



SANHUA

浙江三花智能控制股份有限公司

(Stock Code: 2050)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended December 31, 2025

		2025	2024
	N ₀	RMB'000	RMB'000
Revenue	4	31,011,745	27,947,165
Cost of revenue		(22,205,064)	(20,326,346)
Gross profit		8,806,681	7,620,819
General and administrative expenses		(2,091,739)	(1,946,785)
Selling and marketing expenses		(751,525)	(726,437)
Research and development expenses		(1,374,071)	(1,351,799)
Net reversal of impairment losses/(net impairment losses) on financial assets		23,481	(56,379)
Other income		410,563	292,301
Other losses, net		(187,336)	(83,795)
Operating profit		4,836,054	3,747,925
Finance income		194,187	67,221
Finance costs		(194,948)	(132,384)
Finance costs, net		(761)	(65,163)
Share of results of associates		8,464	8,925
Profit before income tax		4,843,757	3,691,687
Income tax expenses	5	(737,067)	(579,961)
Profit for the year		4,106,690	3,111,726
Attributable to:			
– Owners of the Company		4,062,892	3,099,165
– Non-controlling interests		43,798	12,561
		4,106,690	3,111,726
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	7	1.03	0.84
– Diluted	7	1.03	0.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended December 31, 2025

	2025 RMB'000	2024 RMB'000
Profit for the year	<u>4,106,690</u>	<u>3,111,726</u>
Other comprehensive income/(expense)		
Intangible assets		
– Currency translation differences of foreign operations	<u>157,147</u>	<u>(253,120)</u>
Other comprehensive income/(expense) for the year, net of tax	<u>157,147</u>	<u>(253,120)</u>
Total comprehensive income for the year	<u><u>4,263,837</u></u>	<u><u>2,858,606</u></u>
Attributable to:		
– Owners of the Company	4,220,039	2,846,045
– Non-controlling interests	<u>43,798</u>	<u>12,561</u>
	<u><u>4,263,837</u></u>	<u><u>2,858,606</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

		2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	13,920,809	12,274,558
Investment properties		6,905	7,053
Right-of-use assets		1,164,886	1,205,331
Deferred tax assets		129,819	112,699
Intangible assets		48,660	36,520
Investments in associates		44,589	40,600
Other non-current assets		367,949	376,825
Total non-current assets		15,683,617	14,053,586
Current assets			
Inventories		5,639,792	5,280,442
Prepayments and other receivables		322,076	417,039
Trade and notes receivables	9	10,993,194	9,628,337
Financial assets at fair value through profit or loss		527,065	6,237
Term deposits and restricted cash		2,424,796	1,805,065
Cash and cash equivalents		12,487,189	3,443,503
Current tax assets		40,810	20,736
Other current assets		1,287,592	1,699,804
Total current assets		33,722,514	22,301,163
Total assets		49,406,131	36,354,749
LIABILITIES			
Non-current liabilities			
Borrowings	10	862,697	2,045,773
Lease liabilities		205,928	237,913
Deferred tax liabilities		217,239	258,264
Other non-current liabilities		714,798	659,851
Total non-current liabilities		2,000,662	3,201,801

	2025	2024
<i>N</i>	<i>RMB'000</i>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended December 31, 2025

1. GENERAL INFORMATION

Zhejiang Sanhua Intelligent Controls Co., Ltd. (the “**Company**”) is a joint stock company with limited liability incorporated in the People’s Republic of China (the “**PRC**”) and its shares are listed on the Shenzhen Stock Exchange (stock code: 002050) on June 7, 2005 and The Stock Exchange of Hong Kong Limited (stock code: 2050) on June 23, 2025. The parent and the ultimate holding company of the Company is Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) (the “**Holding Company**”), which is also incorporated in the PRC. The directors of the Company consider that the ultimate controlling parties of the Company are Mr. Zhang Daocai, Mr. Zhang Yabo (an executive director of the Company) and Mr. Zhang Shaobo (a non-executive director of the Company). The registered office and principal place of business of the Company is located at No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing,

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2026.

³ Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which set out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provision. The application of the new standard is not expected to have significant impact on the financial performance and position of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

4. OPERATING SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“**CODM**”). The executive directors, who have been identified as being the CODM, consist of the chief executive officer, the chief financial officer and the managers for each business unit. The CODM assesses the financial performance and position of the Group and makes strategic decisions. The CODM also reviews the Group’s internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

As at December 31, 2025, the CODM has identified the following reportable segments from a product perspective:

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

(b) Segment information

For the year ended December 31, 2025, the CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, general and administrative expenses and research and development expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net reversal of impairment losses/(net impairment losses) on financial assets, other income, other losses, net, finance costs, net and income tax expenses are also not allocated to individual operating segment.

Segment information for the year ended December 31, 2025 is as follows:

	Refrigeration and air- conditioning product components RMB'000	Automotive components RMB'000	Inter segment elimination RMB'000	Total RMB'000
Revenue from contracts with external customers	18,565,510	12,419,956		30,985,466
Other revenue (,)	19,234	7,045		26,279
Segment revenue	18,584,744	12,427,001		31,011,745
Operating costs	(13,283,267)	(8,921,797)		(22,205,064)
Segment profit	5,301,477	3,505,204		8,806,681
Share of results of associates	8,464			8,464
Other profit or loss				(3,971,388)
Profit before income tax				4,843,757
Segment information of assets and liabilities provided to the CODM for the assessment of performance of different segments:				
Total assets	32,115,236	17,290,895		49,406,131
Total liabilities	9,956,333	7,409,568		17,365,901
Items regularly provided to the CODM but not included in the measure of segment profit or segment assets and liabilities:				
Investments in associates	44,589			44,589
Increase in non-current assets (,,)	1,409,208	1,506,457		2,915,665
Net reversal of impairment losses on financial assets	8,312	15,169		23,481
Depreciation and amortization	659,388	597,054		1,256,442

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

	Refrigeration and air- conditioning product components <i>RMB'000</i>	Automotive components <i>RMB'000</i>	Inter segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with external customers	16,560,605	11,359,289	–	27,919,894
Other revenue (,)	<u>–</u>	<u>27,271</u>	<u>–</u>	<u>27,271</u>
Segment revenue	16,560,605	11,386,560	–	27,947,165
Operating costs	<u>(12,078,850)</u>	<u>(8,247,496)</u>	<u>–</u>	<u>(20,326,346)</u>
Segment profit	4,481,755	3,139,064	–	7,620,819
Share of results of associates	8,925	–	–	8,925
Other profit or loss				<u>(3,938,057)</u>
Profit before income tax				<u><u>3,691,687</u></u>
Segment information of assets and liabilities provided to the CODM for the assessment of performance of different segments:				
Total assets	21,845,244	14,509,505	–	36,354,749
Total liabilities	10,033,499	6,801,606	–	16,835,105
Items regularly provided to the CODM but not included in the measure of segment profit or segment assets and liabilities:				
Investments in associates	40,600	–	–	40,600
Increase in non-current assets (,,)	1,329,950	2,991,794	–	4,321,744
Net impairment losses on financial assets	37,554	18,825	–	56,379
Depreciation and amortization	<u><u>625,367</u></u>	<u><u>388,157</u></u>	<u><u>–</u></u>	<u><u>1,013,524</u></u>

- (i) Other revenue mainly represents lease income.
- (ii) Increase in non-current assets excluding long-term investments, goodwill, financial assets, deferred tax assets and other non-current assets.

(c) **Revenue**

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts. An analysis of the Group's revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue recognized under IFRS 15		
– Refrigeration and air-conditioning product components	18,565,510	16,560,605
– Automotive components	12,419,956	11,359,289
	<u>30,985,466</u>	<u>27,919,894</u>
Revenue recognized under other accounting standard		
– Rental income from investment properties	26,279	27,271
	<u>31,011,745</u>	<u>27,947,165</u>

5. **INCOME TAX EXPENSES**

	2025 RMB'000	2024 RMB'000
Current income tax	721,071	579,676
Under provision from prior year	31,457	8,763
Deferred income tax	<u>(15,461)</u>	<u>(8,478)</u>
	<u>737,067</u>	<u>579,961</u>

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

(a) **PRC corporate income tax**

During the years ended December 31, 2025 and 2024, certain subsidiaries of the Group have obtained High and New Technology Enterprises certification (“HNTe”) and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years. The entitlement of HNTe is renewable subject to conditions and assessment by tax authorities. Other subsidiaries established and operated in the PRC are subject to the PRC corporate income tax at the rate of 25%.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards without a specified expiry date) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction for research and development”).

(b) **US corporate income tax**

The applicable income tax rate of United States where the subsidiaries of the Group having significant operations for the year ended December 31, 2025 is 0%-10% and 21% (2024: 0% – 10% and 21%), which is a blended state and federal rate respectively.

(c) **Corporate income tax in other jurisdictions**

The income tax rates of the subsidiaries from other jurisdictions, including Germany, Singapore, Mexico and Japan, had been calculated on the estimated assessable profit for the years ended December 31, 2025 and 2024 at the respective rates ranged from 17% to 33% prevailing in the relevant jurisdictions.

(d) **OECD pillar two model rules**

The Group is within the scope of the Global Anti-Base Erosion (GloBE) model rules (hereinafter referred to as “**the Pillar Two model rules**”). The Group has temporarily exempted the recognition and disclosure of deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. As at December 31, 2025, Pillar Two legislation has been enacted or substantively enacted in 13 jurisdictions where the Group operates, and has taken effect for the 2025 financial year.

The Group has evaluated its potential exposure based on the financial performance information. According to the assessment result, the Group expects to benefit from the transitional Country-by-Country Reporting (CbCR) safe harbour in the above 13 jurisdictions where Pillar Two legislation has been enacted, with no immaterial top-up tax impact. The Group will continue to monitor relevant legislative developments in its operating jurisdictions to evaluate the potential future impact on its consolidated financial statements.

6. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Final dividends in respect of the previous year, declared and paid during the year (,)	932,420	926,626
Interim dividends in respect of current year, declared and paid during the year (,,)	<u>504,747</u>	<u>373,119</u>
Total	<u><u>1,437,167</u></u>	<u><u>1,299,745</u></u>

- (i) Final dividends attributable to owners of the Company in respect of 2024 and 2023 of RMB2.5 per 10 shares (tax inclusive) and RMB2.5 per 10 shares (tax inclusive), were approved by the shareholder in the Annual General Meeting, respectively.
- (ii) Interim dividends attributable to owners of the Company in respect of 2025 and 2024 of RMB1.2 per 10 shares (tax inclusive) and RMB1 per 10 shares (tax inclusive), were approved by the shareholder in the Extraordinary General Meeting of the Company, respectively.

7. EARNINGS PER SHARE

(a) Basic earnings per share (EPS)

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

	2025	2024
Profit attributable to ordinary shareholders of the Company (RMB'000)	4,062,892	3,099,165
Less: Dividends payable to expected vested restricted shares (RMB'000)	(11,624)	(6,254)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS (RMB'000)	4,051,268	3,092,911
Weighted average number of ordinary shares in issue (, ,)	3,947,748	3,698,716
Basic EPS (RMB , ,)	1.03	0.84

(b) Diluted earnings per share

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

	2025	2024
Profit attributable to ordinary shareholders of the Company (RMB'000)	4,062,892	3,099,165
Weighted average number of ordinary shares in issue (, ,)	3,947,748	3,698,716
Adjustments for potential shares arising from share schemes (, ,)	9,473	7,962
Weighted average number of ordinary shares used in calculating diluted EPS (, ,)	3,957,221	3,706,678
Diluted EPS (RMB , ,)	1.03	0.84

8. PROPERTY, PLANT AND EQUIPMENT

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Buildings	5,062,067	4,086,238
Freehold land	362,295	169,245
Machinery and equipment	6,391,560	5,540,560
Motor vehicles	24,878	21,140
Office equipment	194,727	146,517
Construction in progress	1,742,467	2,171,985
Leasehold improvement	142,815	138,873
	<u>13,920,809</u>	<u>12,274,558</u>

During the year ended December 31, 2025, additions to the Group's property, plant and equipment were RMB2,768,514,000 (2024: RMB3,936,269,000).

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost of revenue	899,705	666,906
Selling and marketing expenses	424	771
General and administrative expenses	125,526	128,951
Research and development expenses	61,393	52,038
	<u>1,087,048</u>	<u>848,666</u>

9. TRADE AND NOTES RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Notes receivables	3,639,996	2,685,890
Trade receivables	7,707,720	7,317,720
Less: credit loss allowance	<u>(354,522)</u>	<u>(375,273)</u>
	<u>10,993,194</u>	<u>9,628,337</u>

- (a) As at January 1, 2024, the carrying amounts of trade and notes receivables from contracts with customers is amounting to RMB8,570,366,000 (net of expected credit loss amounting to RMB319,535,000).
- (b) As at December 31, 2025, total notes receivables amounting to RMB3,639,996,000 (2024: RMB2,685,890,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All notes receivables held by the Group have a maturity period of less than one year.
- (c) The Group generally grants credit terms ranging from 60 to 120 days to the customers. The aging analysis of trade receivables based on revenue recognition date is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 year	7,693,369	7,281,933
1 to 2 years	10,846	26,881
2 to 3 years	1,769	8,523
Over 3 years	<u>1,736</u>	<u>383</u>
	<u>7,707,720</u>	<u>7,317,720</u>

- (d) As at December 31, 2025, trade receivables amounting to nil (2024: RMB84,120,000) were pledged for bank borrowings while notes receivables amounting to RMB2,436,746,000 (2024: RMB1,839,462,000) were pledged for bank acceptance notes (2024: bank acceptance notes and bank borrowings).

10. BORROWINGS

	2025 RMB'000	2024 RMB'000
Secured		
Bank loans	1,880,727	918,745
Unsecured		
Bank loans	1,857,507	3,174,000
Interest payables	4,278	6,794
Less: current-portion for long-term borrowings	(1,488,037)	(500,420)
Less: short-term borrowings	<u>(1,391,778)</u>	<u>(1,553,346)</u>
	<u>862,697</u>	<u>2,045,773</u>

- (a) As at December 31, 2025, the annual interest rate of short-term borrowings was ranged from 2.11% to 5.03% (2024: 2.15% to 5.21%).

As at December 31, 2025, the annual interest rate of long-term borrowings was ranged from 1.95% to 2.80% (2024: 2.62% to 2.92%).

- (b) As at December 31, 2025, guaranteed bank borrowings mainly included: borrowings with a principal equivalent to approximately RMB1,880,727,000 guaranteed by the Company.

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

- (c) As at December 31, 2025, the Group's borrowings were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	2,879,815	2,053,766
Between 1 and 2 years	862,697	1,396,236
Between 2 and 5 years	<u> </u>	<u>649,537</u>
	<u>3,742,512</u>	<u>4,099,539</u>

11. TRADE AND NOTES PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade payables	5,894,903	5,985,427
Notes payables	<u>4,294,306</u>	<u>3,791,835</u>
	<u>10,189,209</u>	<u>9,777,262</u>

- (a) As at December 31, 2025, trade payables include payables for constructions and equipment of RMB920,504,000 (2024: RMB1,147,490,000).
- (b) These relate to trade payables in which the Group has issued notes to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the notes. The Group continues to recognise these trade payables as the Group are obliged to make payments to the relevant banks on due dates of the notes, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these notes by the Group are included within operating cash flows based on the nature of the arrangements.

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 year	5,813,152	5,879,227
Over 1 year	<u>81,751</u>	<u>106,200</u>
	<u>5,894,903</u>	<u>5,985,427</u>

12. EVENTS AFTER THE REPORTING PERIOD

Distribution plan for final dividend

On March 23, 2026, the Directors of the Company proposed a final dividend of RMB2.8 per 10 ordinary shares (tax inclusive) payable to the shareholders of the Company for the year ended December 31, 2025. This proposed final dividend is not reflected as a dividend payable as of December 31, 2025, but will be recorded as a distribution of retained earnings for the subsequent period. The final dividend is subject to approval by the shareholders in the forthcoming Annual General Meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

Main Businesses

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

1. Refrigeration and air-conditioning product component business

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

2. *Automotive component business*

As a key player and pioneer in the NEV thermal management market, the Company has consistently led industry innovation and development through forward-looking strategic deployment, which establishes the Company as a leading supplier of thermal management system components in the global market. The Company specializes in offering comprehensive and reliable thermal management and control solutions for NEVs, and continuously providing energy-efficient, high-performance products for traditional fuel vehicles.

The Company actively invests in R&D for key technologies, covering strategic products such as electronic expansion valves, electronic water pumps, electronic water valves, brazed plate heat exchangers, and integrated modules, among others. These solutions comprehensively address diverse application scenarios including cabinet thermal management, battery thermal management and electrical/control system thermal management, enabling precise control and efficient synergies in overall vehicle thermal management. Currently, multiple products of the Company have entered the supply chains of most leading NEV manufacturers for mass production, demonstrating strong market competitiveness and customer recognition. With respect to manufacturing and technological innovation, the Company maintains a leading position within the industry. Continuous investment in development resources ensures a cycle of mass production, design, and conception of core product technologies of the Company.

II. PARTICULARS OF THE INDUSTRY IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD

(I) *Industry Development Status*

In 2025, the global landscape demonstrated new vitality amid ongoing adjustments. Against a backdrop of significant uncertainty arising from changes in the external environment, geopolitical conflicts, and supply chain volatility, the shared pursuit of resilience and security among global partners drove the continuous optimization of cooperation models and industrial ecosystems. At the same time, a new round of technological revolution and industrial transformation is undergoing in-depth development: accelerated application of AI has led to booming development of computing power and data center construction, directly driving investment demand in new infrastructure and green energy-saving sectors; in-depth integration of AI technology into corporate operations and management have effectively enhanced production efficiency and supply chain responsiveness through data-driven and intelligent decision-making capabilities. Against the backdrop of the global response to climate change, the technological and market potential of energy conservation and carbon reduction has been further unleashed, opening up new development opportunities for sustainable development. China's precise counter-cyclical adjustment policies, such as trade-in incentives, have stabilized domestic demand markets for household appliances and NEVs amid a complex environment, thereby strengthening the economy's inherent resilience. Overall, despite continuing challenges, the driving force of technological innovation and the global consensus on green transformation are injecting valuable certainty and development opportunities into the future global economy.

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

In 2025, extreme weather drove a growth in global demand for air conditioning, which unleashed potential in emerging markets. Increasingly stringent environmental and energy efficiency standards in North America and the EU continued to facilitate refrigerant replacement and system efficiency enhancement. The kitchen appliance segment had evolved toward integrated and intelligent development; the water heater segment faced demands for enhanced efficiency and energy structure adjustments; the vehicle refrigerator segment grew alongside expanding travel and mobile living scenarios; the commercial air-conditioning segment accelerated upgrades under green building regulations. Overall, demand for efficient, reliable thermal management capabilities continued to rise across all segments.

According to ChinaIOL, China's total production and sales of residential air-conditioning reached 198.39 million units in 2025, representing a slight year-on-year decline of 1.2%. Among those, domestic sales amounted to 105.21 million units, showing a slight year-on-year increase of 0.7%. In the second half of 2025, demand in the domestic household appliance market witnessed a decline following the withdrawal of state subsidy policies, leading to intensified market competition and escalating price wars in certain product categories. At the same time, the export market faced shipment pressures due to adjustments in overseas tariff policies and a growing trend towards localized production. Despite these challenges, the industry ultimately achieved a slight increase in overall revenue through proactive adjustments and optimization of product structure. Amid these challenges, enterprises are striving to adapt to the new market environment through technological innovation and efficiency enhancement. The restructuring of global supply chains is also driving the industry chains towards greater resilience.

According to ChinaIOL, the central air-conditioning sector recorded sales of RMB138.68 billion, exhibiting a pattern of "sluggish domestic performance and booming exports". Among which, the domestic sales amounted to RMB112.55 billion, down 7.4% year-on-year, while exports reached RMB26.14 billion, with a year-on-year growth of 12.7% against the trend. The domestic market faced significant pressure, particularly for small and medium-sized brands, due to a sluggish real estate market, weak demand for traditional engineering, and intensifying equipment price wars. The export market emerged as a crucial growth driver during this period of in-depth industry consolidation, driven by upgrades in the global data center industry, active expansion into emerging overseas markets of enterprises, enhancement in the performance of export products, and continuous advancement in localization efforts.

2. *Automotive component industry*

In 2025, the global automotive industry entered a phase of structural adjustment while advancing electrification. The growth rate of NEVs underwent a slowdown, yet the penetration rate maintained rapid expansion in emerging markets such as Southeast Asia and South America. The accelerated adoption of intelligent driving and high-performance in-vehicle electronic systems increased demands for thermal management systems and energy efficiency of vehicles, further highlighting the importance of battery safety and multi-condition adaptability. The EU's adjustment to the implementation rules on ban on the sale of fuel vehicles and the phase-out of federal tax credits for electric vehicles as stipulated in the U.S. "One Big and Beautiful Act" have presented market challenges. The global automotive industry is undergoing an adjustment towards a new stage of development. Despite varying pace of electrification across different markets, intensified competition has posed short-term challenges for structural optimization. However, the industry is commencing in-depth integration into the wave of intelligent transformation at an unprecedented pace. As advanced autonomous driving technologies enter the early stages of widespread adoption, cutting-edge trends such as "embodied AI" have emerged as new battlegrounds in technology competition around the world. The convergence of intelligent and electric technologies is paving the way for a brighter future of sustainable development in the global automotive industry.

According to MarkLines and the China Passenger Car Association, global NEV sales reached 22.62 million units in 2025, representing a 29.04% year-on-year increase compared to that in 2024 and accounting for 23.6% of total global vehicle sales. As the world's largest NEV market, China achieved annual NEV sales of 16.49 million units, representing a 28.2% year-on-year increase and accounting for 72.9% of annual global NEV sales in 2025, with new NEV sales accounting for 47.9% of total new vehicle sales.

(II) Industr Stats

The Company has established a strong presence in the thermal management components sector, with extensive technical expertise and widespread recognition from customers. It serves as a strategic partner to numerous refrigeration, air conditioning, appliances, and automotive companies around the world. The Company is committed to improving the energy efficiency of various end-use products, and is leading global transformation towards the development of energy-efficient and environmentally friendly products. After more than three decades of efforts, the Company has established a leading position in the global refrigeration products and automotive thermal management sectors, with various products ranking among the top in the global market.

III. ANALYSIS OF CORE COMPETITIVENESS

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

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

The Company has accumulated strong R&D capabilities and the ability for rapid product iteration and advancement. While consolidating its existing product advantages, the Company is also swiftly expanding into new industries, leveraging the synergies among various business segments. The Company is dedicated to establishing a globally competitive R&D system that encompasses all stages from initial concept to production. The robust technological foundation in valve and pump components related to thermal management enables the Company to swiftly adapt and apply technologies across various applications. Furthermore, the Company has ventured into the bionic robot electromechanical actuator market by capitalizing on its research and development and large-scale production capabilities. This allows the Company to offer competitive R&D solutions to customers, thereby establishing a new growth trajectory and bolstering customer loyalty. As at the end of the Reporting Period, the Company had six major R&D centers and 4,680 domestic and foreign licensed patents, including 2,560 licensed invention patents.

(II) Commitment to Lean Production and Efficient Resource Allocation

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

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

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

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

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

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

(I) Profound Industry and Management Experience, Progressive Values Concepts and Forward-thinking Leadership

The Company's management team is highly experienced in the thermal management industry, possessing extensive industry expertise, clear market insights and strong management capabilities. The founder, Mr. ZHANG Daocai, and the chairman, Mr. ZHANG Yabo, have been dedicated to the advanced manufacturing and thermal management industries. A significant majority of the core members of the Company's management team comprise individuals with technical backgrounds and extensive expertise who possess a keen awareness of technology and product iterations.

With respect to market consolidation and enhancement, the Company implemented regional sales targets, actively increased market share, deepened comprehensive cooperation with customers, and capitalized on iterations of valve products to boost profitability and market competitiveness. Meanwhile, the Company also advanced development in the data center sector. Centering on global data centers and computing power industries, it continuously tracked industry trends and changes in demand. In terms of product competitiveness, the Company prioritized new product R&D, established R&D projects, and continuously drove efficiency improvements. The Company advanced new product maturity management by focusing on quality issues, implemented quality digitalization, and launched an AI digital employee pilot program for precise efficiency improvement. At the same time, the Company leveraged digital empowerment to gradually evolve its information infrastructure from “system implementation” toward digital “efficiency enhancement and empowerment”.

2. *Automotive component business*

In 2025, through decisive strategic adjustments, the Company successfully evolved from “rapid market expansion” to “refined operations”.

In market and business development, the Company continued to expand operations across global regions. It achieved initial success in institutional construction, local talent cultivation, performance management, and cultural building at its overseas factories. By improving safety, compliance, inventory, delivery, expenses, and efficiency, it enhanced factory operational capabilities. In operations and management, the Company adhered to a “refined operations” strategy. Driven by ambitious targets, it focused on target cost achievement, integrated cost reduction, organizational optimization, and strong talent pool to fully advance cost reduction, efficiency improvement, and organizational optimization, thereby achieving profit growth. In terms of product and technology R&D, the Company continuously strengthened product competitiveness, continuously enhanced independent R&D capabilities, improved product quality, and accelerated digital-intelligent transformation and AI applications. The introduction of intelligent tools such as digital employees laid a solid foundation for sustainable business growth. Regarding supply chain and operational management, the Company built procurement management and global supply chain systems, developed overseas supply chains, and optimized procurement processes to achieve cost reduction in procurement. It standardized operational management to achieve operational optimization and efficiency enhancement.

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

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

OUTLOOK FOR THE COMPANY'S FUTURE DEVELOPMENT

(I) The Company's Development Strategy

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

(II) 2026 Business Plan

1. Refrigeration and air-conditioning product components business

Amid intensifying involution in the domestic market and global uncertainties, AI is undergoing rapid development as an era-defining opportunity. The Company will accelerate new product R&D and market deployment, accelerate internal reforms, and continuously enhance operational efficiency. We will consistently introduce new solutions tailored to emerging applications and scenarios, drive upgrades to existing products and business systems, and relentlessly strengthen our competitive edge. The Company will further commence quality-oriented initiatives to elevate overall quality management standards and consolidate management practices, while establishing an online learning platform to ensure the succession and replication of management expertise. The Company will continue to strengthen digital infrastructure, deepen AI exploration and application, and consolidate mature knowledge across sectors to build an AI knowledge base, enabling Q&A and data-driven inquiries to empower all employees. We will advance the deployment of digital employees and continuously expand their applications.

2. *Automotive components business*

The Company will continue to adhere to the operational principle of “refined operations and efficiency through management”, focus on customers, build product competitiveness, prioritize quality, strengthen risk control, and enhance global operations. We will remain committed to the core business of NEV thermal management. The Company will continuously enhance product competitiveness, and ensure technological leadership and market share. We will prioritize quality and risk management to guarantee the Company’s sustainable development; persist in innovation, focus on customers, expand markets, and carry out strategic deployment; leverage synergies, build resilience through global expansion, advance organizational optimization, process reforms, digital intelligence and AI applications, as well as strengthen data-driven decision-making.

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

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

(III) Major Risks in Future Development

1. Risk of raw material price fluctuations

The raw materials required for the Company's production, such as copper and aluminum, constitute a significant portion of product costs. Therefore, fluctuations in raw material market prices impose substantial cost pressures on the Company. The Company will mitigate the adverse effects of raw material price fluctuations on the Company by establishing a linked pricing mechanism, conducting commodity futures hedging operations, and promptly negotiating prices with customers.

2. Risk of sustained labor cost increases

The Company's labor costs have shown an upward trend annually, which has compressed profit margins to some extent. Moving forward, the Company will continuously enhance its intelligent manufacturing capabilities through the ongoing implementation of lean production, process improvements, and technological upgrades.

3. Trade and exchange rate risks

The Company maintains relatively substantial export volumes to regions including North America, Europe, Japan, and Southeast Asia. Changes in regional trade policies may exert an impact on daily operations of the Company. The Company mitigates regional trade risks through measures such as overseas capacity relocation. Exchange rate fluctuations will also have a certain impact on the Company's profitability. The Company mitigates and reduces foreign exchange risk through approaches such as forward exchange settlement and the establishment of overseas production bases based on actual circumstances. The Company possesses the supply chain capabilities focused on maximizing efficiency through global allocation in the past to the adaptability required for regional resource allocation and localization capabilities in response to the new requirements of fluctuating trade barrier measures at present.

FINANCIAL REVIEW

Revenue

In 2025, the Company adhered to sustainable and healthy development and achieved high-quality business growth. The revenue of the Group for the year was principally derived from (i) the sales of refrigeration and air-conditioning product components and (ii) the sales of automotive components. The total revenue of the Group reached RMB31,011.7 million, representing an increase of 11.0% as compared to the same period in 2024.

Revenue analysis by product and region

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

By product category:

	As of December 31, 2025		As of December 31, 2024	
	RMB'000	%	RMB'000	%
Refrigeration and air-conditioning product components	18,584,744	59.9	16,560,605	59.3
Automotive components	12,427,001	40.1	11,386,560	40.7
Total	<u>31,011,745</u>	<u>100.0</u>	<u>27,947,165</u>	<u>100.0</u>

For the year ended December 31, 2025, revenue from refrigeration and air-conditioning product components increased by 12.2% from RMB16,560.6 million for year ended December 31, 2024 to RMB18,584.7 million for the year ended December 31, 2025, due to the increase of sales, supported by the supporting policies promoting low energy consumption, which drove the iterative upgrading of air-conditioning products.

Revenue from automotive components increased by 9.1% from RMB11,386.6 million for year ended December 31, 2024 to RMB12,427.0 million for the year ended December 31, 2025, primarily driven by the strong performance of the NEVs market boosting demand for thermal management systems.

B. Revenue

	Year ended December 31, 2025		Year ended December 31, 2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
China	17,688,256	57.0	15,446,506	55.3
Other countries or regions	13,323,489	43.0	12,500,659	44.7
Total	<u>31,011,745</u>	<u>100.0</u>	<u>27,947,165</u>	<u>100.0</u>

The Group generated revenue from both China and overseas markets. For the year ended December 31, 2025, revenue from China and other countries or regions increased compared with last year, mainly due to the Group's continued penetration into the Chinese market and the ongoing expansion of its global presence.

Cost of Revenue

The cost of revenue of the Group in 2025 amounted to RMB22,205.1 million, representing an increase of 9.2% as compared to the same period in 2024, which was in line with the growth trend of revenue during the Reporting Period. The breakdown of the cost categorized by product category is set out below:

Cost of revenue analysis by product

	Year ended December 31, 2025		Year ended December 31, 2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Refrigeration and air-conditioning product components	13,283,267	59.8	12,078,850	59.4
Automotive components	8,921,797	40.2	8,247,496	40.6
Total	<u>22,205,064</u>	<u>100.0</u>	<u>20,326,346</u>	<u>100.0</u>

Gross profit and gross profit margin

For the year ended December 31, 2025, the gross profit margin of the Group was 28.4%, representing an increase of 1.1% from 27.3% for the year ended December 31, 2024, and the gross profit margin maintained steady growth. The breakdown of the gross profit categorized by product category is set out below:

Gross profit analysis by product

	Year ended December 31, 2025		Year ended December 31, 2024	
	RMB'000	%	RMB'000	%
Refrigeration and air-conditioning product components	5,301,477	60.2	4,481,755	58.8
Automotive components	3,505,204	39.8	3,139,064	41.2
Total	<u>8,806,681</u>	<u>100.0</u>	<u>7,620,819</u>	<u>100.0</u>

General and administrative expenses

For the year ended December 31, 2025, the general and administrative expenses of the Group amounted to RMB2,091.7 million, representing an increase of 7.4% from RMB1,946.8 million for the year ended December 31, 2024, mainly due to the increase in employee salaries for administrative personnel resulting from the Company's business expansion in 2025. It accounted for approximately 6.7% of the Group's revenue, remaining basically the same as compared to approximately 7.0% in 2024.

Selling and marketing expenses

For the year ended December 31, 2025, the selling and marketing expenses of the Group amounted to RMB751.5 million, representing an increase of 3.5% from RMB726.4 million for the year ended December 31, 2024, mainly due to the increase in business development expenses, warehousing and transportation expenses.

Research and development expenses

For the year ended December 31, 2025, the research and development expenses of the Group amounted to RMB1,374.1 million, representing an increase of 1.6% from RMB1,351.8 million for the year ended December 31, 2024, accounting for 4.4% of the Group's revenue of 2025. The increase in the Group's research and development expenses as compared to that in 2024 was mainly attributable to the Group's continuous efforts to deepen its focus on core businesses while steadily concentrating on emerging business areas, along with a corresponding increase in the R&D team and direct investments.

Net reversal of impairment losses/(net impairment losses) on financial assets

Net impairment losses on financial assets mainly included impairment losses from changes in the loss allowance for trade receivables and notes receivable at amortized cost, as well as impairment losses from changes in the loss allowance for other receivables. For the year ended December 31, 2025, the Group recorded a net reversal of impairment losses of RMB23.5 million, compared to a credit impairment loss of RMB56.4 million for the year ended December 31, 2024. The change was primarily attributable to a decrease in expected credit loss (ECL) rates resulting from an improvement in the aging structure.

Other income

The other income of the Group mainly included government grants, additional deduction for VAT, interest income and others. For the year ended December 31, 2025, the other income of the Group amounted to RMB410.6 million, representing an increase of RMB118.3 million from RMB292.3 million for the year ended December 31, 2024, mainly driven by increased government grants and VAT additional deductions for the year ended December 31, 2025.

Other losses, net

The Group's other losses primarily consists of net losses on disposal of financial instruments, fair value changes on derivative financial instruments, net foreign exchange differences, net losses on disposal of property, plant and equipment and other long-term assets, and others. The Group recorded other losses of approximately RMB187.3 million for the year ended December 31, 2025 as compared to approximately RMB83.8 million for the year ended December 31, 2024, primarily due to the net loss of foreign exchange, fair value loss on financial assets at fair value through profit or loss and recognition of disposal of financial instruments for the year ended December 31, 2025.

Income tax expense

For the year ended December 31, 2025, the Group's income tax expense was RMB737.1 million, representing an increase of RMB157.1 million from RMB580.0 million for the year ended December 31, 2024, which was mainly due to a further improvement in overall profitability for the year ended December 31, 2025.

During 2025, the effective tax rate was approximately 15.2%, representing a decrease of approximately 0.5% from approximately 15.7% in 2024.

Financial Position

The table below sets forth a summary of our consolidated statements of financial position for the years indicated:

	As at December 31, 2025 <i>RMB'000</i>	As at December 31, 2024 <i>RMB'000</i>
Total non-current assets	15,683,617	14,053,586
Total current assets	<u>33,722,514</u>	<u>22,301,163</u>
Total assets	49,406,131	36,354,749
Total non-current liabilities	2,000,662	3,201,801
Total current liabilities	<u>15,365,239</u>	<u>13,633,304</u>
Total liabilities	17,365,901	16,835,105
Equity attributable to owners of the Company	31,748,928	19,297,770
Net assets	<u><u>32,040,230</u></u>	<u><u>19,519,644</u></u>

The Group's total non-current assets increased from RMB14,053.6 million as of December 31, 2024 to RMB15,683.6 million as of December 31, 2025, primarily due to the increase in property, plant and equipment.

The Group's total current assets increased from RMB22,301.1 million as of December 31, 2024 to RMB33,722.5 million as of December 31, 2025, mainly due to higher cash and cash equivalents balances.

The Group's total non-current liabilities decreased from RMB3,201.8 million as of December 31, 2024 to RMB2,000.7 million as of December 31, 2025, primarily due to the reclassification of certain long-term borrowings due within one year to current liabilities.

The Group's total current liabilities increased from RMB13,633.3 million as of December 31, 2024 to RMB15,365.2 million as of December 31, 2025, mainly due to an increase in short-term borrowings and accrual and other payables.

The Group's net assets increased from RMB19,519.6 million as of December 31, 2024 to RMB32,040.2 million as of December 31, 2025, primarily driven by Hong Kong stock market financing and net profit growth.

Liquidity and Financial Resources

The total borrowings of the Group as at December 31, 2025, including all bank loans, amounted to approximately RMB3,742.5 million (December 31, 2024: RMB4,099.5 million). The repayment terms of the bank loans are as follows: approximately RMB2,879.8 million are due within one year, RMB862.7 million are due from the first to second year.

As at December 31, 2025, the Group recorded net current assets of approximately RMB18,357.3 million compared to approximately RMB8,667.9 million as at December 31, 2024. Our current ratio (namely current assets divided by current liabilities as at the relevant dates) increased from 1.6 as of December 31, 2024 to 2.2 as of December 31, 2025.

As at December 31, 2025, the Group's cash and cash equivalents amounted to approximately RMB12,487.2 million and the Group's cash and cash equivalents amounted to approximately RMB3,443.5 million as at December 31, 2024. The Group's cash and cash equivalents are mainly denominated in RMB, US\$, and EUR.

The Group's trade receivables turnover days were approximately 88 days in 2025, which were approximately 1 days longer than approximately 87 days in 2024. This was mainly due to the increase in the revenue contribution from customers with longer trade receivables cycles, partially offset by the Group's enhanced management and control of payback in 2025.

The Group's trade payables turnover days were approximately 98 days in 2025, representing an increase of approximately 4 days from approximately 94 days in 2024, mainly attributable to an increase in the proportion of suppliers with longer payment terms and the extended payment cycles upon active negotiations with suppliers based on the Group's growth in scale.

The Group's inventories turnover days were approximately 90 days in 2025, essentially in line with the 89 days recorded in 2024.

The Group is of the view that the favorable performance in sales, production, R&D, and a healthy cash reserve during 2025 have provided a solid guarantee for sustainable development in the future.

Capital Structure

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

The borrowings of the Group were mainly settled in RMB, while its cash and cash equivalents were mainly held in RMB, Euro, and U.S. dollars. The Group planned to maintain an appropriate portfolio of equity and debt during 2025 to ensure an effective capital structure. As at December 31, 2025, the Group's outstanding loans are predominantly RMB-denominated, with a portion in USD and Euro. Approximately 36.3% of these outstanding loans bear interest at fixed rates, and the remainder at floating rates.

The Group monitored the capital structure by asset-liability ratio (i.e. total debt divided by total assets and multiplied by 100%), with its policies to maintain financial stability and support the sustainable, healthy and rapid development of the Group's business. The asset-liability ratio of the Group as at December 31, 2025 was 35.1% (December 31, 2024: 46.3%). The decrease was mainly due to the inflow of funds raised from the Company's H-share listing and cash flow generated from operating activities during 2025. The Group maintained its financial stability amidst rapid business development.

Capital Expenditures

For the year ended December 31, 2025, the Group's capital expenditures amounted to RMB2,915.6 million representing a decrease of RMB1,406.1 million from RMB4,321.7 million for the year ended December 31, 2024. Capital expenditures primarily consist of expenditure on purchase of property, land and equipment (including right-of-use assets) and intangible assets. The Group's capital expenditures were primarily funded by cash flow generated from operating activities, proceeds from share issuance and bank borrowings.

Capital Commitments

The contracted commitments decreased from RMB1,525.9 million as of December 31, 2024 to RMB990.3 million as of December 31, 2025, primarily reflecting the Group's ongoing construction of factories and R&D center in Zhongshan, Hangzhou and overseas.

The authorized, but not contracted commitments decreased from RMB5,458.0 million as of December 31, 2024 to RMB5,321.7 million as of December 31, 2025, primarily reflecting the Group's ongoing construction plans of factories for automotive components, in particular, for NEVs, in Hangzhou, Shaoxing, Zhongshan and Mexico.

Charges on Assets

As at December 31, 2025, the Group had notes receivables of RMB3,639,996,000 and approximately RMB2,436,746,000 (December 31, 2024: RMB1,839,462,000) were pledged for bank acceptance notes for daily payment of goods.

Foreign Exchange Risk

The Company's operations are geographically diversified, with production bases and sales markets spanning major developed and developing countries and regions, including the United States, the European Union, Japan, India, and Mexico. Most of the Group's income and expenditure are settled in RMB and US dollars, exposing the Group to potential earnings volatility arising from fluctuations in exchange rates.

To mitigate this risk, the Group has implemented a comprehensive set of foreign exchange risk management strategies in accordance with its internal policies. The management closely monitors currency trends and dynamically adjusts the timing of export settlements. The Group also employs a "domestic guarantee, foreign loan" structure for overseas financing to naturally hedge foreign currency assets against liabilities, and utilises forward contracts and cross-currency swaps to lock in exchange rates for future cash flows. These measures collectively enable the Group to actively manage and control its foreign exchange exposure.

Contingent Liabilities

The Group may incur contingent liabilities arising from various claims or legal proceedings in the ordinary course of business. As of December 31, 2025, the Group did not have any significant contingent liabilities.

Material Investments Held

As at December 31, 2025, the Group did not hold any material investment, which refers to an investment with investment amounts in an investee company that accounted for 5% or more of the Group's total assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the 12 months ended December 31, 2025, the Group did not undertake any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Acquisitions of Capital Assets and Expected Sources of Funding

As at December 31, 2025, the Group had no other plans for material investments or acquisitions of capital assets.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company aims to implement high standards of corporate governance, which the Company believes is crucial to safeguard the interests of Shareholders. The Company has adopted the code provisions of the Corporate Governance Code as the basis for its corporate governance practices. During the period from the Listing Date until December 31, 2025, to the best knowledge of the Directors, except for the deviation from code provision of part 2 of the Corporate Governance Code below, the Company has complied with all applicable code provisions in the Corporate Governance Code.

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

Pursuant to code provision C.1.5 of part 2 of the Corporate Governance Code, independent non-executive Directors and other non-executive Directors should attend general meetings to gain and develop a comprehensive understanding of Shareholders' views. Due to work commitments, two non-executive Directors and three independent non-executive Directors of the Company were unable to attend the extraordinary general meeting held on August 21, 2025. However, the Board believes that such absences were reasonable and non-recurring. The absent non-executive Directors and independent non-executive Directors had all thoroughly reviewed the meeting documents in advance, fully understood the content of each resolution, and fulfilled their duties as directors by submitting written opinions. This temporary absence will not have any material adverse impact on the Company's corporate governance levels, the normal functioning of the Board, and daily business operations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and Supervisors. Having made specific enquiry of all the Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the provisions of the Model Code from the Listing Date until December 31, 2025. The Company

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of A Shares

The Company convened the 30th extraordinary meeting of the seventh session of the Board on December 30, 2024, at which the Resolution on the Repurchase of the Company's Shares was considered and approved. It was agreed that the Company may repurchase its Shares by self-owned funds and special loan funds for stock repurchase through centralized bidding transactions on the Shenzhen Stock Exchange for subsequent equity incentive plan or employee stock ownership plan. The repurchase price shall not exceed RMB36.00 per share, and the total amount of funds for the repurchase shall be no less than RMB300 million and no more than RMB600 million. The implementation period for this repurchase of Shares is within 12 months from the date on which the Board of the Company considers and approves the share repurchase plan.

The Company convened the 9th extraordinary meeting of the eighth session of the Board on October 17, 2025, at which the Resolution on the Adjustment of the Upper Limit of the Repurchase Price and Extension of the Implementation Period was considered and approved. It was agreed that the Company may adjust the upper limit of the repurchase price from RMB35.75 per share (due to the implementation of equity distribution in 2024, the upper limit of the repurchase price was adjusted from no more than RMB36.00 per share to no more than RMB35.75 per share) to RMB60.00 per share. In addition, the Company extended the implementation period for the repurchase by 2 months to February 28, 2026.

As of December 31, 2025, the repurchase of shares was completed. The Company held a total of 8,351,021 treasury A Shares.

During the Reporting Period, the Company repurchased an aggregate of 7,150,100 A Shares through centralized bidding transactions on the Shenzhen Stock Exchange, representing approximately 0.17% of the Company's total issued share capital as at December 31, 2025.

The monthly reports of the Company’s repurchase of A Shares through centralized bidding transactions on the Shenzhen Stock Exchange are as follows:

Table 1: Monthly Repurchase of A Shares through Centralized Bidding Transactions (Unit: RMB)				
Month of repurchase	Number of repurchase	Lowest trading price per share	Highest trading price per share	Total funds (including transaction fees)
March 2025	191,300	30.13	31.00	5,811,903.86
April 2025	1,315,500	22.69	23.85	30,159,622.00
October 2025	429,300	45.72	47.00	20,011,813.00
November 2025	1,128,600	42.73	46.88	50,005,083.00
December 2025	4,085,400	44.71	54.25	197,228,012.88

Repurchase and Cancellation of Restricted A Shares

The Company convened the 6th extraordinary meeting of the eighth session of the Board on July 30, 2025 and the first extraordinary general meeting of 2025 on August 21, 2025, at which the Resolution on the Repurchase and Cancellation of Certain Restricted Shares was considered and approved. Accordingly, the Company resolved to repurchase and cancel 912,000 restricted A Shares that had been granted to participants who no longer qualified (the “**Participants**”) and remained subject to lock-up restrictions. None of the Participants is a connected person of the Company.

During the Reporting Period, the Company repurchased and canceled a total of 912,000 restricted A Shares th

USE OF PROCEEDS

1. Use of Proceeds from the Listing of H Shares

The Company's H Shares were listed on the Main Board of the Stock Exchange on June 23, 2025. A total of 414,379,500 H Shares were initially issued in the Global Offering; subsequently, on July 23, 2025, the Company issued additional 62,156,900 H Shares under the Over-allotment Option. A total of 476,536,400 H Shares with a nominal value of RMB1.00 each were issued in the Global Offering (including the issue of H Shares pursuant to the Over-allotment Option as described in the Prospectus). The Offer Price was HK\$22.53 per H Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%). The total proceeds from the Global Offering of the Company amounted to approximately HK\$10,736.4 million, the net proceeds amounted to approximately HK\$10,570.1 million (RMB9,650.7 million) (adjusted after listing fees and exchanges rates).

The net proceeds from the Global Offering will be utilized in accordance with the plan disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, namely:

Item	Percentage of net proceeds	Net proceeds planned to be used (after the exercise of the Over-allotment Option) (RMB million)	Utilized amount as of December 31, 2025 (RMB million)	Unutilized net amount as of December 31, 2025 (RMB million)	Expected timeline of full utilization ⁽¹⁾
Used for continuous global R&D and innovation of product mix	30%	2,895.2	182.8	2,712.4	By the end of 2028
Used to expand and establish production facilities and increase the production automation level in China over the next three years	30%	2,895.2	688.1	2,207.1	By the end of 2028
Used to deepen global layout by expanding the Group's overseas production capabilities	25%	2,412.7	212.1	2,200.6	By the end of 2028
Used to enhance the Group's digital intelligence infrastructure	5%	482.5	16.7	465.8	By the end of 2028
Used as working capital and for general corporate uses	10%	965.1	965.1		

2. Use of Proceeds from A Shares Convertible Bonds

Pursuant to the Approval on the Public Offering of Convertible Corporate Bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd. (Zheng Jian Xu Ke [2021] No. 168) (《關於核准浙江三花智能控制股份有限公司公開發行可轉換公司債券的批覆》(證監許可[2021]168號)) issued by the China Securities Regulatory Commission, the Company publicly issued 30.0 million convertible corporate bonds (the “**Sanhua Convertible Bonds**”) in June 2021, each with a nominal value of RMB100. A total of RMB3,000 million was raised. After deducting the issuance expenses of RMB12.5 million, the net amount of proceeds was RMB2,987.5 million. The net amount of proceeds carried forward to the current fiscal year are RMB697.8 million.

During the Reporting Period, the Company used the net proceeds from the issuance of A Shares convertible bonds as described in the Prospectus for the Public Offering of Convertible Corporate Bonds of Zhejiang Sanhua Intelligent Controls Co., Ltd. As at December 31, 2025, the details of the use of proceeds are as follows:

Item	Total proceeds planned to be used (RMB 1,000,000)	Adjusted total proceeds planned to be used (RMB 1,000,000)	Utilized amount during the Reporting year (RMB 1,000,000)	Utilized amount as of December 31, 2025 (RMB 1,000,000)	Balance as of December 31, 2025 (RMB 1,000,000)	Expected time for using the total amount of utilized proceeds ⁽²⁾
Construction project for annual production of 65 million sets of commercial refrigeration and air-conditioning intelligent control components	1,487.0	1,487.0	39.9	1,254.2	N/A ⁽⁴⁾	83.374% (1,487.0)

Changes in Use of Proceeds from A Shares Convertible Bonds

On August 21, 2025, the Company convened the first extraordinary general meeting of 2025, at which the resolution on the conclusion of proceeds-funded projects and the investment of surplus proceeds into new projects and the permanent replenishment of working capital was considered and approved. According to the actual construction progress of the proceeds-funded projects and the Company's future development needs, the surplus funds of RMB295.73 million (balance in the special account on the date of fund transfer) from the "Technical Transformation Project for Annual Production of 50.5 Million Sets of High-Efficiency Energy-Saving Refrigeration and Air-Conditioning Control Components" of the Company was invested in the new proceeds-funded project, being the "Zhejiang Sanhua Intelligent Drive Future Industry Center Construction Project" by increasing capital in its subsidiary Zhejiang Sanhua Intelligent Drive Co., Ltd. (浙江三花智能驅動有限公司); the surplus funds of RMB307.43 million (balance in the special account on the date of fund transfer) from the "Construction Project for Annual Production of 65 Million Sets of Commercial Refrigeration Air-Conditioning Intelligent Control Components" of Zhejiang Sanhua Commercial Refrigeration Co., Ltd. shall be used to permanently replenish working capital for the Company's daily production and operation activities.

For details, please refer to the circular of the Company dated July 30, 2025, and the announcement dated August 21, 2025.

DIVIDEND

The 2025 annual profit distribution plan of the Company is proposed as follows: based on the total share capital of the Company on the record date for dividend distribution, the Company will distribute to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date for the dividend distribution a cash dividend of RMB2.8 (tax inclusive) for every 10 ordinary shares. The Company's A Shares in the Company's designated securities account for repurchase are not entitled to dividend distribution. As at the date of this announcement, the Company's total share capital is 4,208,013,935 shares, after deducting its 8,351,021 A Shares in the special account for repurchase, the total amount of cash dividends to be distributed is approximately RMB1,175.9 million, accounting for 28.9% of the net profit attributable to the owners of the parent company in the 2025 consolidated statements.

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

PUBLICATION OF 2025 ANNUAL RESULTS ANNOUNCEMENT AND 2025 ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<https://www.zjshc.com>). The annual report of the Company for the year ended December 31, 2025 will be published on the aforesaid websites in due course and dispatched to the Shareholders who requested the printed copy.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“A Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed in RMB and listed on the Shenzhen Stock Exchange (stock code: 002050)
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to “China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“Company” or “the Company”	Zhejiang Sanhua Intelligent Controls Co., Ltd. (浙江三花智能控制股份有限公司), a joint stock company established in the PRC with limited liability, the A Shares (stock code: 002050) and the H shares (stock code: 02050) of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars (stock code: 02050)
“Listing Date”	the date, being June 23, 2025, on which the H Shares are listed on the Stock Exchange and from which dealings in the H Shares are permitted on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated June 13, 2025
“Reporting Period”	from January 1, 2025 to December 31, 2025
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Share(s)”	A Shares and/or H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the former supervisor(s) of the Company

“U.S.”	The United States of America
“U.S. dollars”	United States dollars, the lawful currency of the U.S.
“%”	per cent

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

Hong Kong, March 23, 2026

Attest: _____, B. _____, () M. HANG _____, M. ANG
 D. _____, M. NI _____, M. CHEN _____, D. _____; () M. HANG
 S. _____, M. REN J. _____, D. _____; () M. BAO E. _____, M. SHI
 J. _____, M. PAN _____, M. GE J. _____, D. _____.