for new employees and technical personnel, including sending information and privacy leakage cases by email monthly, displaying security reminders in the desktop calendar, pushing warning screen wallpapers to employees' computers as appropriate, and offering online courses via the E-learning Platform.

The Group fully explains, prior to information collection, the purpose, scope, methods of use, and protection measures by means such as sending to all employees the *OA System Employee Information Collection Notice and Visitor Internet Access Authentication Disclaimer*, thereby effectively fulfilling its obligations in respect of informed consent. The Group signs *Confidentiality Agreements* with new employees and approved suppliers to strengthen information security controls over relevant parties and prevent the risk of information leakage.

2025 Cyber and Information Security Targets and Progress of the Group

Number of customer complaints regarding information security and privacy breaches	2025 Targets: ≤ 2 2025 Progress: 0
Number of critical information security incidents and major information security incidents	2025 Targets: ≤ 1 2025 Progress: 0
Number of information security training attended by all technical personnel	2025 Targets: ≥ 1 2025 Progress: 9
Core business system availability	2025 Targets: ≥ 99.9% 2025 Progress: 99.9%

08

Value Sharing, Enhancing Social Benefits



Labour Rights and Talent Retention

Guided by the principles of "fairness, justice, and inclusion", the Group is committed to building a working environment that respects human rights, safeguards rights and interests, and promotes development, and undertakes to respect and protect the human rights of all employees, suppliers, customers, and other stakeholders.

The Group strictly complies with laws, regulations, and relevant requirements, including the *Labour Law of the People's Republic of China*, *Labour Contract Law of the People's Republic of China*, *Civil Code of the People's Republic of China*, *Law of the People's Republic of China on the Protection of Rights and Interests of Women*, and *Special Rules on the Labour Protection of Female Employees*, etc. The Group actively practises the principles of the United Nations Global Compact (UNGC) and benchmarks against the fundamental Labour rights covered by the 10 core conventions established by the International Labour Organisation (ILO), including the *Equal Remuneration Convention*, *Minimum Age Convention*, *Worst Forms of Child Labour Convention*, *Discrimination (Employment and Occupation) Convention*, *Forced Labour Convention*, *Abolition of Forced Labour Convention*, *Occupational Safety and Health Convention*, *Freedom of Association and Protection of the Right to Organise Convention*, *Right to Organise and Collective Bargaining Convention*, and *Promotional Framework for Occupational Safety and Health Convention*.

The Group integrates relevant laws, regulations, and international standards into its internal governance system, translating them into management systems and operating procedures covering the entire employee lifecycle. In 2025, the Group further revised *Sanhua Labour and Human Rights Statement* and continued to optimise internal rules and regulations such as the *Employee Handbook* and the *Quota-based Employees Regulations*, ensuring that policies and practices were updated in tandem and effectively implemented.

In 2025, the Group did not experience any incidents resulting in penalties for violations of laws and regulations related to labour standards, such as employee recruitment and dismissal, working hours and leave, promotion, and equal opportunities, nor were there any penalty cases involving child labour or forced labour.

· Human rights protection

The Group adheres to treating job applicants and current employees equally and strictly prohibits differential treatment based on factors such as race, religious belief, gender, nationality, age, marital status, disability, and so forth. The Group explicitly prohibits the employment of child labour and any form of forced labour, and has established a transparent, operable human rights remedy mechanism (see the example for details) to ensure that employees can obtain timely support and relief when they encounter unfair treatment.

Human Rights Remedy Mechanism (Example)

Child Labour

- Conduct a comprehensive assessment of the individual's age, health condition, level of economic dependence, working environment, psychological state, and the impact on their social relationships. If any child labour is identified, the Group will immediately terminate their work arrangement and, with the consent of their parents or guardian, provide education funding and living allowances until they reach the statutory minimum working age.

Forced Labour

- Investigate the parties' working conditions, working hours, and personal freedom. If confirmed to constitute forced labour, the Group shall immediately terminate unfair working conditions and provide financial compensation and livelihood protection in accordance with the law, as well as vocational training and optional employment opportunities.

Harassment or Discrimination

- Take measures such as isolating the perpetrator, providing psychological counselling and legal support, and adjusting the position or working environment, and will ensure that victims are protected from secondary harm.

The Group will conduct follow-up visits one month and three months after the implementation of remedial measures to confirm the restoration of the victim's rights and interests, improvements in the working environment, and changes in psychological condition, and will continue to assess the long-term effectiveness at six months and 12 months. To ensure that the remediation process is verifiable, the Group will retain in full materials such as investigation reports, records of the implementation of remedial measures, and communication records, to meet external enquiries and audits.

· Working hours and remuneration

The Group strictly complies with national regulations on working hours and leaves and makes full payments for social insurance and housing provident funds for all employees, reasonably arranges overtime and pays overtime remuneration in accordance with the law, and ensures that wages are paid in full and on time. In the remuneration and incentive system, the Group incorporates variable performance into the remuneration structure of all employees, informs employees of the remuneration structure and how working hours are calculated, and employees can view their personal payroll information in the human resources management system, including performance, allowances, bonuses, social insurance contributions and housing provident fund, and taxes.

Through the Employee Stock Incentive Plan, the Company enables core employees to share in the Company's development achievements, enhancing their long-term sense of belonging and motivation.

· Welfare and care

The Group provides all employees with meal subsidies, housing subsidies, and transport subsidies, and distributes labour protection and care packages during important festivals such as the Spring Festival, International Women's Day, the summer season, and the Mid-Autumn Festival, as well as quarterly, to convey organizational warmth. In addition to making social insurance contributions, the Group purchases additional commercial insurance for certain employees, including accidental medical insurance and accidental injury insurance for travel by means of transport, further strengthening the safety net for employees.

The Group safeguards employees' rights to maternity leave and paternity leave. On the basis of the 98 days of maternity leave stipulated by the state, female employees are entitled to an additional 60 days' maternity leave for their first child, and an additional 90 days' maternity leave for their second and third child; male employees whose spouses meet the requirements for planned childbirth and delivery are entitled to 15 days of paternity leave. In 2025, a total of 208 female employees of the Group took maternity leave, with a cumulative total of 23,881 days of leave taken; a total of 240 male employees took paternity leave, with a cumulative total of 2,957 days of leave taken, fully safeguarding employees' statutory maternity and paternity rights. In response to the needs of female employees during the breastfeeding period, the Group has specifically set up a "Mummy Room", equipped with necessary facilities, to facilitate breastfeeding while at work. For female employees breastfeeding infants under one year of age, the Group arranges one hour of breastfeeding time each day.

In safeguarding the rights and interests of female employees, the Group formulates dedicated policies on remuneration and job arrangements covering pregnancy, maternity, and lactation periods, and promotes the establishment of women's committees within all labor union organizations covering female employees. In 2025, the Group set the target of "gradually increasing the labor union's investment from 2025 to 2027 in areas including safeguarding the rights and interests of female employees, supporting the development of female leadership, and facilitating women's return to work, with the investment amount in 2027 expected to increase by 10% compared with 2025", and continued to increase resource investment by the labour union in women's career development, health care, and rights and interests protection.

The Group has established the "Sanhua Family" employee relief fund to provide financial assistance to employees who encounter temporary living difficulties due to reasons such as immediate family members suffering from critical illnesses or being involved in unexpected accidents. In 2025, the fund helped 19 employees, with a total of RMB267,300 in aid disbursed. To alleviate the childcare pressure on dual-income families, the Group provides summer childcare services and assists employees' children with enrolment at nearby schools.

[Case] "Benevolent Care in Action: Medical-Enterprise Collaboration for Women's Health" Free Medical Consultation

In 2025, the Company in collaboration with the Maternal and Child Health Branch of Xinchang County People's Hospital, successfully organized a large-scale free medical consultation event themed "Benevolent Care in Action: Medical-Enterprise Collaboration for Women's Health." A professional medical team visited the Group to provide thoughtful and specialized health services for 777 female employees, delivering dedicated health benefits and conveying the Company's care and support during the winter season. To enable employees to access convenient and private professional medical examinations close to the workplace, an unused meeting room was swiftly converted into a temporary examination room that meets the required standards.



On-site medical examination

To strengthen communication and collaboration between domestic and overseas teams, the Group uses an international office platform as the unified hub for internal communication, establishing an online collaboration and communication system covering employees worldwide, and promoting efficient connections and information sharing among employees in different countries and regions. The platform integrates such functions as community interaction, leadership communication, story sharing, and interactive Q&A. It enables employees to access key updates worldwide from the Group in a timely manner, engage with colleagues from different regions, and conveniently obtain support resources related to career development and physical and mental wellbeing.

[Case] Chinese-Spanish Language Classes and a Thanksgiving Cultural Exchange Event

To strengthen the language capabilities and cultural exchange among employees from both China and Mexico, the Group officially launched Chinese-Spanish language classes in 2025. The program aimed to provide employees with systematic language-learning opportunities, promote cross-cultural exchange, and help employees understand and respect different cultural backgrounds, thereby improving work efficiency and team cohesion.



Group Photo of Language Class Members

· Democratic communication and satisfaction survey

To ensure smooth employee communication channels, the Group has established a multi-level, multi-dimensional democratic participation mechanism. The Group regularly holds dialogue platforms between young talent and senior management, such as the "Management Trainee Symposium", the "Initiator Class", and the "Voyager Class", and has established the "Department Head's Mailbox", "Employee Complaint Forms", and the Sanhua Employee Service Platform to ensure that employees can express their needs conveniently and efficiently. The Group convenes the Employee Representative Congress in accordance with the law, with a collective contract signing rate of 93%, effectively safeguarding employees' rights to be informed, participate, and supervise in major matters.

The Group has established an employee satisfaction feedback and improvement mechanism and regularly conducts employee engagement and satisfaction surveys. The Group collects employees' views on working conditions, benefits and remuneration, and career development, which serves as an important basis for continuously optimizing management.

· Complaint and reporting mechanism

The Group has established and maintained a transparent, fair, and easily accessible complaint and reporting mechanism to ensure that all employees, as well as suppliers, customers, contractors and their employees, and other stakeholders, can report, without fear of retaliation, issues relating to working conditions, equal employment, and other conduct that violates laws and regulations or the Group's internal governance requirements, thereby ensuring that material violations are identified and rectified in a timely manner.

To ensure usability, the Group fully considers accessibility across multiple locations, languages, and differing technical conditions. The Group pays particular attention to the needs of individuals facing language barriers, geographical constraints, or belonging to minority groups, and provides the necessary support. Reporting channels include a globally unified reporting email address, a 24-hour reporting hotline that supports anonymous reporting, an online reporting platform in local language versions, and a postal mail channel, ensuring smooth use in different scenarios.

The Group displays complaint and reporting channels at all operating sites, and publicizes them to employees, suppliers, customers, contractors, and other stakeholders through annual training, to ensure that all stakeholders are aware of the complaint and reporting channels.



Complaint and Reporting Channels of the Group



Reporting hotline: 0571-28869595



Reporting email: hr@zjshc.com

The Group strictly complies with the principle of confidentiality, effectively safeguards whistleblowers' personal safety and legitimate rights and interests, and strictly prohibits the disclosure of whistleblowers' personal information, the content of reports, and the progress of investigations, etc. No department or individual may, under any pretext, obstruct, suppress, or retaliate against complainants or whistleblowers. Once discovered, the Group will strictly pursue accountability in accordance with laws and regulations. The Group undertakes to provide feedback on the handling of matters within a reasonable time frame, ensuring that complaint issues are resolved promptly and promoting continuous improvement in the Group's management.

2025 Labour Rights and Talent Retention Targets and Progress of the Group

Proportion of female employees	2030 Target: ≥38%
	2025 Progress: 35%
Proportion of employees receiving training related to anti-discrimination and anti-harassment	2030 Target: ≥95%
	2025 Progress: 62%
Proportion of employees with variable performance included in the remuneration structure	2030 Target: 100%
	2025 Progress: 100%



Human Capital Development

The Group has always regarded employees as its most valuable asset, attaches great importance to talent development and career advancement, and is committed to building a systematic training and development system that covers all employees, spans the entire career cycle, and integrates business needs with personal growth.

· Employee Training

To ensure the forward-looking nature and effectiveness of employee training, the Group formulates and implements the *Annual Training Plan* every year. The plan covers multiple dimensions, including general competencies, professional skills, management capabilities, and an international perspective, and leverages an overseas online learning platform with global coverage to break geographical constraints and ensure that employees in the Chinese mainland and overseas have equal access to high-quality learning resources. In 2025, the Group organized and carried out 7,821 training sessions of various types, with a training coverage rate of 73.11%, effectively supporting organizational capability building and employees' capability enhancement.

[Case] "Sanhua Lecture Hall" Learning Platform

"Sanhua Lecture Hall" is the Group's newly upgraded shared learning platform open to all employees. It is committed to providing employees with diversified learning resources covering cutting-edge technologies, industry trends, and workplace skills. Through a dual-track "online + offline" model, it covers the two major campuses in Hangzhou and Xinchang, breaks through time and space constraints, and fosters a strong learning culture by providing diversified learning channels, thereby supporting employees and the enterprise to grow together.



On-site Training

In terms of building an echelon of key talent, the Group has developed a series of training programs with strong brand influence. In 2025, the Group's "Voyager Program" covered 32 people, the "Initiator Program" covered 37 people, the "Marketing Youth Training Camp" covered 35 people, and the "Management Trainee Program" covered 17 people.

2025 Employee Training Programs



High-potential managers

- "Voyager Programme" design concept: Centred on four core modules, including cognitive upgrading, in-system training, action learning, and talent identification.
- "Initiator Programme" design concept: Designed around our key directions, including strengthening management fundamentals, upgrading mindsets, cultivating behavioural habits, and practical project-based training.
- Project design was implemented through systematic management courses, action learning projects, a mentor coaching mechanism, learning transfer, and talent identification.



Fresh graduates

Sanhua YOUNG Programme

- Accelerated their integration and growth through job rotation placements, mentor coaching, and special assignments.



Business backbone

Marketing Youth Training Camp, Quality Elite Programme

- Strengthened practical capabilities and understanding of industry frontiers.



All employees

Sanhua Lecture Hall

- Regularly invited internal and external experts to conduct cross-disciplinary knowledge sharing, fostering a strong learning culture atmosphere.

The Group has established a standardized intern training program. For example, for procurement roles, interns are provided with clear task guidance and a mentoring mechanism across all processes, including materials preparation, supplier communication, and procurement execution, to ensure that they can rapidly accumulate experience in real business scenarios.

[Case] Phase IX Intensive Training of the Second "Voyage Elite Class"

In 2025, the Group organized Phase IX intensive training of the Second "Voyage Elite Class". Centred on the theme of "consolidating experience, forging a far-reaching voyage", the program supported participants in achieving a step-change in capabilities. During the event, an external mentor delivered the *Action Learning Review Workshop*, focusing on how managers can guide teams through review sessions to conduct self-reflection, revisit objectives, and assess results, and using structured tools and practice drills to analyse gaps against objectives, distil key behaviours, and consolidate experience.

The Company's Human Resources Director delivered the *Incentive Deployment: Retaining Talent* course for the "Voyage Elite Program" participants. The session explored common misconceptions in proactive incentive deployment and effective motivation techniques, as well as how to apply the three key drivers, namely meaningful work, a positive working environment, and a sense of personal value, to motivate teams more effectively and retain key talent. Teachers from the Company's Human Resources Department conducted an experiential leadership workshop. By integrating Group's cultural values and simulating uncertain market scenarios, the workshop enhanced participants' capability in the management of team goals.



On-site Training

[Case] 2025 Management Trainee Intensive Training Program

In 2025, each of the Group's business units welcomed new talent from the 2025 intake and launched the management trainee intensive training program. A series of practical courses closely aligned with workplace needs was delivered in quick succession. Professional assessment interpretation supported trainees in planning their development direction. *The Sanhua Strategic Development* course provided an in-depth breakdown of the logic underpinning its globalization strategy, clarifying how individual efforts can be aligned with organizational objectives, among other aspects.



On-site Training

· Employee development

In terms of employees' career development, through internal rules and regulations such as the *Regulations of Position, Regulations of the Qualification, and Regulations of the Cultivation of R&D Talent Production Line*, the Group has established a dual-track promotion system of "management + professionalism", and clarified the competency standards and development pathways for each sequence.

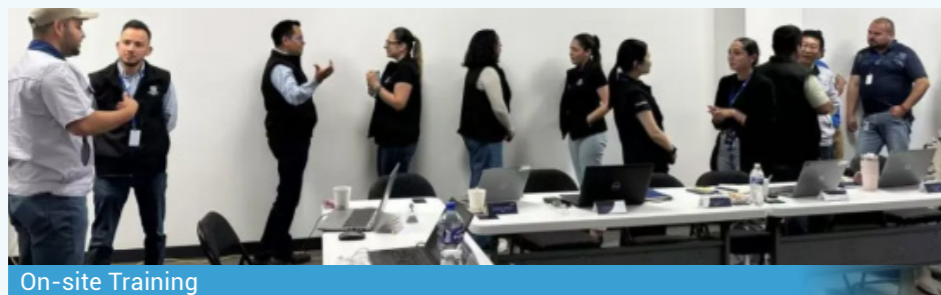
The Group has formulated the *Regulations of the Evaluation of Professional Talents*, and established the Professional Talent Evaluation Committee, which is fully responsible for the certification and assessment of employees' professional competencies. This system divides professional ranks into multiple grades, under which promotions to Professional Grade 4 and below are initiated through employees' self-application. Employees submit an individual application form and a scoring sheet, which are recommended by the department and reviewed by the Human Resources Department; following a comprehensive evaluation by the committee, the application is submitted to the General Manager for approval; promotions to Professional Grade 5 and above are required not only to meet the prescribed points threshold, but also to pass a professional skills certification defence organised by the committee, so as to ensure that senior-level talent possess solid technical expertise and industry influence.

The Group fully implements the Individual Development Plan. Through one-to-one communication, the Group gains an in-depth understanding of employees' career preferences, intended promotion positions, core strengths, and areas for improvement, and tailors development action plans accordingly. In particular, the Group designs support measures such as training, project-based assignments, or mentoring to address weaker processes, thereby achieving "teaching in accordance with aptitude and delivering targeted empowerment".

[Case] Mexico Cross-cultural Talent Development Program

In 2025, the Group's Mexico cross-cultural talent development program, the Advanced Journey of Cross-culture Managers, officially commenced. This was an important talent development program implemented overseas, driving its international talent development system into a new stage. This program aimed to build a high-quality learning and co-creation platform for the Mexico platform, accelerate the growth of the local management team, explore talent development mechanisms suitable for overseas employees, and identify and cultivate a cohort of management talent with an international perspective and leadership capabilities.

Against the backdrop of intensified global competition, the Group not only needs outstanding products and manufacturing capabilities, but also a talent team that can transcend cultural boundaries and possess a global perspective and leadership capabilities. Through systematic courses, cross-cultural communication, and practical tasks, this program will help participants broaden their international perspective, enhance their management capabilities, and consolidate the talent foundation for the Group's sustained deepening of its overseas business.



On-site Training

Human Capital Development Targets and 2025 Progress of the Group

Average training hours per employee	2030 Target: Increased by 30% compared to the 2022 level (2022: 30.68 hours)
	2025 Progress: Increased by 16% compared with the 2022 level (2025: 35.48 hours)



Occupational Health and Safety

The occupational disease hazard positions at the Group mainly include coating, reflow soldering, manual soldering, red glue dispensing, and wave soldering, among others. The Group places employees' occupational health and safety at the core of its business operations and management. The Group strictly complies with the *Work Safety Law of the People's Republic of China* and *Prevention and Control of Occupational Diseases Law of the People's Republic of China*, as well as other laws, regulations, and relevant requirements, and systematically identifies, assesses, and effectively manages and controls various health and safety risks in the production process. In 2025, the Group did not experience any major safety liability accidents.

Governance

To strengthen accountability implementation and organisational assurance, the Group has established a three-tier occupational health and safety governance structure consisting of the Board of Directors, Smart Manufacturing and Quality Management Center, and EHS Offices of various business units. The Board of Directors coordinates the strategic direction for health and safety; the Smart Manufacturing and Quality Management Center is responsible for specific work safety management, developing occupational health and safety systems, and regularly monitoring and measuring EHS-related metrics; the EHS Office of various business units assigns full-time managers to be responsible for the specific execution of routine matters.

The Group has formulated and continuously optimised internal rules and regulations such as the *Work Safety Responsibility System*, *Regulations of Safety Hazard Identification*, *System of Occupational Disease Hazard Monitoring and Evaluation*, *Regulations of Occupational Disease Prevention*, and *Standards of Key Position Personnel Certification Management*, clearly defining safety responsibilities from management to frontline employees. In 2025, the Group obtained ISO 45001 Occupational Health and Safety Management System certification.

Strategy

In response to the external environment characterised by increasingly stringent regulatory oversight of occupational health and safety and employees' continuously rising expectations for the working environment, the Group proactively strengthens the forward-looking nature and resilience of its occupational health and safety management system. In response to the iteration of high-risk processes, the use of chemicals, and the increasing prevalence of human-machine collaboration scenarios, the Group systematically strengthens its capabilities in hazard identification and risk assessment and promotes alignment of its EHS management standards with leading international best practices.

At the same time, the Group accelerates technological upgrades, replacing high-risk manual operations with automation and intelligent solutions. The Group also comprehensively carries out screening and dynamic updates of the list of occupational hazard factors for key positions, ensuring that risk control measures are precise, timely, and effective, and effectively strengthening the dual safeguards for employee health and work safety.

Impacts, risks, and opportunities management

In terms of risk identification and response, the Group systematically carries out hazard identification, risk assessment, and graded risk control. Each business unit engages qualified third-party professional institutions to conduct a comprehensive evaluation of the current status of occupational disease hazards and an assessment of the current status of work safety at workplaces, dynamically updates the list of high-risk positions, prioritises them based on the severity of hazards, and formulates targeted control measures.

All employees exposed to occupational disease hazard factors undergo occupational health examinations before taking up their posts, during employment, and upon leaving their posts in accordance with the law. The examination results are included in their individual health records, enabling full-process tracking of their health status. The Group provides dust masks, protective goggles, earplugs, high-temperature-resistant gloves and other personal protective equipment in full and in accordance with standards, and replaces them regularly, ensuring that protective measures are implemented for each individual.



Employee Safety Education and Training



Lonizing Radiation Safety Training



Occupational Hazard Information Card



Practice of Actions to Prevent Repetitive Strain Injury

To enhance the safety competence of all employees, the Group regularly carries out multi-level and diversified safety training and emergency drills. In 2025, the Group centrally organized training on general courses such as electrical safety, fire safety, and hazardous chemicals management, and provided specialized training on radiation safety and protection knowledge for special operational scenarios (e.g. operating X-ray equipment); each business unit, in light of its own process characteristics, carried out tailored practical training on job safety operating procedures and organized emergency drills. In addition, the Group organized monthly comprehensive safety inspections focusing on key areas, critical equipment, and high-risk operations, established a register of potential hazards, and implemented a closed-loop rectification mechanism to ensure that issues were promptly cleared.

The Company actively promotes a technological upgrade pathway towards automation and intelligence, helping to enhance the intrinsic level of safety and demonstrating its commitment to the "people-oriented" philosophy.

2025 Action to Safeguard Occupational Health and Safety of the Group (Example)

Ensuring Work Safety

- Installed high-efficiency exhaust ventilation systems in the flux compounding room and the warehouses for precursor chemicals and explosive precursor chemicals, effectively controlling the accumulation of harmful gases
- Added axial-flow fans to improve overall workshop ventilation, and placed occupational hazard notification signs in prominent locations

Mitigating Occupational Injuries

- Upgraded traditional vertical punching presses to horizontal punching presses, integrating an automatic loading function
- Achieved fully automated loading and unloading for rotary table welding machines, eliminating direct exposure to welding arc light and fumes and dust
- Widely applied robotic manipulators to replace manual loading and unloading, avoiding injuries caused by high temperatures and heavy lifting/handling
- Promoted automated boxing and an AGV intelligent material handling system, significantly reducing the risk of repetitive musculoskeletal disorders
- Introduced automated and standardised packaging solutions, reducing packaging-strap consumption (eliminating manual operational errors) and lowering employees' manual work intensity

Metrics and targets

Each of the Group's business units has established a *Work Safety Responsibility System*. All employees have signed a *Work Safety Responsibility Letter*, and the Group has passed Level 2 or Level 3 work safety standardisation certification; meanwhile, the Group has formulated and implemented the *Management Provisions on Safety and Environmental Protection Rewards and Penalties* and *Environmental and Safety Goals, Metrics, and Management Plans*. The number of safety incidents and the number of safety violations are incorporated into performance evaluations, and the Group regularly reviews and evaluates progress in achieving the targets.

2025 Occupational Health and Safety Targets and Progress of the Group

Occupational diseases, severe injuries, and major work safety incidents	2025 Target: None 2025 Progress: None
Work-related injury rate	2025 Target: Decreased by 5% compared with the previous year's level (2024: 0.30%) 2025 Progress: Decreased by 30% compared with the 2024 level (2025: 0.21%)

Corporate Citizens and Public Welfare

SANHUA remains steadfast in practising the concept of "Corporate Citizens", creating shared value across multiple dimensions, including employee care and community empowerment, and promoting social equity, inclusion, and sustainable development.

In 2025, the Company launched the "Coffee Station" project, innovatively creating not only a warm space for employees to rest and communicate but also embedding a philanthropic and environmental mission. All revenue from coffee sales, after covering operational costs, is fully channelled into the "SANHUA Family" Employee Care Fund, effectively establishing an internal safety net for mutual support within the Company. The Coffee Station implements an incentive scheme—employees who bring their own cups receive a RMB1 discount—to encourage low-carbon consumption habits, reduce the use of disposable cups, and minimize resource consumption and waste generation. At the same time, the Company emphasizes human-centered care; on International Women's Day, the Coffee Station provides coffee to all female employees.

The Company has long established an in-depth cooperative relationship with the Shanghai HeartPro Charity Foundation, which was initiated in 2020 by Professor Ge Junbo, an academician of the Chinese Academy of Sciences and a renowned cardiovascular disease expert, together with other philanthropic individuals. With the mission of "May every heart grow up healthily and robustly", it focuses on children with congenital heart disease. As of the end of 2025, the foundation had cumulatively provided free congenital heart disease screening services to more than 446,000 children, and successfully funded over 600 diagnosed children to complete surgical treatment, achieving a 100% surgical success rate and a 100% post-operative recovery rate. In 2025, the Company donated RMB200,000 to the Shanghai HeartPro Charity Foundation.

In terms of overseas philanthropy, on November 19, 2025, Sanhua Mexico donated 50 tablet computers to the Government of Coahuila to support the "SOMOS+ INSPIRA 2025" mental health and social-emotional care program. The donation ceremony was held at the state government office, with participation from citizens of Coahuila. This initiative would enable public schools to enhance their psychological services through digital tools, providing more timely emotional support and mental health care to over 100,000 students, and contributing to the development of healthier and safer campus environments.

In the future, the Company will continue to uphold its original commitment to public welfare and philanthropy, expand a diversified network of partnerships, and promote the upgrading of corporate philanthropic empowerment. The Company will strive to become an active force in advancing social well-being, safeguarding public health, and leading green trends, thereby demonstrating, through concrete actions, the sense of responsibility and commitment to sustainable development expected of corporate citizens in the new era.



Sanhua Mexico Donates Computers to Support School Mental Health Education



Letter of Appreciation from the Shanghai HeartPro Charity Foundation

An aerial photograph of a lush green forest. In the center, a calm lake is surrounded by several small, tree-covered islands. The islands are arranged in a circular pattern that forms the universal recycling symbol. The surrounding forest is dense and vibrant green, with some mist or fog visible in the lower-left and upper-left corners. The overall scene conveys a message of environmental friendliness and sustainability.

09

Environmentally Friendly,
Enhancing Resource Efficiency

Responding to Climate Change

Against the backdrop of global climate change, uncertainties in the relevant policy environment, market demand, and natural conditions may affect corporate operating activities. While continuously advancing its business development, the Group also pays close attention to the potential risks that climate change may bring and incorporates climate-related risks into the overall considerations of environmental and sustainability management.

In 2025, the Group's GHG emissions mainly came from direct emissions from its operations (such as the combustion of petrol, diesel, and natural gas) and indirect emissions (such as the use of purchased electricity and steam), as well as indirect emissions from the value chain (such as purchased goods and services, upstream transportation and distribution, upstream leased assets, and downstream leased assets).

Governance

The Group has established a climate change governance structure under the supervision of the Board of Directors, coordinated by the Management, and jointly advanced by relevant functional departments, incorporating responding to climate change into the Group's overall governance and risk management system. Under this structure, the Group has implemented tiered management for climate change and carbon management matters, ensuring consistency, professionalism, and enforceability in relevant strategies, management measures, and information disclosure.

The Board of Directors assumes ultimate supervision responsibility for the Group's topic of responding to climate change, with a particular focus on the impacts of climate change on the Group's medium- and long-term strategy, operational stability, and compliance risks; the overall direction of the Group's climate change and carbon management, as well as the reasonableness of key policies; matters such as the completeness and prudence of climate-related information disclosures. The Board of Directors gains an understanding of its progress in climate change and carbon management by regularly hearing reports from the Management and, when necessary, providing guidance on relevant matters.

The Management is responsible for implementing the relevant supervisory requirements of the Board of Directors in specific operations and management activities, and for coordinating relevant functional departments to advance climate change-related work. Under the Management's responsibility framework, the Group has established and clearly defined a Sustainability—Climate Change and Carbon Management position to demonstrate the transparency, credibility, and professionalism of its climate change and carbon management. While supporting major customers in progressively achieving climate targets, the Group also maintains prudence and flexibility in its operational decision-making.

The Group believes that a sound climate change governance structure is an important foundation for responding to regulatory requirements, customer expectations, and long-term risks. At this stage, the Group prioritises capacity building, management improvement, and information transparency, prudently advancing work related to climate and carbon management, and reserving room for the future upgrading of relevant targets and measures in response to changes in the external environment.

In 2025, the remuneration policy for the Company's Management gradually incorporated climate-related factors into consideration. For example, outcomes such as the CDP Climate Change Questionnaire Rating and the EcoVadis Sustainability Rating were incorporated into the performance evaluation and incentive mechanisms for relevant personnel, to encourage proactive actions by the Management and employees in low-carbon transition, energy optimization, and carbon-emission reduction targets.

Strategy

In managing climate-related matters, the Group uses *IFRS S2 Climate-Related Disclosures* as a methodological reference framework. On this basis, combined with its industry characteristics, business layout, and external operating environment, the Group systematically identifies the risks and opportunities that climate change may bring. The Group screens and prioritises climate-related risks and opportunities based on a comprehensive judgment of likelihood of occurrence and extent of impact, ultimately identifying two climate-related risks requiring key focus and two climate-related opportunities of strategic significance.

Assessment Dimensions of Climate-related Risk and Opportunity of the Group

Dimension	Definition
Time span of impact	<p>Climate-related risks and opportunities are categorised into short-term (0-3 years), mid-term (4-10 years), and long-term (11-30 years) based on their expected impact period.</p> <ul style="list-style-type: none"> Short-term: Corresponding to the current and next financial year's operating and management cycle, focus on immediate or already emerging climate-related risks and opportunities (such as the impact of extreme weather on production, and fluctuations in suppliers' raw materials, etc.). Mid-term: Corresponding to the Group's medium-term business planning cycle, cover climate-related impacts arising from foreseeable changes in policies and regulations, requirements for technological upgrades, and adjustments in market structure (such as the improvement of energy efficiency standards, and changes in market demand for low-carbon products, etc.). Long-term: Corresponding to the Group's strategic development and major investment cycle, cover the far-reaching impacts on the Group's value chain from climate change trends, resource scarcity, and the global direction of sustainable development, etc. (such as pathways to achieving carbon neutrality targets, and the transition of the new energy mix, etc.).
Extent of impact	<ul style="list-style-type: none"> Assess based on financial impact, regulatory and compliance requirements, and time span dimensions.
Likelihood of occurrence	<ul style="list-style-type: none"> Evaluate based on likelihood of occurrence, geographic factors, and industry relevance.

2025 Climate-related Risks and Opportunities of the Group

	Description	Affected Value Chain	Time Span	Financial Impact
Physical – acute physical risk	<ul style="list-style-type: none"> Frequent extreme weather events (e.g., heatwaves, heavy rainfall, floods) may disrupt production facilities and supply chains, leading to delays in production and delivery, as well as additional repair costs. 	<ul style="list-style-type: none"> Upstream Self-owned operations Downstream 	<ul style="list-style-type: none"> Short-term Medium-term Long-term 	<ul style="list-style-type: none"> Operating costs: Facility maintenance expenses increase Asset depreciation: Accelerated depreciation of infrastructure may lead to premature decommissioning
Transition – policy and regulatory risk	<ul style="list-style-type: none"> As demand for renewable energy continues to grow, the price of green power may remain high relative to conventional power. There is a risk of adjustments to government subsidies and incentive policies for green power. If tax reductions or subsidies are cut, the cost advantage of green power may be weakened, further increasing its procurement expenditure. 	<ul style="list-style-type: none"> Self-owned operations 	<ul style="list-style-type: none"> Short-term 	<ul style="list-style-type: none"> Operating costs: Electricity expenses increase
Policy and regulatory opportunity	<ul style="list-style-type: none"> As hydrofluorocarbon (HFC) phase-out policies advanced, the Group seizes the policy-driven opportunities for technological upgrading. Through low-carbon products that meet policy standards, the Group can help develop new markets and increase sales revenue from relevant products. 	<ul style="list-style-type: none"> Self-owned operations 	<ul style="list-style-type: none"> Short-term Medium-term 	<ul style="list-style-type: none"> Production costs: R&D expense increases for eco-friendly refrigerant technologies
Market opportunity	<ul style="list-style-type: none"> In the field of thermal management systems for NEVs, the Group proactively explores efficient, low-carbon technology solutions to respond to market demand for energy-saving and emission-reduction products, and to enhance market recognition and sales performance. 	<ul style="list-style-type: none"> Self-owned operations 	<ul style="list-style-type: none"> Short-term, Medium term 	<ul style="list-style-type: none"> Production costs: R&D expense increase for thermal management technologies Revenue: Revenue from related product sales increases

Impacts, risks, and opportunities management

The Group has established a systematic process for climate-related risks and opportunities, incorporating climate dependencies, impacts, risks, and opportunities into consideration for its day-to-day operations and strategic planning.

Climate-related Risks and Opportunities Management Process of the Group

Identification

- Through internal operational data, supply chain information, customer feedback, and external industry benchmarks, the Group collects climate-related information.
- The Group focuses on key climate dependencies across the value chain, such as energy consumption, water use, and access to critical raw materials, while also identifying the risks and opportunities that climate change may bring.

Evaluation

- In combination with short-, medium-, and long-term time spans, the Group assesses the identified risks and opportunities through internal analysis, lifecycle assessment, external consultation, and discussions with partners. It also covers the supply chain, corporate operations, and downstream customers in the value chain. During the assessment process, the Group incorporates PESTLE driving factors, for example:
 - ✓ Policy: Responding to the “3060” goals, NDCs, upgrades to energy efficiency standards, and the development of green factories;
 - ✓ Economy: Responding to fluctuations in prices of critical materials, the premium for low-carbon materials, and the impacts of carbon tariffs;
 - ✓ Society: Meeting customers' ESG procurement requirements and developing green services;
 - ✓ Technology: Advancing the application of low-GWP refrigerants, low-charge design, LCCP optimisation, and recycling and remanufacturing;
 - ✓ Law: Complying with chemical substance restrictions, end-of-life recycling regulations, and product environmental declaration requirements;
 - ✓ Environment: Adapting to changes in thermal management needs brought about by extreme high temperatures and aligning with the trend towards an increasing proportion of renewable energy.

Prioritisation

- Based on the assessment results, the Group prioritises risks and opportunities, and designates as key management objects those factors with high dependency, significant environmental impacts, and material financial or strategic impacts.
- The prioritisation results are used to guide measures such as resource allocation, investment decisions, R&D input, and operational improvements.

Monitoring

- The Group establishes a regular monitoring and review mechanism to continuously track the identified risks and opportunities, and assesses response measures and management effectiveness.

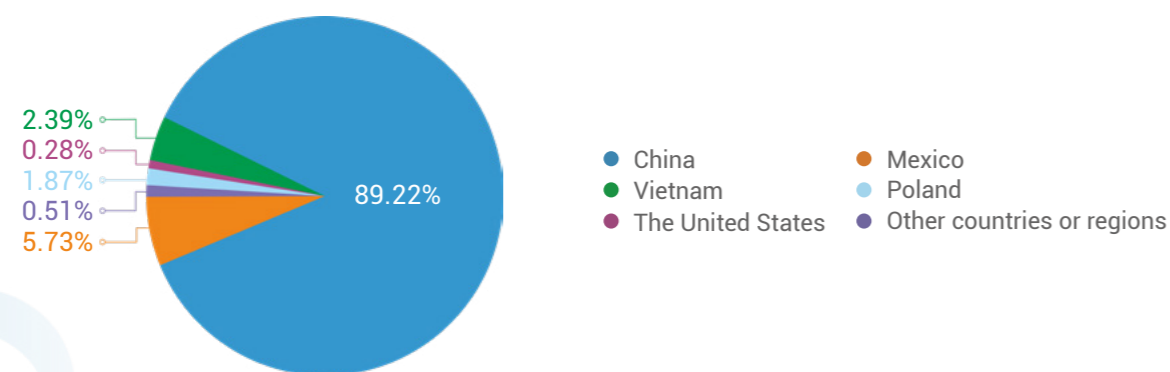
Metrics and targets

The Group converts its climate commitments into measurable and actionable management indicators, setting GHG emissions reduction targets of “reducing carbon emission intensity by more than 30% from the 2020 level by 2030”, and a target of “achieving carbon neutrality by 2050 and striving for full product lifecycle carbon neutrality by 2060”. The Group is committed to upgrading climate action from a compliance-driven response to strategic leadership.

GHG Emissions of the Group in 2025

Metrics	2023	2024	2025
GHG emissions – market-based (Scope 1 and Scope 2) (tCO ₂ e)	253,251.65	343,279.37	389,145.86
GHG emissions (Scope 1) (tCO ₂ e)	32,262.17	32,019.52	34,101.51
GHG emissions – market-based (Scope 2) (tCO ₂ e)	220,989.48	311,259.85	355,044.35
GHG emissions intensity – market-based (Scope 1 + Scope 2) (tCO ₂ e/RMB10,000)	0.10	0.12	0.13

GHG Emissions Distribution of the Group by Country/Region in 2025



Environmental Policies and Management

SANHUA and its subsidiaries Zhejiang Sanhua Automotive Components Co., Ltd., Zhejiang Sanhua Commercial Refrigeration Co., Ltd., Hangzhou Sanhua Microchannel Heat Exchanger Co., Ltd., Shaoxing Sanhua Automotive Thermal Management Co., Ltd. are key units under strict environmental risk control. Meizhu Branch of Zhejiang Sanhua Intelligent Controls Co., Ltd. is a key wastewater discharger.

In 2025, the Group was not subjected to major administrative penalties or criminal liabilities related to environmental incidents by ecological or environmental authorities.

Governance

The Group complies with the *Environmental Protection Law of the People's Republic of China*, *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, *Water Pollution Prevention and Control Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, *Regulations of the Prevention and Control of Solid Waste Pollution in Zhejiang Province* and other laws and regulations and local administrative regulations, and regularly identifies updates to external policies, emission standards, and regulatory requirements. In 2025, the Group updated its internal management system in accordance with the new regulations, the *Emission Standards for Air Pollutants from Boilers and Emission Standards for Water Pollutants from Electroplating*, and adopted corresponding technical retrofits to ensure that the environmental performance of its production and operations complied with the latest regulatory requirements.

The Group has established an environmental management structure comprising the Board of Directors, Strategy Management and ESG Committee, and the Smart Manufacturing and Quality Management Center, and the EHS and Power Equipment Departments of various subsidiaries under business units. The Strategy Management and ESG Committee is responsible for reviewing strategies and targets related to environmental management and the use of resources; the Smart Manufacturing and Quality Management Center is responsible for supervising the compliance of environmental management across subsidiaries under each business unit; the EHS Department and the Power and Equipment Department of each subsidiary under business units are responsible for implementing measures such as the construction and maintenance of environmental protection facilities, energy-saving and technological upgrades, process optimisation, and recycling.

In 2025, the Group revised and issued the *Environmental Statement*, making a public commitment to its environmental management philosophy, principles, and objectives. This covers energy and GHGs, water resource use, pollutant management, chemicals and waste management, and product eco-design, among other areas. The Group actively fulfils its environmental protection responsibilities. The policy scope covers the Group and its wholly-owned subsidiaries and controlled subsidiaries. The operational scope includes manufacturing and business operations, products and services, distribution and logistics, and waste management, among others.

The Group has obtained ISO 14001:2015 Environmental Management System certification, covering 66% of its production and operation sites. The Group conducts an external third-party recertification audit of the environmental management system at least once every three years, carries out an external third-party supervisory audit once a year, and organizes one internal audit each year.

Strategy

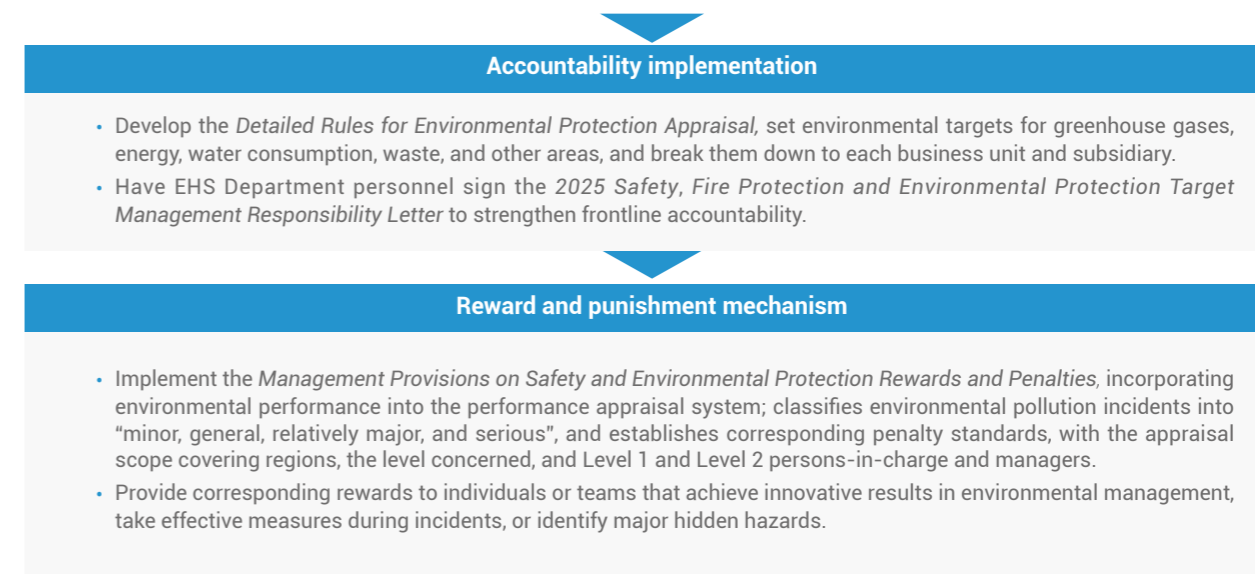
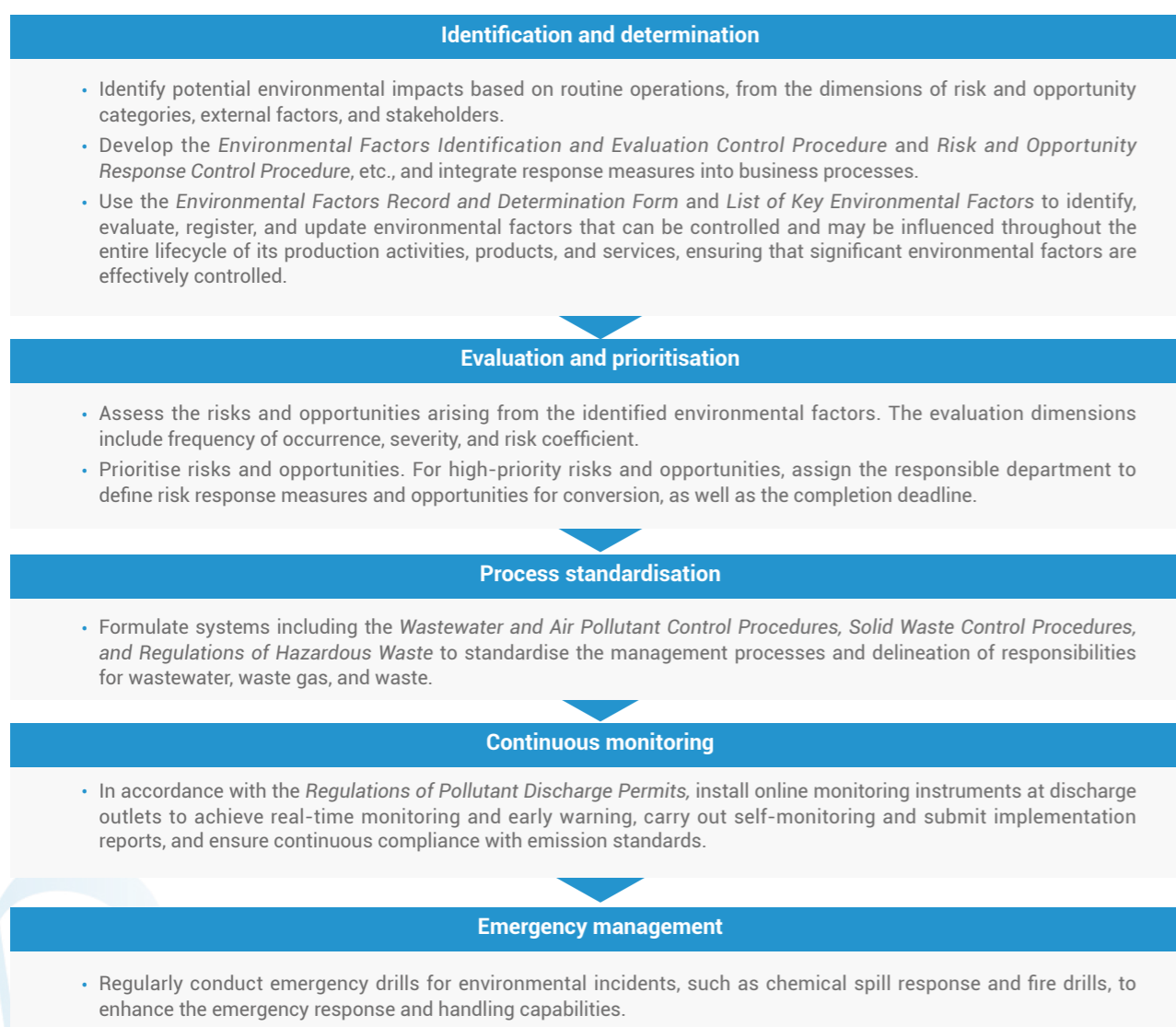
The Group identifies and assesses the risks and opportunities arising from factors such as changes in policies and regulations, technological innovation, and shifts in market demand, and evaluates their impacts on business operations and financial performance. The Group adjusts its environmental management processes, environmental management systems, and management standards accordingly, to respond promptly and adapt to changes in the external environment.

The Group regularly conducts regulatory update training and system reviews to ensure that its management system complies with the latest regulatory requirements. Each plant has formulated the *Management and Control Specifications for Environmental Protection Hazard Points in Production Areas*, promptly identifying environmental risks in each process within the workshops, and establishing corresponding control measures and responsible persons. The Group has integrated the concept of green design into the manufacturing process, minimising pollutant emissions during production to the greatest extent possible, promoting the circular reuse of water resource, waste, and packaging materials, and reducing adverse impacts on the environment.

Impacts, risks, and opportunities management



The Group fully recognises the importance of environment-related risks and opportunities to sustainable development and has established a systematic mechanism for identification, evaluation, and management. Each business unit comprehensively reviews environmental factors by preparing the *Risk and Opportunity Identification and Evaluation Form*. For high-priority risks and opportunities, the Group has formulated dedicated management procedures and response measures, led and implemented by the responsible departments, with specific tasks, implementation timelines, and monitoring and inspection mechanisms clearly defined, to ensure an effective closed-loop approach to environmental management.

Environmental Management Process of the Group



The Group carries out environmental risk and hazard management through refined and standardised on-site control mechanisms and has formulated the *Management and Control Specifications for Environmental Protection Hazard Points in Production Areas*. The Group has developed management specifications for pollution factors for different workshop production processes, clarified key control points such as equipment operation, exhaust gas treatment, and wastewater overflow prevention, ensure the continuous and effective operation of environmental protection facilities, and prevent environmental hazards such as leakage and emissions exceeding standards.

Management and Control Specifications for Environmental Protection Hazard Points in Production Areas (Example)

Workshop Location	Pollutants	Management Standards	On-site Photographs
Four-way valve piping cleaning line	Wastewater from cleaning (pH, COD, total copper)	<ul style="list-style-type: none"> No water leakage at the bottom of the equipment, and no standing water on the floor. The overflow outlet drains normally, with no blockage. No damage to the pipelines, and no wastewater leakage. The sump lifting pump operates normally, and wastewater does not overflow. Operational records are developed during the period of use, including spot inspections, periodic maintenance, and other activities. 	
Four-way valve tubing ultrasonic cleaning line	Process waste gas (trichloroethylene)	<ul style="list-style-type: none"> The fan operates normally, with no abnormal noise. The exhaust gas collection ductwork is not leaking. Activated carbon is replaced regularly, and replacement records are retained. Operational records are developed during the period of use, including spot inspections, periodic maintenance, and other activities. 	

Metrics and targets

The Group coordinated the formulation of the environmental management policy and overall annual targets. On this basis, each business unit further refined and developed the *2025 EHS Work Policy, Targets, and Metrics*. Specific metrics such as energy consumption intensity, water consumption intensity, and pollutant emission control volumes were allocated to departments, workshops, and positions and incorporated into the performance appraisal of responsible persons, ensuring that targets were implemented at every level and responsibilities were assigned to individuals.

The Group dynamically monitors progress against target achievement through the *Annual EHS Management Plan*. For items that did not meet the standards, the Group issues *Corrective and Preventive Action Forms*, urging the responsible departments to complete rectification within one month and submit evidence, thereby achieving closed-loop control and performance improvement in environmental management.




2025 Environmental Policies and Management Targets and Progress of the Group

Number of major environmental pollution incidents	2025 Target: 0 2025 Progress: 0
Compliance rate for wastewater and waste gas discharges	2025 Target: 100% 2025 Progress: 100%
Compliance rate of solid waste disposal	2025 Target: 100% 2025 Progress: 100%
Volatile Organic Compounds (VOCs) intensity	2030 Target: Decrease by 10% from the 2024 level (2024: 0.0050 kg/RMB10,000) 2025 Progress: Increased by 10.49% from the 2024 level (2025: 0.0056 kg/RMB10,000)
Waste intensity	2030 Target: Decrease by 10% from the 2024 level (2024: 0.0139 t/RMB10,000) 2025 Progress: Decreased by 5.85% from the 2024 level (2025: 0.0131 t/RMB10,000)
Proportion of electricity consumed from renewable energy sources	2025 Target: ≥15% 2025 Progress: 16.82%
Energy consumption intensity	2030 Target: Decrease by 10% from the 2024 level (2024: 0.0363 tce/RMB10,000) 2025 Progress: Decreased by 1.31% from the 2024 level (2025: 0.0358 tce/RMB10,000)
Proportion of recycled packaging materials for finished products	2030 Target: ≥25% 2025 Progress: 24.29%
Water consumption intensity	2030 Target: Decrease by 10% from the 2024 level (2024: 1.61 m ³ /RMB10,000) 2025 Progress: Decreased by 12.74% from the 2024 level (2025: 1.40 m ³ /RMB10,000)

Emissions and Waste Management

The Group reduces the generation and discharge of pollutants through source reduction, process optimisation, and end-of-pipe treatment. In 2025, the Group focused on upgrading its environmental protection system, retrofitting treatment facilities and enhancing digital monitoring capabilities. It updated policies including the *Environmental Protection Operation and Control Manual* and *Regulations of Hazardous Waste*, upgraded waste gas treatment processes, and promoted the digitalisation of hazardous waste warehouses. The Group linked environmental performance to staff performance appraisal, driving the upgrading of green manufacturing towards a more refined, intelligent and traceable direction.

Pollutant and Waste Types and Processes

Pollutant and Waste Types	Production Processes	Main Pollutant and Waste Types
 Air pollutants	<ul style="list-style-type: none"> Electroplating, pickling, welding, injection moulding, ultrasonic, shot blasting, cleaning, coating, gluing, spray painting, gas, brazing, hydrophilic coating 	<ul style="list-style-type: none"> Sulphuric acid mist, tin and its compounds, VOCs, total non-methane hydrocarbons, particulate matter, sulphur dioxide, nitrogen oxides, trichloroethylene, hydrogen chloride/chromic sulphate, toluene, xylene, hydrogen sulphide, fluorides, ethyl acetate, butyl acetate, ammonia, etc.
 Water pollutants		<ul style="list-style-type: none"> Chemical oxygen demand, suspended solids, petroleum hydrocarbons, total phosphorus, biochemical oxygen demand, ammonia nitrogen, anionic surfactants, total nitrogen, fluorides, Class I heavy metals (total chromium, total cadmium, total nickel, total lead, total silver, total mercury), etc.
 Waste	<ul style="list-style-type: none"> Machining, waste gas treatment, wastewater treatment, testing processes, cleaning, etc. 	<ul style="list-style-type: none"> Hazardous wastes: Sludge, waste cutting fluid, waste oil, waste cleaning agents, ethylene glycol, waste PCB boards, waste packaging barrels, waste electronic products, waste demisting cotton, waste activated carbon, waste asbestos, waste paint residue, waste resin, waste filter cartridges, waste tank slag, etc. General solid waste: Waste aluminium, waste stainless steel, waste cardboard, waste mixed materials, waste offcuts, waste plastics, scrapped coils, waste metal components (including stators, oil pumps, etc.), waste stretch film, waste iron, waste solder powder, waste wooden boards, etc. Household waste.

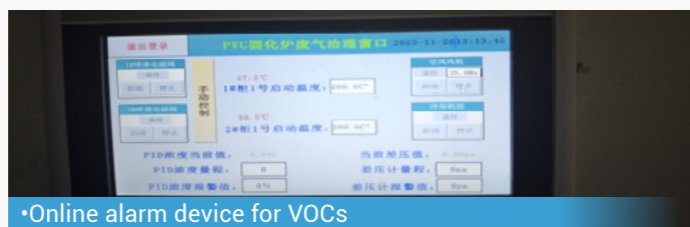
· Pollutant discharge

In 2025, the Group's various business units focused on key regulated pollutants such as VOCs, implemented process substitution, equipment upgrades, and online monitoring to ensure emissions consistently met standards, and promoted synergies between pollution reduction and carbon reduction to enhance overall effectiveness.

2025 Key Actions on Pollutant Discharge of the Group

Automotive Components

- Process exhaust gas was pretreated to remove smoke and dust particles, followed by secondary activated carbon adsorption for VOCs purification, ensuring compliance with discharge standards.
- To prevent a failure to replace activated carbon in a timely manner, which could result in substandard pollutant treatment efficiency, a set of online alarm device for VOCs was installed downstream of the activated-carbon adsorption unit. When the set value is reached, it automatically issues an alarm to prompt replacement of the activated carbon.



•Online alarm device for VOCs

Refrigeration and air-conditioning control components

- A low-NO_x retrofit of the steam generator was conducted to reduce the concentration of nitrogen oxides emissions, to meet the regulatory requirements of the latest emission standards.
- The assembly workshop replaced the R141B cleaning agent with a hydrocarbon cleaning agent to reduce VOCs emissions.
- An additional online total copper monitor was installed at the wastewater discharge outlet to monitor in real time whether wastewater pollutant discharges met the standards.
- The *Management Provisions on Comprehensive Wastewater Treatment* and the *EHS Appraisal Rules* were updated, adding a design process for environmental protection supporting treatment facilities, to control from the source the suitability and compliance of environmental protection facilities.
- Photocatalytic oxidation and activated carbon adsorption were changed to two activated carbon adsorption stages, which is expected to reduce VOCs emissions by 0.08 t/year.
- The touch-up painting process was changed from solvent-based paint to water-based paint to reduce the emissions of VOCs.

• Waste disposal

In 2025, the Group improved the *Regulations of Hazardous Waste*, clarifying the processes for classified storage, ledger registration, and declarations; promoted the digital development of the hazardous waste warehouse to achieve "one-code traceability" and full-process supervision; improved the emergency response mechanism to ensure rapid response and safe, controllable operations, and comprehensively enhanced the compliance, traceability, and risk prevention and control capabilities of waste management.

2025 Key Actions on Waste Disposal of the Group

System improvement

- Clarify that the Storage and Transportation Office is responsible for hazardous waste inbound storage management and outbound registration, ensuring that the ledger is complete; standardise the requirements for hazardous waste classification, labelling, and stacking. Solid and liquid waste shall be stored separately. Handling access routes shall be reserved between stacks, with clear spacing.
- Re-sort the *Hazardous Waste List* of each factory, refine the responsibilities of each department, and establish a waste identification and declaration process; prepare the *Annual Hazardous Waste Forecast Form* based on the actual generation in the current year and the plan for the following year. If new waste types are added or waste generation exceeds the permitted amount, a declaration shall be made via the *Hazardous Waste Excess Quantity Explanation Form*.

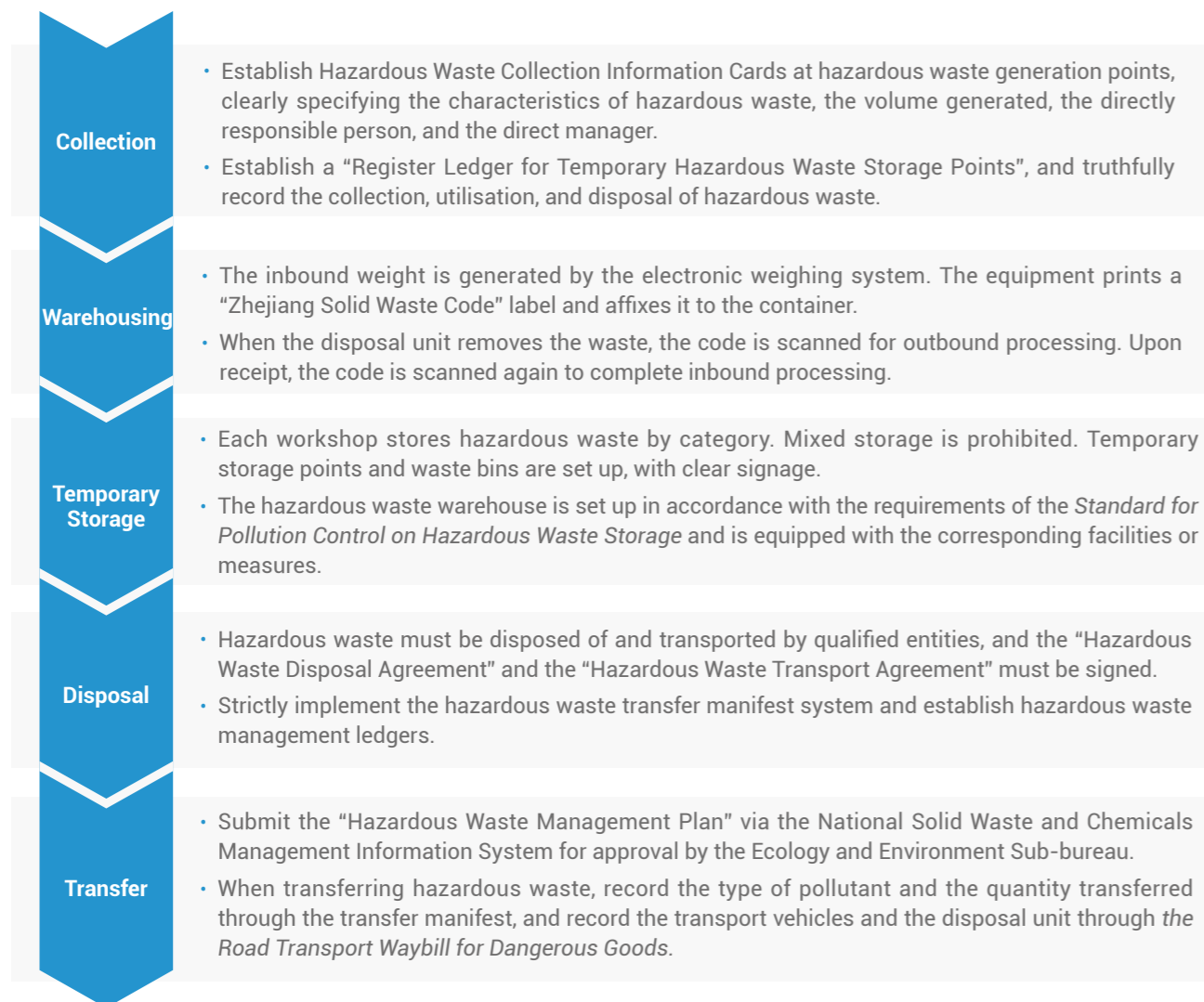
Digital management

- Promote the intelligent development of the hazardous waste warehouse by deploying video surveillance and an electronic weighing system to enable "one-code traceability".
- From registration at the point of generation and inbound weighing to generate the "Zhejiang Solid Waste Code", through temporary storage management and compliant transfer, full-process information on hazardous waste, including product name, quantity, hazard factors, and time, can be automatically synchronised to the government regulatory platform.
- The inbound storage weight of hazardous waste is automatically generated by the weighing system. When the disposal unit collects and transports the waste, the code is scanned to complete outbound processing, addressing the issue of inconsistencies between traditional manual weighing and records and the weights measured by the disposal unit at the time of transfer.

Emergency response

- Include emergency response and disposal for hazardous waste leaks under the unified management of the *Emergency Plan for Sudden Environmental Incidents*.
- In the event of an overflow or leak, immediately activate emergency procedures; evacuate personnel to a safe area, implement isolation and restrict access; cut off ignition sources. Emergency responders shall wear protective equipment as required and, on the premise of ensuring safety, control the source of the leak to prevent pollutants from entering environmentally sensitive areas such as sewers and flood discharge channels.
- For small leaks, use sand or other inert materials for absorption and clean-up; for large leaks, use bunding or excavate pits for containment, pump and transfer to tankers or dedicated containers, and have qualified entities recycle or dispose of the waste.

Hazardous Waste Management Process of the Group



Chemicals Management

The Group has established a standardised management system covering the entire process of procurement, transportation, storage, requisition, use, and waste disposal, and formulated institutional requirements and standards such as the *Chemical Management Procedures and Regulations on the Management of Hydrogen Peroxide and Sulphuric Acid*. The Group exercises control in areas including division of responsibilities, operating procedures, safety protection, materials management, and risk prevention, strengthening risk identification and closed-loop control across all processes from procurement to disposal, thereby effectively ensuring the safe use of chemicals and environmental compliance.

Chemicals Management System of the Group

Division of Responsibilities

- Clarify the responsibilities of all departments, including the Supply Management Department, business units, Logistics Department, warehouses, Security Department, and the EHS Office.
- The using department is the primary responsible party for chemicals management and is responsible for management of the use process and the collection and transfer of hazardous waste.
- The warehouse administrator is responsible for inbound verification, ledger registration, MSDS updates, and outbound management.

Inbound and Outbound Inventory Management

- Implement "dual-person material requisition, dual ledgers, and dual locks", and strictly enforce the "Five Duals" management system for precursor chemicals, explosive-prone substances, and highly toxic substances.
- Upon warehousing, verify the physical goods, delivery note, MSDS, and ERP procurement plan, and obtain tripartite signatures for confirmation.
- Requisition and use must be applied for via the ERP, with the outbound note printed, and manual ledgers updated simultaneously, to ensure consistency between ledgers and physical items and full traceability throughout the process.

Warehouse Management

- Manage chemicals in separate accounts as general chemicals and hazardous chemicals, with inbound and outbound warehouse movements recorded manually and, in the system, to prevent overstocking or on-site retention. Chemicals are issued in batches according to process dosage and are used as needed and cleared immediately after use.
- Classify chemical storage areas into zones according to the nature of the chemicals and strictly prohibit incompatible substances from being stored together; items that are sensitive to fire, moisture, or light are stored in cool, dry and well-ventilated areas.
- The corresponding MSDS must be posted at the storage site to facilitate emergency reference.

Training and Certification

- Operators must receive training and strictly comply with the job operating instructions, wear a full set of acid-resistant protective equipment, and standardise the procedures for pouring, handling, and emergency response.
- For personnel who encounter hazardous chemicals, such as hazardous chemicals warehouse administrators, the department organises training before they take up their posts on the usage, storage, emergency response, and other content in the MSDS of the hazardous chemicals they will handle.
- For special operations personnel, in addition to MSDS training, they are required to obtain certification through external training before taking up their posts.

Resource Management

Energy Management

The types of direct energy used by the Group include natural gas, gasoline, diesel, electricity, and solar energy. Indirect energy includes electricity and steam. Electricity comes from purchased electricity and self-generated rooftop photovoltaic solar power, and steam comes from purchased steam and self-produced steam using natural gas.

The Group complies with laws, regulations, and administrative requirements including the *Energy Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China*, *Regulations of Energy Conservation of Key Energy-Consuming Entities*. The Group has passed and implemented the relevant standards of the ISO 50001:2018 Energy Management System. Each business unit has formulated procedural documents such as the *Energy Management System*, *Energy Regulations*, and *Manual of Energy Management System* to promote process-oriented and refined control over energy use.

In 2025, the Group carried out energy conservation reviews for newly built, renovation and expansion projects. The energy conservation benefits of the production processes and major energy-consuming equipment were approved and accepted. Through measures including expanding the application of distributed photovoltaic systems, optimizing its energy mix, phasing out high energy-consuming equipment, implementing waste heat recovery and energy-saving process upgrades, the Group continued to improve energy efficiency and increase the proportion of clean energy used. Meanwhile, the Group built a smart energy IoT management platform and developed carbon emissions calculation software to achieve real-time monitoring of key energy-use processes across business units, providing comprehensive support for green and low-carbon operations.

2025 Key Actions and Achievements in Energy Management of the Group

Green electricity

- Completed the construction of a 2.5 MW rooftop photovoltaic system, with annual power generation reaching 2.50 million kWh. Deployed a 4.8 MW/9.6 MWh energy storage system to improve the utilisation rate of distributed photovoltaics and implemented a peak shaving and valley filling power consumption strategy.
- Sanhua Automotive Components completed the construction of the Phase IV 6MW distributed rooftop photovoltaic project at the Binhai Plant, further increasing the proportion of clean energy used.
- Sanhua Commercial Refrigeration constructed a photovoltaic power generation station in the car park, which was commissioned and connected to the grid in September 2025, with an annual power generation of approximately 400,000 kWh.

Energy-saving retrofit

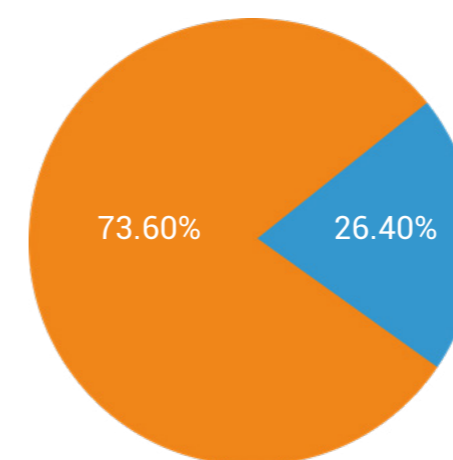
- Phased out outdated SCB10 transformers and replaced them with new SCB14 transformers, reducing no-load losses by 30% and load losses by 10%.
- Phased out five high energy-consuming air compressors and replaced them with more energy-efficient equipment.
- Energy-saving retrofit of the nitrogen pre-cooling unit, with the small compressor activated under low-temperature operating conditions and power reduced from 71.6 kW to 53.8 kW.
- High-temperature mould temperature controllers adopt electromagnetic induction heating technology, saving 30%-70% of electricity compared with traditional resistance heating. Power is adjusted through an intelligent temperature control system to avoid overheating losses and combined with a variable-frequency pump to adjust circulation efficiency on demand, reducing no-load energy consumption.

Reduce energy consumption and waste

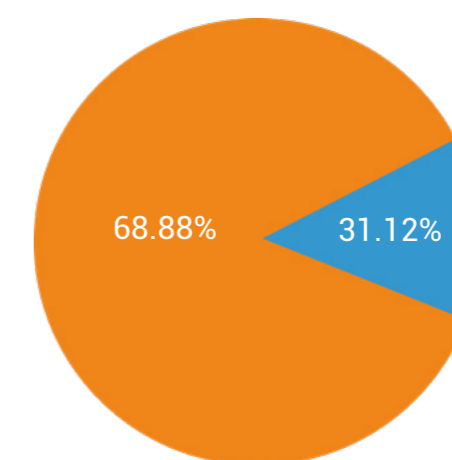
- Adopted servo control mode for injection moulding machines, reducing production energy consumption while meeting machining accuracy requirements.
- Laser welding machines feature high energy density and can precisely control the welding process, reducing thermal radiation and light radiation to the surrounding environment and reducing energy waste.
- Switched from externally purchased steam to self-produced steam using natural gas, reducing heat loss during pipeline transportation.
- Optimised the regulation of the gas furnace burners by adjusting the maximum and minimum opening positions to reduce gas wastage.
- Added thermal insulation cotton to the brazing furnace, reduced the volume of bundling rods, lowered the brazing furnace heat load, and reduced heat loss; the strong-cooling fan of the brazing furnace automatically adjusted the number of units activated according to ambient temperature to reduce energy wastage.
- Installed a workpiece sensing device on the conveyor belt to achieve energy saving through "automatic shutdown when no workpiece passes through".

2025 Energy Consumption of the Group

By direct / indirect



By clean / non-clean



● Direct energy ● Indirect energy ● Clean energy ● Non-clean energy

In 2025, the Group's subsidiaries actively carried out energy-saving reviews and green factory certification and fulfilled the energy consumption control requirements set by local government departments. For example, Sanhua Automotive Components has obtained provincial-level green factory certification. As a key energy-consuming unit in Zhejiang Province, the Group signed the *2025 Responsibility Letter for Budget Management of Fossil Energy Consumption*, which specifies that the annual total energy consumption limit is 20,180 tonnes of standard coal. In 2025, Sanhua Automotive Components actually used fossil energy equivalent to 13,056.85 tonnes of standard coal, meeting regulatory requirements.

Water Resource Management

SANHUA' water withdrawals mainly come from municipal water supply and surface water, which is used for the production process, equipment cleaning, and various aspects of employees' living and office activities. The Company has established a tiered accountability structure for water resource management. The General Administration Department coordinates the development of water resource systems, the formulation of water use plans, water metre readings, and data analysis; each business unit is responsible for spot inspecting water-use facilities, conducting internal monitoring of water use and emergency response to abnormalities, and cooperating in implementing water-saving requirements; each functional department is responsible for the day-to-day supervision of water-use facilities and reporting faults in the event of abnormalities, achieving full-process control over the development, utilisation, and protection of water resource.

The Company has formulated the *Regulations of Water resource Control*. By phasing out high water-consuming equipment and promoting closed-loop circulating cooling systems, the Company reduces the waste of water resource in production processes, strengthens the control of domestic water use, advocates water-saving behaviours among employees, and improves the efficiency of water resource utilisation.

2025 Key Actions and Achievements in Water Conservation of Group

- | | |
|---|--|
| Wastewater reuse | <ul style="list-style-type: none"> The high-quality cleaning wastewater from the downstream processes generated in the electroplating workshop is reused in the stainless-steel cleaning process. The electroplating cleaning process adopts counter-current rinsing, with downstream cleaning wastewater reused in upstream processes. The pure water system within the electroplating workshop and the water consumption for stainless steel cleaning are both substantial. A resin circulation process is adopted, under which downstream stainless steel cleaning wastewater is purified and then reused as water for the electroplating pure water system, forming a multi-level circular reuse system. In the boiler workshop, part of the high-quality condensate is collected and used as make-up water for fresh water in each cleaning process, for toilet flushing, and for landscape irrigation. The wastewater reuse volume of Sanhua Commercial Refrigeration in 2025 was approximately 48,000 tonnes. |
| Reduce water wastage | <ul style="list-style-type: none"> The old-style cooling water towers are eliminated and closed-circuit cooling towers are adopted. All welding equipment uniformly adopts an indirect recirculating cooling method to avoid wasting water resource caused by direct cooling. |
| Utilisation of natural resources | <ul style="list-style-type: none"> Giving priority to using purified water sourced from the Chengtanjiang waterway for production, cleaning, and landscaping purposes. |
| Domestic water use control | <ul style="list-style-type: none"> The bathroom facilities in the dormitories have been retrofitted with an intelligent water control system. In areas such as offices, dormitories, and canteens, turning off taps promptly is promoted to eliminate continuous running water. When washing tableware, rinsing with continuously running water is avoided. For road and landscaping cleaning, the use of tap water is prohibited, and surface water or reclaimed water is used instead. |

Circular Economy

The Group applies the principles of the circular economy across procurement, production, logistics, and other processes, systematically promoting efficient resource utilization and waste reduction, and takes actions in areas such as water reuse, raw material regeneration, waste recycling, green packaging, and logistics optimization. The Group has established a cascading wastewater utilization and reclaimed-water reuse system, used recycled materials to replace virgin resources, promoted the recycling and reuse of waste such as waste oil and metals, and continued to develop circular packaging solutions.

2025 Key Actions and Achievements in Recycling of the Group

- | | |
|---------------------------|--|
| Wastewater reuse | <ul style="list-style-type: none"> Promote reclaimed wastewater management by treating various types of wastewater, including steam, boiler condensate, welding wastewater, hot tank-washing water, and cleaning wastewater, which are reused after purification treatment. |
| Raw material reuse | <ul style="list-style-type: none"> Use scrap copper to replace refined copper and recycle and smelt scrap copper for reuse in production. While maintaining stable product performance, select recycled materials or waste materials as raw materials. |
| Waste reuse | <ul style="list-style-type: none"> Following filtration treatment, waste oil is recycled and reused. Waste oil reduction targets are established, with continuous advancement of the classified recycling and circular utilisation of various types of waste. |
| Energy reuse | <ul style="list-style-type: none"> The steam turbine power generation project generates 270,000 kWh of electricity annually, while also achieving the recovery and utilisation of waste heat from hot water. |



In 2025, the Group continued to reduce the use of disposable consumables and, by integrating smart warehousing and optimizing circular pick-up and loading solutions, enhanced resource efficiency across the logistics process.

Circular Reuse Model in Logistics and Transportation of the Group

Circular Packaging programme

- The Group changed the packaging method for an electronic expansion valve to circular packaging, using pallet boxes instead of traditional single-use packaging. About 48,000 sets are reused annually, with the inner lining having a lifespan of two years, and the outer box lasting three years.
- The Group changed the packaging method for a battery and motor water pump to circular packaging, using turnover boxes and plastic to replace disposable cartons and paper grilles, reducing carton waste while lowering costs.

Customer reuse process

- The turnover boxes and boarding boxes used for shipping products can be recycled. After the product is delivered to the customer, the empty boxes used by the customer are transported back to the Storage and Transportation Department and can be distributed to various factories for reuse. Each box can be reused approximately 14 times per year.

Supplier reuse process

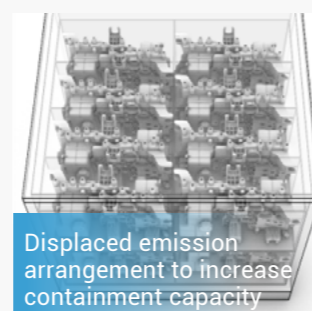
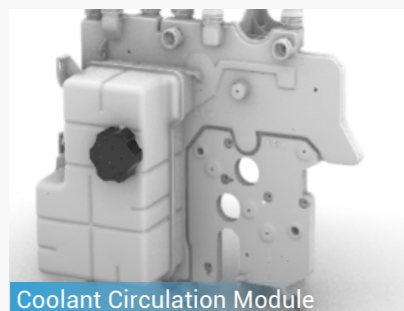
- Encouraged suppliers to use recyclable packaging materials for components, such as plastic baskets and other eco-friendly materials.
- Returned raw material packaging to suppliers for reuse and sold auxiliary materials from injection moulded parts to third parties for recycling.
- Designed supplier circular pickup routes to reduce transport frequency and distance.

Outsourced waste reuse

- Classified waste materials based on their composition, such as waste solder dross, waste pins, and scrap metal, and sold these materials to third parties for recycling.

Loading plan optimisation

- Replaced the original single-row arrangement of the coolant circulation modules (each pallet box accommodated 18 units) with a staggered stacking arrangement (each pallet box accommodated 32 units), thereby improving the utilisation rate of the hollow board inner liner and reducing the costs of transportation, warehousing, and empty box returns.



ESG Data Tables and Notes

Economic performance

Metric	Unit	2023	2024	2025
Total assets	RMB10,000	3,189,058.48	3,635,474.84	4,940,613.06
Total revenue	RMB10,000	2,455,780.21	2,794,716.45	3,101,174.45
Total taxes paid	RMB10,000	71,797.96	105,764.05	121,809.45

Business ethics

Metric	Unit	2023	2024	2025
Proportion of directors receiving anti-bribery and anti-corruption training ¹	%	/	100	100
Proportion of operational sites covered by business ethics audits ²	%	100	100	100
Number of concluded corruption litigation cases brought against the Group or its employees	/	0	0	0
Number of cases where the Group was sanctioned by authorities for unfair competition or violations of antitrust and anti-monopoly laws	/	0	0	0
Amount involved in litigation or major administrative penalties resulting from the Group's misconduct	RMB10,000	0	0	0
Number of non-compliance incidents related to the protection of trade secrets (including intellectual property)	/	0	0	0

Note 1: [Calculation formula] Proportion of directors receiving anti-bribery and anti-corruption training = Number of directors receiving anti-bribery and anti-corruption training / Total number of board members × 100%.

Note 2: [Calculation formula] Proportion of operational sites covered by business ethics audits = Number of operational sites that have undergone business ethics audits within a three-year period / Total number of operational sites × 100%.

Innovation and intellectual property

Metric	Unit	2023	2024	2025
R&D investment amount	RMB10,000	109,683.42	135,179.88	137,407.13
Proportion of R&D investment to revenue ¹	%	4.47	4.84	4.43
Number of R&D personnel	/	3,241	3,578	3,346
Proportion of R&D personnel to total number of employees ²	%	18.28	18.08	17.53
Number of patent applications during the reporting period	/	1,293	1,341	1,029
Number of patents granted during the reporting period	/	211	460	576
Number of valid patents as of the end of the reporting period	/	3,792	4,252	

Note 1: [Calculation formula] Proportion of R&D investment to revenue = R&D investment amount for the year / Total revenue for the year × 100%.

Note 2: [Calculation formula] Proportion of R&D personnel to total number of employees = Number of R&D personnel / Total number of employees × 100%.

Product and service safety and quality

Metric	Unit	2023	2024	2025
Number of incidents of non-compliance with laws and regulations related to products and services	/	0	0	0
Amount of losses involved in major safety and quality liability incidents related to products and services	RMB10,000	0	0	0
Total number of complaints received regarding products and services	/	7	5	4
Complaint handling rate for products and services ¹	%	100	100	100
Sales value of products recalled for safety and health reasons from products sold or shipped	RMB10,000	0	0	0

Note 1: [Calculation formula] Complaint handling rate for products and services = Number of complaints regarding products and services handled / Total number of complaints received regarding products and services × 100%.

Cyber and information security

Metric	Unit	2023	2024	2025
Number of substantiated incidents of customer data leakage, theft, or loss	/	0	0	0
Amount involved in data security incidents	RMB10,000	0	0	0
Amount involved in customer privacy breach incidents	RMB10,000	0	0	0

Sustainable procurement

Metric	Unit	2023	2024	2025
Total number of suppliers ¹	/	7,291	7,564	7,804
By region	Chinese mainland	/	3,870	3,950
	Hong Kong, Macau, Taiwan, and overseas	/	3,421	3,614
Proportion of direct suppliers assessed through ESG surveys ²	%	/	/	73.36
Proportion of direct suppliers that have signed the sustainable procurement policy or supplier code of conduct ³	%	100	100	100
Proportion of direct suppliers providing conflict minerals information ⁴	%	100	100	100
Proportion of direct suppliers with contracts including environmental, labor, and human rights clauses ⁵	%	100	100	79.55
Proportion of procurement personnel receiving sustainable procurement training ⁶	%	100	100	100

Note 1: [Calculation formula] Total number of suppliers (as of the end of the reporting period) = Number of suppliers in Chinese mainland (as of the end of the reporting period) + Number of suppliers in Hong Kong, Macau, Taiwan, and overseas (as of the end of the reporting period).

Note 2: [Calculation scope] Direct suppliers refer to suppliers providing raw materials, parts, or components required for the bill of materials (BOM) of products. [Calculation formula] Proportion of direct suppliers assessed through ESG surveys = Number of direct suppliers assessed through ESG surveys during the reporting period / Total number of direct suppliers × 100%.

Note 3: [Calculation formula] Proportion of direct suppliers that have signed the sustainable procurement policy or supplier code of conduct = Number of direct suppliers that have signed the sustainable procurement policy or supplier code of conduct as of the end of the reporting period / Total number of direct suppliers × 100%.

Note 4: [Calculation formula] Proportion of direct suppliers providing conflict minerals information = Number of direct suppliers providing conflict minerals information / Total number of direct suppliers × 100%.

Note 5: In 2025, the Group standardized and revised the *Supply Agreement* applicable to all business units, updating clauses related to environmental, labor, and human rights requirements. The revised agreement was progressively issued and implemented throughout the year and will be gradually extended to cover all direct suppliers. [Calculation formula] Proportion of direct suppliers with contracts including environmental, labor, and human rights clauses = Number of direct suppliers with contracts including environmental, labor, and human rights clauses / Total number of direct suppliers × 100%.

Note 6: [Calculation formula] Proportion of procurement personnel receiving sustainable procurement training = Number of procurement personnel receiving sustainable procurement training / Total number of procurement personnel × 100%.

Labor rights and talent retention

Metric	Unit	2023	2024	2025
Total number of employees	/	17,732	19,787	19,090
By gender	Female	/	6,551	6,722
	Male	/	11,181	13,065
By region	Chinese mainland	/	13,120	14,429
	Hong Kong, Macau, Taiwan, and overseas	/	4,612	5,358
By type	Full-time employees	/	17,558	18,709

Metric		Unit	2023	2024	2025
By type	Interns	/	65	1,000	1,037
	Rehired retirees	/	109	78	64
By age	Above 50 years old	/	1,421	1,651	1,560
	30 to 50 years old	/	10,091	10,391	10,458
	Below 30 years old	/	6,220	7,745	7,072
By level	Junior staff	/	13,885	15,434	16,131
	Junior management	/	2,128	2,473	2,074
	Middle management	/	1,634	1,790	797
	Senior management	/	85	90	88
Number of employees from minority ethnic groups		/	243	437	395
Number of minority employees in senior management		/	0	0	2
Proportion of female employees in senior management		%	7.06	15.56	14.77
Employee turnover rate ¹		%	17.39	21.25	23.79
By gender	Female	%	17.58	20.92	28.91
	Male	%	17.29	21.58	20.68
By region	Chinese mainland	%	13.44	14.48	11.82
	Hong Kong, Macau Taiwan, and overseas	%	26.90	14.70	44.20
By age	Above 50 years old	%	19.94	34.57	16.04
	30 to 50 years old	%	13.14	17.82	18.61
	Below 30 years old	%	22.96	24.68	31.61
Proportion of employees covered by collective agreements ²		%	91.50	92.00	93.00
Labor contract signing rate		%	100	100	100
Social insurance coverage rate		%	100	100	100

Note 1: [Calculation formula] Employee turnover rate by category = Number of employees in the category who left during the reporting period / (Number of employees in the category at the end of the reporting period + Number of employees in the category who left during the reporting period) × 100%.

Note 2: [Calculation formula] Proportion of employees covered by collective agreements = Number of employees covered by collective agreements / Total number of employees × 100%.

Human capital development

Metric	Unit	2023	2024	2025
Number of employee training sessions	/	9,909	6,853	7,821
Total expenditure on employee training	RMB10,000	762.89	829.74	523.95

Metric		Unit	2023	2024	2025
Employee training coverage rate ¹		%	76.29	81.66	73.11
By gender	Female	%	35.08	33.60	41.66
	Male	%	64.92	66.40	58.34
By level	Junior staff	%	/	/	85.05
	Junior management	%	/	/	10.35
	Middle management	%	/	/	3.86
	Senior management	%	/	/	0.74
Total training hours received by employees		Hours	689,225.36	753,686.63	677,318.65
Average training hours per employee ²		Hours	38.87	39.66	35.48
By gender	Female	Hours	47.34	48.21	33.74
	Male	Hours	33.90	34.96	36.43
By level	Junior staff	Hours	/	/	35.40
	Junior management	Hours	/	/	36.27
	Middle management	Hours	/	/	31.44
	Senior management	Hours	/	/	67.74
Proportion of employees receiving diversity, anti-discrimination, and anti-harassment training ³		%	80.00	86.00	62.29
Proportion of employees undergoing regular performance and career development evaluations ⁴		%	100.00	100.00	100.00

Note 1: [Calculation formula] Employee training coverage rate = Number of employees receiving training / Total number of employees × 100%. Training coverage rate for each employee category = (Number of employees in that category who received training / Total number of employees who received training) × 100%. In 2025, the Company was listed on the main board of the SEHK and began disclosing employee training coverage data by management level.

Note 2: [Calculation formula] Average training hours per employee by category = Total training hours received by employees in the category / Number of employees in the category.

Note 3: [Calculation formula] Proportion of employees receiving diversity, anti-discrimination, and anti-harassment training = Number of employees receiving diversity, anti-discrimination, and anti-harassment training / Total number of employees × 100%.

Note 4: [Calculation formula] Proportion of employees undergoing regular performance and career development evaluations = Number of employees undergoing regular performance and career development evaluations / Total number of employees × 100%.

Occupational health and safety

Metric	Unit	2023	2024	2025
Fatality rate due to work-related injuries	%	0	0	0
Number of lost-time injury accidents	/	90	104	51
Number of workdays lost due to work-related injuries	Days	3,117	2,326	1,386
Occupational disease medical examination coverage rate ¹	%	100	100	100
Work-related injury insurance coverage rate ²	%	100	100	100
Expenditure on work-related injury insurance	RMB10,000	/	721.627	792.93
Coverage rate of work safety liability insurance ³	%	/	/	3.63

Metric	Unit	2023	2024	2025
Expenditure on work safety liability insurance	RMB10,000	/	10.06	6.79
Proportion of operational sites covered by health and safety risk assessments ⁴	%	100	100	100

Note 1: [Calculation formula] Occupational disease medical examination coverage rate = Number of employees undergoing occupational disease medical examinations / Number of employees in positions with occupational disease risk at the end of the reporting period × 100%.

Note 2: [Calculation formula] Work-related injury insurance coverage rate = Number of employees covered by work-related injury insurance during the reporting period / Total number of employees × 100%.

Note 3: [Calculation formula] Work safety liability insurance coverage rate = Number of production employees covered by work safety liability insurance during the reporting period / Total number of production employees × 100%. The Group does not fall within the eight high-risk industries defined in the Implementation Measures for Work Safety Liability Insurance. Only certain positions involving special equipment, welding, and electroplating require such insurance coverage. In addition, overseas production bases are not subject to this requirement; therefore, the overall coverage rate of work safety liability insurance is relatively low.

Note 4: [Calculation formula] Proportion of operational sites covered by health and safety risk assessments = Number of operational sites that underwent health and safety risk assessments during the reporting period / Total number of operational sites × 100%.

Corporate citizens and public welfare

Metric	Unit	2024	2025
Amount of charitable donations	RMB10,000	12.48	33.45
Number of employee volunteer participants	/	439	203
Total employee volunteer hours	Hours	895	1,508

Emissions and waste management¹

Metric	Unit	2023	2024	2025
Environmental management				
Expenditure on environmental management and environmental protection taxes	RMB10,000	2,883.32	3,432.76	3,391.80
Proportion of employees receiving environmental-related training ²	%	100	100	86.36
Proportion of operational sites covered by environmental risk assessments ³	%	100	100	81.82
Pollutant discharge				
Wastewater and water pollutants				
Total wastewater discharge	m ³	1,945,595.99	3,027,711.46	2,991,288.62
By category	Industrial wastewater	m ³	/	2,153,879.86
	Domestic wastewater	m ³	/	873,831.60
By type of water pollutant	Total nitrogen (TN) discharge	Tons	/	27.29
				35.36

Metric	Unit	2023	2024	2025
By type of water pollutant	Biochemical oxygen demand (BOD ₅) discharge	t	/	40.72
	Chemical oxygen demand (COD) discharge	t	222.16	231.10
	Ammonia nitrogen (NH ₃ -N) discharge	t	9.19	11.03
Air pollutants				
By type of air pollutant	Volatile organic compounds (VOCs) emissions	t	/	14.04
	Nitrogen oxides (NO _x) emissions	t	16.62	16.09
	Sulfur oxides (SO _x) emissions	t	4.28	5.33
	Particulate matter (PM) emissions	t	37.04	33.05
Waste disposal				
Total waste generated	t	15,721.63	38,984.28	40,728.52
Waste intensity	t / RMB10,000	0.0064	0.0139	0.0131
Non-hazardous waste generated	t	10,145.82	33,597.57	33,548.54
Non-hazardous waste intensity	t / RMB10,000	0.0041	0.0120	0.0108
By type	Waste paper	t	/	2,881.66
	Domestic waste	t	/	16,302.41
	General industrial solid waste	t	/	10,929.94
	Other ⁴	t	/	2,786.29
Hazardous waste generated	t	5,575.82	5,386.71	7,179.93
Hazardous waste intensity	t / RMB10,000	0.0023	0.0019	0.0023
By type	Discarded solvents or chemicals	t	/	906.38
	Waste oil/lubricants from property management	t	/	263.02
	Electronic products	t	/	115.27
	Other ⁵	t	/	4,016.22

Note 1: From 2023 to 2025, the Group's environmental intensity indicators were calculated using annual revenue as the denominator.

Note 2: In 2025, the Group expanded the scope for calculating the proportion of employees receiving environment-related training to include all domestic and overseas operations. As of the end of 2025, such training had not yet covered all operating sites. The Group will gradually expand the coverage of environmental training to enhance employees' environmental awareness and capabilities. [Calculation formula] Proportion of employees receiving environment-related training = Number of employees receiving environment-related training / Total number of employees × 100%.

Note 3: In 2025, the Group expanded the scope for calculating the coverage of environmental risk assessments to include all domestic and overseas operations. As of the end of 2025, such assessments had not yet covered all operating sites. The Group will gradually expand the coverage of environmental risk assessments to mitigate and prevent potential negative environmental impacts arising from its operations. [Calculation formula] Proportion of operational sites covered by environmental risk assessments = Number of operational sites undergoing environmental risk assessments during the reporting period / Total number of operational sites × 100%.

Note 4: Other non-hazardous waste generated during operations includes scrap metal, kitchen waste, wood, foil, etc.

Note 5: Other hazardous waste generated during operations includes waste solvents, waste chemicals, waste oil, sludge, etc.

Resource management¹

Metric		Unit	2023	2024	2025	
Energy management						
Total energy consumption		tce	74,852.32	101,310.86	110,935.23	
Energy consumption intensity		tce/RMB10,000	0.0305	0.0363	0.0358	
By direct / indirect	Direct energy	tce	25,978.80	19,401.56	29,285.08	
	Indirect energy	tce	48,873.52	81,909.30	81,650.15	
By status	Non-renewable energy	tce	/	89,191.77	96,359.78	
	Renewable energy	tce	/	12,119.09	14,575.45	
By source	Natural gas	m ³	14,432,218.06	14,121,650.45	14,995,205.29	
	Gasoline	Liters	224,397.11	261,873.45	238,506.52	
	Diesel	Liters	201,550.51	270,045.87	358,528.39	
	Electricity ²	MWh	402,683.82	615,802.92	704,706.38	
	By source	Non-renewable energy	MWh	351,541.74	517,264.11	586,195.22
		Renewable energy	MWh	51,142.08	98,538.81	118,511.16
	Steam	GJ	165,035.36	180,690.56	105,881.49	
Proportion of electricity from renewable sources		%	12.70	16.00	16.82	
Water resource management						
Total water consumption		m ³	4,002,069.09	4,496,122.51	4,353,671.55	
Water consumption intensity		m ³ /RMB10,000	1.63	1.61	1.40	
By source	Municipal water	m ³	4,002,069.09	3,533,936.51	3,536,869.55	
	Surface water	m ³	0.00	962,186.00	816,802.00	
Circular Economy						
Total reused water		m ³	642,244.00	1,501,076.90	166,478.10	
Proportion of reused water to total water consumption		%	16.05	33.39	23.09	
Total amount of finished product packaging materials used		t	16,142.05	14,565.52	15,132.53	
Total amount of reused finished product packaging materials		t	2,523.30	3,214.36	3,676.05	
Recycling rate of finished product packaging materials ³		%	15.63	22.07	24.29	
Amount of waste recycled		t	/	7,415.54	15,880.36	

Note 1: In 2025, the Group continued to improve the statistical scope of resource-related data and made retrospective adjustments to data from domestic and overseas factories for 2024 as far as possible to enhance comparability.

Note 2: [Calculation scope] Electricity from renewable sources includes the green electricity directly purchased by the Group, on-site photovoltaic generation at factory sites, and verified volumes of purchased green power certificates. [Calculation formula] Total electricity consumption = Electricity from non-renewable sources + Electricity from renewable sources.

Note 3: [Calculation formula] Recycling rate of finished product packaging materials = Total amount of reused finished product packaging materials / Total amount of finished product packaging materials used × 100%.

Responding to climate change¹

Metric		Unit	2023	2024	2025
GHG emissions – market-based (Scope 1 + Scope 2)		tCO ₂ e	253,251.65	343,279.37	389,145.86
GHG emission intensity – market-based		tCO ₂ e / RMB10,000	0.10	0.12	0.13
By scope	Scope 1 ²	tCO ₂ e	32,262.17	32,019.52	34,101.51
	Scope 2 – market-based ³	tCO ₂ e	220,989.48	311,259.85	355,044.35
	Scope 2 – location-based ³	tCO ₂ e	/	344,196.64	377,500.88
	Scope 3 ⁴	tCO ₂ e	39,575.25	77,049.86	79,875.23

Note 1: In 2025, the Group continued to improve the statistical scope of GHG emission data and made retrospective adjustments to data from domestic and overseas factories for 2024 as far as possible to enhance comparability. In addition, due to the gradual expansion of the Group's production capacity, relevant GHG emission data show an upward trend. The Group will implement management measures to maintain the stability of related intensity indicators.

Note 2: Scope 1 GHG emissions include direct emissions from the combustion of natural gas, gasoline, diesel, and other energy sources. Calculation methods and emission factors refer to the China Energy Statistical Yearbook (2022) and related sources.

Note 3: Scope 2 GHG emissions include indirect emissions from purchased electricity and purchased steam. For electricity, the market-based and location-based CO₂e/emission factors are: Market-based: 0.6096 tCO₂e/MWh (national average excluding non-fossil energy subject to market trading); Location-based: 0.5306 tCO₂e/MWh (national average). For other countries and regions, electricity emission factors are based on relevant documents issued by local governments or regulatory authorities.

Note 4: In 2023 and 2024, Scope 3 GHG emissions include indirect emissions from upstream transportation and distribution, upstream leased assets, and downstream leased assets. In 2025, Scope 3 GHG emissions add indirect emissions from purchased goods and services. The Scope 3 GHG measurement scope will be gradually expanded and refined in the future. Calculation methods and emission factors refer to the World Input-Output Database (WIOD), China Product Life Cycle GHG Emission Factors, Beijing Low-Carbon Travel Emission Reduction Methodology (Trial), UK DEFRA conversion factors, and the US EPA GHG Emission Factors Hub.

Indexes

Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation) (April, 2024) Index

Topics, Provisions No.		Location, Other Descriptions
Chapter I General Provisions		
Article 4		About this Report
Article 5		Materiality Assessment
Article 6		About this Report ESG Data Tables and Notes
Article 7		Circular Economy Water Resource Management Ecosystem and biodiversity protection Equal treatment of SMEs Ethics of science and technology
Article 8		Innovation and Intellectual Property Rights Product Safety and Quality Customer Relationship Management Occupational Health and Safety Sustainable Procurement Environmental Policies and Management Corporate Governance
Article 9		Materiality Assessment
Article 10		Materiality Assessment
Chapter II Disclosure Framework for Sustainability Information		
Article 11		Innovation and Intellectual Property Rights Product Safety and Quality Customer Relationship Management Occupational Health and Safety Sustainable Procurement Environmental Policies and Management Corporate Governance
Article 12		
Article 13		
Article 14		
Article 15		
Article 16		
Article 17		
Article 18		
Article 19		
Chapter III Environmental Disclosure		
Section 1 Climate response Article 20		Feature 1: Creating Green Products, Reshaping Transformation Opportunities Responding to Climate Change Energy Management
Climate response	Article 21	Feature 1: Creating Green Products, Reshaping Transformation Opportunities Feature 2: Breaking Through Core Technologies, Leading Industry Upgrades Responding to Climate Change ESG Data Tables and Notes

Topics, Provisions No.		Location, Other Descriptions
Climate response	Article 22	The Group has not yet conducted a systematic, dedicated climate adaptation assessment, primarily because resources at this stage are prioritized toward actions with more direct mitigation impacts, such as GHG emissions reduction and green product innovation. In the future, the Group will advance and disclose climate adaptation-related assessments in due course, considering regulatory requirements and progress in capacity building.
	Article 23	Feature 1: Creating Green Products, Reshaping Transformation Opportunities
	Article 24	Responding to Climate Change ESG Data Tables and Notes
	Article 25	Responding to Climate Change
	Article 26	ESG Data Tables and Notes
	Article 27	Feature 1: Creating Green Products, Reshaping Transformation Opportunities
	Article 28	Feature 1: Creating Green Products, Reshaping Transformation Opportunities Feature 2: Breaking Through Core Technologies, Leading Industry Upgrades
Section 2 Pollution Control and Ecosystem Protection Article 29		Emissions and Waste Management Environmental Policies and Management
Pollutant discharge	Article 30	Emissions and Waste Management Contribution to the United Nations Sustainable Development Goals (SDGs) ESG Data Tables and Notes
Waste disposal	Article 31	Emissions and Waste Management Contribution to the United Nations Sustainable Development Goals (SDGs) ESG Data Tables and Notes
Ecosystem and biodiversity protection	Article 32	During the reporting period, the Group's daily operations were concentrated within its industrial parks, outside ecological protection redline areas, and did not involve key marine ecological function zones, nature reserves, or other environmentally sensitive and fragile areas. As the impact on natural ecosystems is minimal, this was not identified as a material topic.
Environmental compliance management	Article 33	Environmental Policies and Management ESG Data Tables and Notes
Section 3 Resource Utilization and Circular Economy Article 34		Resource Management
Energy utilization	Article 35	Energy Management Contribution to the United Nations Sustainable Development Goals (SDGs) ESG Data Tables and Notes
Water resources utilization	Article 36	Water Resource Management Environmental Policies and Management ESG Data Tables and Notes
Circular economy	Article 37	Circular Economy Contribution to the United Nations Sustainable Development Goals (SDGs) ESG Data Tables and Notes
Chapter IV Social Disclosure		
Section 1 Rural Revitalization and Social Contributions Article 38		Corporate Citizens and Public Welfare
Rural revitalization	Article 39	During the reporting period, the Group's direct initiatives in rural revitalization were relatively limited, primarily because its business focus remains on manufacturing and global market expansion. Leveraging its industrial strengths, the Group will actively explore feasible approaches, once conditions permit, gradually contributing to the national rural revitalization strategy.

Topics, Provisions No.		Location, Other Descriptions
Social contributions	Article 40	Corporate Citizens and Public Welfare ESG Data Tables and Notes
Section 2 Innovation-Driven Development and Ethics of Science and Technology Article 41		Innovation and Intellectual Property Rights Feature 2: Breaking Through Core Technologies, Leading Industry Upgrades
Innovation	Article 42	Innovation and Intellectual Property Rights Feature 2: Breaking Through Core Technologies, Leading Industry Upgrades
Ethics of science and technology	Article 43	During the reporting period, the Group's core businesses focused on refrigeration and air-conditioning electrical components as well as automotive parts. Its technology R&D is guided by engineering applications and energy efficiency improvements and does not involve ethically sensitive fields such as life sciences or artificial intelligence. Therefore, this was not identified as a material topic.
Section 3 Suppliers and Customers Article 44		Sustainable Procurement Product and Service Safety and Quality Cyber and Information Security
Supply chain security	Article 45	Sustainable Procurement
Equal treatment of SMEs	Article 46	At the end of the reporting period, the Group's accounts payable (including notes payable) did not exceed RMB30 billion, and their proportion of total assets was also below 50%. Neither the Group nor its controlling subsidiaries disclosed any overdue payments to SMEs through the National Enterprise Credit Information Publicity System. Therefore, this was not identified as a material topic.
Product and service safety and quality	Article 47	Product and Service Safety and Quality ESG Data Tables and Notes
Data security and customer privacy	Article 48	Cyber and Information Security ESG Data Tables and Notes
Section 4 Employees Article 49		Labour Rights and Talent Retention Human Capital Development Occupational Health and Safety
Employees	Article 50	Labour Rights and Talent Retention Human Capital Development Occupational Health and Safety ESG Data Tables and Notes
Chapter V Disclosure of Sustainability-Related Governance Information		
Section 1 Sustainability-Related Governance Mechanisms Article 51		ESG Management
Due diligence	Article 52	Stakeholder Communication and Due Diligence
Stakeholder engagement	Article 53	Stakeholder Communication and Due Diligence
Section 2 Business Practices Article 54		Business Ethics
Anti-commercial bribery and anti-corruption	Article 55	Business Ethics ESG Data Tables and Notes
Fair competition	Article 56	Business Ethics ESG Data Tables and Notes
Chapter VI Supplementary Provisions and Interpretation		
Article 57		Index
Article 58		This report has not been subject to external assurance or verification.

Appendix C2 Environmental, Social and Governance Reporting Code of Rules Governing the Listing of Securities on The SEHK (Effective from January 1, 2025) Index

Part B: Mandatory Disclosure Requirements	
Mandatory KPI	Location
Governance Structure	Message from the Chairman ESG Governance Mechanism
Reporting Principles	About this Report
Reporting Boundary	About this Report
Part C: "Comply or explain" Provisions	
Subject Areas, Aspects, General Disclosures and KPIs	Location
A. Environmental	
Aspect A1: Emissions	
General Disclosure	Environmental Policies and Management Emissions and Waste Management
KPI A1.1	Emissions and Waste Management ESG Data Tables and Notes
KPI A1.2 [Repealed 1 January 2025]	--
KPI A1.3	ESG Data Tables and Notes
KPI A1.4	ESG Data Tables and Notes
KPI A1.5	Contribution to the United Nations Sustainable Development Goals (SDGs) Emissions and Waste Management
KPI A1.6	Contribution to the United Nations Sustainable Development Goals (SDGs) Emissions and Waste Management
Aspect A2: Use of Resources	
General Disclosure	Environmental Policies and Management Resource Management
KPI A2.1	ESG Data Tables and Notes
KPI A2.2	ESG Data Tables and Notes
KPI A2.3	Contribution to the United Nations Sustainable Development Goals (SDGs)
KPI A2.4	Contribution to the United Nations Sustainable Development Goals (SDGs) Water Resource Management
KPI A2.5	Circular Economy ESG Data Tables and Notes
Aspect A3: The Environment and Natural Resources	
General Disclosure	Environmental Policies and Management
KPI A3.1	Environmental Policies and Management
Aspect A4: Climate Change	
General Disclosure [Repealed 1 January 2025]	--

KPI A4.1 [Repealed 1 January 2025]	--
B. Employment and Labour Practices	
Aspect B1: Employment	
General Disclosure	Labour Rights and Talent Retention
KPI B1.1	ESG Data Tables and Notes
KPI B1.2	ESG Data Tables and Notes
Aspect B2: Health and Safety	
General Disclosure	Occupational Health and Safety
KPI B2.1	ESG Data Tables and Notes
KPI B2.2	ESG Data Tables and Notes
KPI B2.3	Occupational Health and Safety
Aspect B3: Development and Training	
General Disclosure	Human Capital Development
KPI B3.1	ESG Data Tables and Notes
KPI B3.2	ESG Data Tables and Notes
Aspect B4: Labour Standards	
General Disclosure	Labour Rights and Talent Retention
KPI B4.1	Labour Rights and Talent Retention
KPI B4.2	Labour Rights and Talent Retention
B. Operating Practices	
Aspect B5: Supply Chain Management	
General Disclosure	Sustainable Procurement
KPI B5.1	ESG Data Tables and Notes
KPI B5.2	Sustainable Procurement ESG Data Tables and Notes
KPI B5.3	Sustainable Procurement
KPI B5.4	Sustainable Procurement Circular Economy
Aspect B6: Product Responsibility	
General Disclosure	Product and Service Safety and Quality
KPI B6.1	ESG Data Tables and Notes
KPI B6.2	ESG Data Tables and Notes
KPI B6.3	Innovation and Intellectual Property Rights
KPI B6.4	Product and Service Safety and Quality
KPI B6.5	Cyber and Information Security
Aspect B7: Anticorruption	
General Disclosure	Business Ethics

KPI B7.1	ESG Data Tables and Notes	
KPI B7.2	Business Ethics	
KPI B7.3	ESG Governance Mechanism Business Ethics	
B. Community		
Aspect B8: Community Investment		
General Disclosure	Corporate Citizens and Public Welfare	
KPI B8.1	Corporate Citizens and Public Welfare	
KPI B8.2	Corporate Citizens and Public Welfare ESG Data Tables and Notes	
Part D: Climate-related Disclosures		
Provisions		Location and Other Descriptions
(I) Governance		
19	19.a	Responding to Climate Change—Governance ESG Governance Mechanism During the reporting period, the Group had not yet established a systematic mechanism to assess the Board's professional competence in climate-related matters. However, it has recognized the importance of this area and plans to actively make relevant arrangements in the future, including introducing external expert resources and conducting targeted training to enhance the Board's climate governance capabilities.
	19.b	Responding to Climate Change—Governance ESG Governance Mechanism
(II) Strategy		
Climate-related risks and opportunities		
20	20.a	Responding to Climate Change—Strategy
	20.b	Responding to Climate Change—Strategy
	20.c	Responding to Climate Change—Strategy
	20.d	Responding to Climate Change—Strategy
Business model and value chain		
21	21.a	Responding to Climate Change—Strategy
	21.b	Responding to Climate Change—Strategy
Strategy and decision-making		
22	22.a	Responding to Climate Change—Strategy Feature 1: Creating Green Products, Reshaping Transformation Opportunities During the reporting period, the Group had not yet developed a formal climate transition plan. It plans to advance related work in the future and systematically consider the key assumptions and critical factors underlying such plans to support the orderly implementation of its existing climate strategy.
	22.b	Feature 1: Creating Green Products, Reshaping Transformation Opportunities Responding to Climate Change—Governance
23	Responding to Climate Change— Metrics and targets	
Financial position, financial performance and cash flows		
24	24.a	Responding to Climate Change—Strategy
	24.b	During the reporting period, the Group did not identify any significant risks that have materialized or are highly likely to result in material adjustments to the carrying amounts of assets or liabilities in the financial statements of the next reporting year.

25	25.a	During the reporting period, the Group's capability to quantitatively forecast the impacts of its climate-related strategies on its financial performance in the short, medium, and long term remained underdeveloped. Therefore, this disclosure is subject to the capability exemption provisions under the relevant standards. The Group will continue to assess the potential impacts of climate change on its business model and capital allocation, and will provide corresponding forward-looking analyses in a timely manner once sufficient information and a clear strategic pathway are available.
	25.b	
Climate resilience		
26	26.a	During the reporting period, the Group's capability to quantitatively assess the resilience of its business model and strategy under different climate scenarios remained underdeveloped. Therefore, this disclosure is subject to the capability exemption provisions under the relevant standards. The Group will continue to monitor the evolution of climate policies, technologies, and markets, and, when conditions allow, will adopt scenario analysis methods proportionate to its business scale and risk characteristics to assess and disclose its climate resilience.
	26.b	
(III) Risk Management		
27	27.a	Responding to Climate Change— Impacts, risks, and opportunities management
	27.b	Responding to Climate Change— Impacts, risks, and opportunities management
	27.c	Responding to Climate Change— Governance, Impacts, risks, and opportunities management
(IV) Metrics and Targets		
Greenhouse gas emissions		
28	28.a	Responding to Climate Change— Metrics and targets ESG Data Tables and Notes
	28.b	Responding to Climate Change— Metrics and targets ESG Data Tables and Notes
	28.c	Responding to Climate Change— Metrics and targets ESG Data Tables and Notes
29	29.a	ESG Data Tables and Notes
	29.b	ESG Data Tables and Notes
	29.c	ESG Data Tables and Notes
	29.d	ESG Data Tables and Notes
Climate-related transition risks		
30	Feature 1: Creating Green Products, Reshaping Transformation Opportunities	
Climate-related physical risks		
31	During the reporting period, the Group had not yet established a systematic mechanism to quantitatively assess climate-related physical risks, such as extreme heat, heavy rainfall, or flooding. As a result, it is currently unable to accurately disclose the amount of assets directly exposed to such risks or their specific proportion of total assets. However, the Group has preliminarily identified that certain production sites—such as factories located in East China and South America—may be geographically exposed to physical climate risks, including typhoons, heavy rainfall, or high temperatures, potentially affecting buildings, equipment, and operational activities. The Group will gradually strengthen its capability to identify and assess climate-related physical risks and provide more specific quantitative information once conditions permit.	
Climate-related opportunities		
32	Feature 1: Creating Green Products, Reshaping Transformation Opportunities	
Capital deployment		
33	During the reporting period, the Group had not established dedicated capital expenditure, financing, or investment projects specifically for addressing climate-related risks and opportunities, nor had it classified existing expenditures with explicit climate-related labels. Although the Group has undertaken certain investments in daily operations related to energy efficiency improvement, green manufacturing, and low-carbon product development, these expenditures are embedded within the overall business investment plan and have not yet been systematically separated or accounted for from a climate perspective. The Group will, in line with the advancement of its climate strategy, gradually improve the tracking and aggregation system for climate-related financial data and will fulfill the corresponding disclosure obligations once a reasonable measurement basis is available.	

Internal carbon prices		
34	34.a	During the reporting period, the Group had not applied a carbon pricing mechanism, nor incorporated carbon prices into investment evaluation, transfer pricing, or climate scenario analysis processes. The Group will continue to monitor the development of domestic and international carbon markets and policy trends, and will carefully assess the necessity and feasibility of introducing carbon pricing tools as its climate strategy evolves.
	34.b	
Remuneration		
35	Responding to Climate Change – Governance	
Industry-based metrics		
36	ESG Data Tables and Notes	
Climate-related targets		
37	37.a	Responding to Climate Change – Metrics and targets
	37.b	
	37.c	
	37.d	
	37.e	
	37.f	
	37.g	
	37.h	
38	38.a	During the reporting period, the Group's climate-related targets had not been verified by a third party. As its climate strategy progresses, the Group will consider engaging independent third-party organizations to verify its targets and methodologies—such as those aligned with the SBTi standard—when setting science-based carbon targets, in order to enhance transparency and credibility.
	38.b	Responding to Climate Change – Governance
	38.c	Responding to Climate Change – Metrics and targets
	38.d	During the reporting period, the Group did not revise its climate-related targets.
39	Responding to Climate Change – Metrics and targets ESG Data Tables and Notes	
40	40.a	The Group's climate-related targets cover greenhouse gases such as carbon dioxide, nitrous oxide, and methane.
	40.b	The Group's climate-related targets cover Scope 1 and Scope 2 greenhouse gas emissions.
	40.c	The Group's climate-related targets are net greenhouse gas emission targets. Corresponding gross emission targets will be disclosed in line with the development of its future climate strategy to ensure transparency and comparability.
	40.d	The Group's climate-related targets are not derived using industry-specific decarbonization methods.
	40.e	During the reporting period, the Group has no plans to use carbon credits to offset greenhouse gas emissions in order to achieve its net greenhouse gas emission targets.
Applicability of cross-industry metrics and industry-based metrics		
41	During the reporting period, the Group conducted applicability assessments for both cross-industry and industry-specific indicators.	

GRI Index (2021)

Statement of use	Zhejiang Group Intelligent Controls Co., Ltd. prepared the report between 1 January 2025 and 31 December 2025 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location and Other Descriptions
GRI 2: General Disclosure 2021	2-1	Organizational details About Group
	2-2	Entities included in the organization's sustainability reporting About this Report
	2-3	Reporting period, frequency and contact point About this Report
	2-4	Restatements of information ESG Data Tables and Notes
	2-5	External assurance During the reporting period, this report has not been subject to external assurance or verification.
	2-6	Activities, value chain and other business relationships About Group
	2-7	Employees ESG Data Tables and Notes
	2-8	Workers who are not employees Workers who are not Group employees mainly consist of contractors and outsourcing workers.
	2-9	Governance structure and composition Corporate Governance
	2-10	Nomination and selection of the highest governance body Corporate Governance
	2-11	Chair of the highest governance body Corporate Governance
	2-12	Role of the highest governance body in overseeing the management of impacts ESG Governance Mechanism
	2-13	Delegation of responsibility for managing impacts ESG Governance Mechanism
	2-14	Role of the highest governance body in sustainability reporting ESG Governance Mechanism
	2-15	Conflicts of interest Corporate Governance
	2-16	Communication of critical concerns Materiality Assessment
	2-17	Collective knowledge of the highest governance body ESG Governance Mechanism
	2-18	Evaluation of the performance of the highest governance body Corporate Governance
	2-19	Remuneration policies Corporate Governance
	2-20	Process to determine remuneration Corporate Governance
	2-21	Annual total compensation ratio The Group did not disclose this information externally due to confidentiality requirements.
	2-22	Statement on sustainable development strategy Message from the Chairman
	2-23	Policy commitments Responding to Climate Change Business Ethics Labour Rights and Talent Retention

GRI Standard	Disclosure	Location and Other Descriptions
GRI 2: General Disclosure 2021	2-24	Embedding policy commitments Materiality Assessment Responding to Climate Change Business Ethics Labour Rights and Talent Retention
	2-25	Processes to remediate negative impacts Materiality Assessment
	2-26	Mechanisms for seeking advice and raising concerns Business Ethics Labour Rights and Talent Retention
	2-27	Compliance with laws and regulations Business Ethics Product and Service Safety and Quality Cyber and Information Security Labour Rights and Talent Retention Occupational Health and Safety Environmental Policies and Management
	2-28	Membership associations Group 2025 Highlights Overview
	2-29	Approach to stakeholder engagement Materiality Assessment
	2-30	Collective bargaining agreements Labour Rights and Talent Retention
GRI 3: Material Topics 2021	3-1	Process to determine material topics Materiality Assessment
	3-2	List of material topics Materiality Assessment
	3-3	Management of material topics Materiality Assessment
GRI 101: Biodiversity 2024	101-1	Policies to halt and reverse biodiversity loss
	101-2	Management of biodiversity impacts
	101-3	Access and benefit-sharing
	101-4	Identification of biodiversity impacts
	101-5	Locations with biodiversity impacts
	101-6	Direct drivers of biodiversity loss
	101-7	Changes to the state of biodiversity
	101-8	Ecosystem services
GRI 102: Climate Change 2025	102-1	Transition plan for climate change mitigation Feature 1: Creating Green Products, Reshaping Transformation Opportunities
	102-2	Climate change adaptation plan Feature 1: Creating Green Products, Reshaping Transformation Opportunities
	102-3	Just transition During the reporting period, the Group has not yet undertaken any practices related to a just transition.
	102-4	GHG emissions reduction targets and progress Feature 1: Creating Green Products, Reshaping Transformation Opportunities
	102-5	Scope 1 GHG emissions Responding to Climate Change
	102-6	Scope 2 GHG emissions Responding to Climate Change
	102-7	Scope 3 GHG emissions Responding to Climate Change
	102-8	GHG emissions intensity Responding to Climate Change
	102-9	GHG removals in the value chain During the reporting period, the Group has not yet implemented any greenhouse gas removal practices within its value chain.

GRI Standard	Disclosure		Location and Other Descriptions
GRI 102: Climate Change 2025	102-10	Carbon credits	During the reporting period, the Group did not purchase any carbon credits.
GRI 103: Energy 2025	103-1	Energy policies and commitments	Energy Management
	103-2	Energy consumption and self-generation within the organization	Energy Management
	103-3	Upstream and downstream energy consumption	Energy Management
	103-4	Energy intensity	Energy Management
	103-5	Reduction in energy consumption	Energy Management
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	About Group ESG Data Tables and Notes
	201-2	Financial implications and other risks and opportunities due to	Feature 1: Creating Green Products, Reshaping Transformation Opportunities Responding to Climate Change
	201-3	climate change	Labour Rights and Talent Retention
	201-4	Defined benefit plan obligations and other retirement plans	For details, please refer to the Group 2025 Annual Report.
GRI 202: Market Presence 2016	202-1	Financial assistance received from government	The Group did not disclose this information externally due to confidentiality requirements.
	202-2	Ratios of standard entry level wage by gender compared to local	The Group did not disclose this information externally due to confidentiality requirements.
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Corporate Citizens and Public Welfare
	203-2	Significant indirect economic impacts	Materiality Assessment
GRI 204: Procurement Practices 2016	204-1	Infrastructure investments and services supported	During the reporting period, the Group has not yet compiled the relevant data.
GRI 205: Anti-corruption 2016	205-1	Significant indirect economic impacts	Business Ethics ESG Data Tables and Notes
	205-2	Communication and training about anti-corruption policies and procedures	
	205-3	Confirmed incidents of corruption and actions taken	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, antitrust, and monopoly practices	Business Ethics
GRI 207: Tax 2019	207-1	Approach to tax	For details, please refer to the Group 2025 Annual Report.
	207-2	Tax governance, control, and risk management	
	207-3	Stakeholder engagement and management of concerns related to tax	
	207-4	Country-by-country reporting	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Circular Economy ESG Data Tables and Notes

GRI Standard	Disclosure		Location and Other Descriptions
GRI 301: Materials 2016	301-2	Recycled input materials used	Circular Economy ESG Data Tables and Notes
	301-3	Reclaimed products and their packaging materials	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Water Resource Management
	303-2	Management of water discharge-related impacts	Emissions and Waste Management
	303-3	Water withdrawal	ESG Data Tables and Notes
	303-4	Water discharge	ESG Data Tables and Notes
	303-5	Water consumption	ESG Data Tables and Notes
GRI 305: Emissions 2016	305-6	Emissions of ozone-depleting substances (ODS)	During the reporting period, the Group did not have any emissions of this substance.
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	ESG Data Tables and Notes
GRI 306: Effluents and Waste 2016	306-3	Significant spills	Environmental Policies and Management
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Emissions and Waste Management
	306-2	Management of significant waste-related impacts	Emissions and Waste Management
	306-3	Waste generated	Emissions and Waste Management ESG Data Tables and Notes
	306-4	Waste diverted from disposal	Emissions and Waste Management ESG Data Tables and Notes
	306-5	Waste directed to disposal	Emissions and Waste Management ESG Data Tables and Notes
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Sustainable Procurement
	308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Procurement
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	ESG Data Tables and Notes
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Labour Rights and Talent Retention
	401-3	Parental leave	Labour Rights and Talent Retention
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	The Group did not disclose this information externally due to confidentiality requirements.
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational Health and Safety
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
	403-3	Occupational health services	Occupational Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety
	403-5	Worker training on occupational health and safety	Occupational Health and Safety
	403-6	Promotion of worker health	Occupational Health and Safety

GRI Standard	Disclosure		Location and Other Descriptions
GRI 403: Occupational Health and Safety 2018	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety
	403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety
	403-9	Work-related injuries	Occupational Health and Safety ESG Data Tables and Notes
	403-10	Work-related ill health	Occupational Health and Safety ESG Data Tables and Notes
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	ESG Data Tables and Notes
	404-2	Programs for upgrading employee skills and transition assistance programs	Human Capital Development
	404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital Development ESG Data Tables and Notes
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Labor Rights and Talent Retention ESG Data Tables and Notes
	405-2	Ratio of basic salary and remuneration of women to men	The Group did not disclose this information externally due to confidentiality requirements.
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Labor Rights and Talent Retention
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labor Rights and Talent Retention
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Labor Rights and Talent Retention Sustainable Procurement
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labor Rights and Talent Retention Sustainable Procurement
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	During the reporting period, the Group did not provide human rights-related training to its security personnel.
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	During the reporting period, the Group did not experience any incidents involving the violation of Indigenous peoples' rights.
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Environmental Policies and Management
	413-2	Operations with significant actual and potential negative impacts on local communities	Environmental Policies and Management

GRI Standard	Disclosure		Location and Other Descriptions
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Sustainable Procurement
	414-2	Negative social impacts in the supply chain and actions taken	Sustainable Procurement
GRI 415: Public Policy 2016	415-1	Political contributions	During the reporting period, the Group was not involved in any political donation activities
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Product and Service Safety and Quality
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product and Service Safety and Quality
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Product and Service Safety and Quality
	417-2	Incidents of non-compliance concerning product and service information and labeling	Product and Service Safety and Quality
	417-3	Incidents of non-compliance concerning marketing communications	Product and Service Safety and Quality
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Cyber and Information Security ESG Data Tables and Notes